

# The state of housing in Malaysia

Issue is not availability but affordability

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There has been much discussion on the adequacy of current (affordable) housing supply and crucially, the lack of homeownership in Malaysia.

In terms of the former, statistics suggest that there is enough houses built in the country. Property developers have been churning out houses at a healthy rate over the years - in fact, more than keeping pace with population growth. **(See Chart 1)**

Consequently, over the last few decades, the average household size (persons per household) has declined steadily - from 5.22 in 1980 to just around 4 presently - underpinned by rising population, income levels and urbanisation. **(See Chart 2)**

That said, household size appears to have plateaued in the past few years. This is not surprising.

Our current household size is comparable to neighbouring Asian countries in similar stage of economic development **(see Chart 3)**. In other words, we do not expect this figure to drop substantially from hereon, at least not for the foreseeable future. China is a relative outlier in the region. Its comparatively low household size is due, in part, to the country's family planning (one child) policy.

Countries with smaller household size (< 3 persons per household) are mostly developed nations. This is due to myriad factors, including demographics

(aging versus young population), culture (there would be more multi-generational families under one roof in Asia) and crucially, income levels. Countries with higher GNI per capita have lower household sizes.

Malaysia's population growth is slowing - from a compounded annual growth rate (cagr) of 2.64% in 1980-1991 to 2.17% in 2000-2010. Going forward, annual population growth is forecasted to slow further, from 1.8% in 2010 to 0.8% in 2040.

In other words, the urgency for more houses will lessen. The household size in Malaysia could fall further as we move towards a high-income country status - but only in the long run.

Indeed, the rising number of unsold properties is supportive of the conclusion that there is no shortage of houses in the country. Total number of unsold residential properties has been rising since 2011, spiking sharply higher in 2016-2017 according to statistics from the National Property Information Centre (NAPIC) **(see Chart 4)**.

This is true for all price categories, including for houses below RM250,000, which turned higher in 2016 and 2017 after having fallen for six straight years since 2009. Rising unsold stock is especially evident for houses priced between RM250,000-RM500,000 and RM500,000-RM1 million - likely exacerbated by the March 2014 restriction on foreign buyers.

The situation of excess supply is particularly acute in Kuala Lumpur, Selangor, Johor and Pulau Pinang, albeit with a more nuanced difference in terms of price categories.

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