

Build more affordable homes

WHAT does “affordable homes” mean? What determines whether a house is affordable is the income of the targeted consumers.

According to Khazanah Research Institute and Bank Negara Malaysia, the signal of a well-functioning affordable home market is when the median price for the whole housing market is three times the gross annual household income.

Bank Negara would add that the monthly payment for the house should not be more than 30% of the income. Payments of more than 30% would be considered a burden for the consumer.

Based on the above criteria, Bank Negara would suggest that an affordable home in Malaysia based on the monthly median income of RM4,585 and the annual median income of RM55,020 is between RM165,000 and RM242,000.

So what is the current price of houses in Malaysia? Overall, prices are 4.4 times the median income. Zeroing in on the states, house price in Kuala Lumpur is 5.4 times the median income. In Pulau Pinang, it is 5.2 times, Johor 4.2 times and Selangor 4.0.

And despite Bank Negara’s assertion that the affordable home is priced at RM242,000, the real average price of houses in Kuala Lumpur is RM490,000, RM300,000 in Selangor, RM260,000 in Johor and RM295,000 in Pulau Pinang.

To put it simply, houses in Malaysia are simply not affordable!

As such, policies and programmes to encourage home ownership should be aimed at reducing the price of houses to the affordable range of between RM250,000 and RM300,000.

Yet, in 2014, only 21% of new housing launches were priced below RM250,000. There was a gross oversupply of houses priced above RM500,000 and under-supply of those below RM250,000.

Instead of putting into place policy interventions to reduce the price of houses, developers are putting pressure on the banks to give loans to buyers who cannot afford these homes. They want banks and Bank Negara to ease lending practices to make it easy for people to own properties. The principle seems to be not to build houses which consumers can afford but to build over-

priced houses and then put pressure on the lending institutions to give loans to the consumers, never mind the risks to the banks and the financial burden to consumers.

The Federation of Malaysian Consumers Associations (Fomca) is calling on the Government to ensure that priority is given to building homes that Malaysians can truly afford. The number of PRIMA homes being built is way below the demand from new households. The Government needs to intervene and regulate the private sector to supply more affordable homes. It also needs to

strengthen measures to eliminate speculation in the market which inflate home prices. Policy should be to make speculation expensive to protect first-time home buyers.

Housing is a basic right, and it is the Government’s responsibility to ensure that all Malaysians have access to affordable homes. The Government should also focus on promoting a thriving rental market so that renting becomes a viable option. Fomca also proposes that Government invests more in financial education for all consumers, especially young workers, to create awareness and build knowledge and skills on prudent financial management and making informed decisions in the market, including purchasing major assets such as houses.

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