

CHAPTER XIX

Housing

I. INTRODUCTION

1099. The fulfilment of housing needs is a major social objective of national development. The aim is to ensure that all Malaysians in particular the lower income groups, have access to adequate housing. The Third Malaysia Plan (TMP) emphasizes the provision of housing as an important component of the programmes to eradicate poverty. Alongside programmes for urban low-cost housing, equal emphasis will be accorded to improving rural living conditions through various public and private housing development schemes. Major land schemes throughout the country will continue to give particular emphasis to improved living conditions in the rural areas, whilst major regional development programmes will ensure orderly and systematic implementation of rural housing schemes throughout the country, especially in the less developed States.

1100. The thrust of the efforts of public housing programmes will be to bring housing within the means of the poor. Housing investment for middle and high income groups will continue to be largely met by private developers. The Government will exercise such supervision as may be necessary to ensure planned and orderly development of housing by the private sector.

II. THE HOUSING SITUATION

1101. According to the 1970 Population and Housing Census, there were 1.6 million private living quarters in Peninsular Malaysia of which approximately one-quarter were in urban areas, as shown in Table 19-1. The urban housing stock is generally of higher quality than the rural stock. It is estimated that only 2.1% of the urban stock needs replacement as against 6% in the rural areas.

TABLE 19-1

PENINSULAR MALAYSIA: HOUSING STOCK, 1970
(000)

<i>Sector</i>					<i>Unit</i>	<i>Percentage of total</i>	
Urban	...	...	...	...	375	...	23.4
Rural	...	...	...	...	1,226	...	76.6
Total					1,601	...	100.0

1102. The more immediate problem confronting urban areas is that of overcrowding resulting from both the natural increase of urban population and in-migration. The higher urban housing density of 7.07 persons per living quarters as compared to 5.34 persons per living quarters in rural areas is indicative of the extent of overcrowding and reflects the growing pressure on urban areas for the provision of adequate housing and basic amenities. In the absence of effective measures, housing problems in the urban areas will become more acute as urbanization continues. It is envisaged that by 1990, more than 42% of the total population of Peninsular Malaysia will be urban dwellers compared to only 29% in 1970, as shown in Table 19-2. With the development of new regional growth centres which will siphon-off in-migration into existing towns, the pressure on urban housing will be reduced. These regional growth centres will be designed to meet the desired housing targets, standards and settlement patterns.

TABLE 19-2

PENINSULAR MALAYSIA: URBAN POPULATION, 1970-90
(In million)

	1970	1975	1980	1990
Urban	2.63	3.32	4.15	6.36
Total	9.15	10.39	11.82	15.10
Urban as percentage of total	28.7	32.0	35.1	42.1

1103. The standards of housing and access to basic services are indicative of the quality of life in the urban and rural areas. As shown in Table 19-3, the proportion of rural households with access to basic amenities such as piped water, electricity and adequate sanitation facilities was much lower than that for urban households. However, there are wide disparities in housing standards and access to basic amenities within the urban areas as evident in squatter settlements and urban slums.

TABLE 19-3

PENINSULAR MALAYSIA: DISTRIBUTION OF HOUSEHOLD AMENITIES, 1970

<i>Strata</i>	<i>Percentage of households with piped water</i>	<i>Percentage of households with electricity</i>	<i>Percentage of households with adequate toilet facilities</i>	<i>Percentage of households with bathing facilities¹</i>	<i>Percentage of households with flush toilets</i>
Metropolitan	89.6	85.6	95.1	} 12.8	42.0
Urban large	71.4	79.6	84.6		
Urban small	61.5	68.1	83.4		
Rural	32.3	24.6	59.7	3.8	11.0
TOTAL	47.5	43.7	69.8	5.9	18.6

¹ Longbath or shower.

III. PROGRESS, 1971-75

1104. For the period under review, a total of 260,000 housing units was completed, of which the public sector constructed about 86,000 units with the remaining 174,000 units being accounted for by the private sector, as shown in Table 19-4. Although about 50% of the public sector housing programme constituted low-cost housing in the urban areas, in comparison, hardly 1.1% of the 64,900 units built by private developers can be considered low-cost.

TABLE 19-4

**PENINSULAR MALAYSIA: HOUSING PERFORMANCE, 1971-75
(units)**

<i>Public sector</i>	86,076
Public housing schemes (Ministry of Housing and Village Development ²)	13,244
Federal agencies housing projects	41,965
Federal institutional quarters	24,240
SEDC and other State projects	6,627
<i>Private sector</i>	173,734
Private developers	64,862
Co-operative societies and individuals	108,872
TOTAL	259,810

² Formerly the Ministry of Housing and New Villages.

1105. The Ministry of Housing and Village Development is responsible for the formulation of national housing policies and programmes and the co-ordination and monitoring of housing activities in both the public and private sectors. In extending loans to State Governments for low-cost housing schemes, the Ministry also complements the efforts of State Governments in the planning and implementation of low-cost schemes in the areas of greatest need.

1106. During the Second Malaysia Plan (SMP), 13,244 low-cost units were constructed throughout the country for a total sum of ~~\$234.8~~ million. Other Federal and State agencies also supplemented the public housing programmes of the Ministry. These included the Federal Land Development Authority (FELDA), Federal Land Consolidated and Rehabilitation Authority (FELCRA), the *Majlis Amanah Rakyat* (MARA), Urban Development Authority (UDA), the State Economic Development Corporations (SEDCs), the State Housing Commissions and the State Land Development Boards. FELDA spent about \$24.2 million on the provision of 15,877 timber housing units for settlers in its land settlement schemes. The SEDCs and UDA built low and medium-cost housing in the urban areas, the latter in joint-ventures with the private sector. To complement its efforts on housing, the Government also constructed institutional quarters which accounted for 18.7% of all public sector housing constructed during the SMP. The institutional quarters provided accommodation for certain categories of Government employees, including the industrial and manual groups. 80.5

1107. As envisaged in the SMP, private developers concentrated on the construction of houses for the middle and higher income groups in urban areas. Buoyed by growing effective demand for housing and the building and property boom during the first half of the SMP period, private developers accelerated their construction activities. The resultant acute shortages of building materials and skilled labour brought about a spiralling of prices of houses and an increase in rentals. A large proportion of the population was thus unable to purchase their own accommodation nor meet the increases in rentals. The lower income households were particularly affected in this regard. With the slow-down of the economy in late 1974, a decline in the effective demand for commercial housing was experienced leading to a curtailment in private sector building activities.

IV. PROGRAMMES, 1976-80

1108. Comprehensive programmes to provide adequate housing and accommodation for the lower income groups have been designed by the Government to meet the expanded need envisaged for the TMP period. While the Government will concentrate its efforts on low-cost housing, the supply of housing for the middle and higher income groups will continue to come from private developers. Increased joint-venture schemes will also be undertaken between the public and private sectors to accelerate the pace of low-cost housing construction.

1109. It is estimated that at least 515,000 units will be required for Peninsular Malaysia during the Plan period to cater for housing needs arising from new household formation, normal replacement and the backlog of 68,000 units from the SMP period. It is envisaged that both the public and private sectors will construct some 482,800 units during the Plan period, as shown in Table 19-5.

TABLE 19-5

**MALAYSIA: PUBLIC AND PRIVATE SECTOR
HOUSING PROGRAMMES, 1976-80**

(units)

<i>Public sector</i>	220,800
Public housing schemes	62,200
Federal agencies and regional development authorities public housing programmes	53,100
Institutional quarters and other staff accommodation ...	41,300
Sarawak and Sabah Land Development Boards, <i>Jabatan Orang Asli</i>	6,900
SEDCs commercial housing programme	1,300
SEDCs own-funded/joint-venture projects, other State projects, Government Officers' Housing Company and other minor housing programmes	56,000
<i>Private sector</i>	262,000
Private developers	100,000
Co-operative societies	12,000
Individuals and groups	150,000
TOTAL	482,800

1110. The public sector housing programmes which will constitute 45.7% of the total construction to be undertaken, are generally classified into three major types of schemes: public low-cost housing, institutional quarters and commercial housing. Of the 220,800 units to be constructed, more than 58.5% will be for the lower income groups.

1111. Low-cost housing will be built by the State Governments with Federal funds from the Ministry of Housing and Village Development. About 56,800 units will be built in Peninsular Malaysia, 1,800 units in Sabah and 3,500 units in Sarawak. In addition to the public low-cost housing programmes by the Ministry, a number of Federal agencies and regional development authorities will also be involved in providing low-cost housing. They are FELDA (33,500 units), FELCRA (1,600 units), the Pahang Tenggara Development Authority, DARA (9,200 units), Trengganu Tengah Development Authority, LKTT (3,000 units) and the Johor Tenggara Development Authority, LKJT (5,800 units). Together they will be build about 53,100

low-cost units and contribute towards the efforts of poverty eradication and improvement of rural life. Similarly, in Sabah and Sarawak, the respective land development boards will each construct about 4,000 units and 1,400 units, respectively.

1112. The public sector programme will also contribute to the provision of housing for employees of the Government and Public Authorities. Of the total of 41,300 units to be constructed for this purpose more than 70% will be to meet the needs of the personnel of the security forces and their families.

1113. In addition, the SEDCs will also undertake commercial housing through Federal Government loan financing as well as from other sources. Joint-venture projects between public sector authorities and private developers are also envisaged. Some 56,000 units are expected to be completed during the Plan period, including those to be built by the Government Officers' Housing Company Sdn. Bhd. The Selangor State Development Corporation alone is expected to construct some 22,900 units in Shah Alam, with private sector participation, at an estimated cost of \$442.2 million.

1114. The private sector, including licensed developers, co-operative societies, individuals and groups is expected to construct approximately 262,000 units or 54.3% of the total target for both the public and private sectors. Private developers alone will build some 100,000 units while individuals and groups are envisaged to contribute another 150,000 units. The bulk of the units to be constructed by individuals and groups is expected to be located in the rural areas or smaller towns where housing lots are relatively easier and cheaper to obtain and also near industrial areas where such housing units may be rented out to factory workers.

V. ISSUES AND PROBLEMS

1115. The experience of the SMP has brought to the fore a number of issues and problems which has influenced the scope and extent of national programmes for housing development in the country. The result of all these shortcomings has been the inability of the nation to meet the general effective demand for housing, particularly low-cost housing. Public and private investments, in this respect, have not been able to adequately respond to national needs. Whilst implementation capacity appears to be the core of the problem, this is aggravated by the fact that the housing programme so far undertaken has not been able to reach the low income masses of the population who are in dire need of housing facilities.

1116. These issues will receive the attention of the Government while implementing the national housing programme for the Plan period, particularly low-cost housing which, in the main, will feature prominently in

the strategy for the sector in the 1976-80 period. Other issues relating to improvements in implementation and capacity for orderly and adequate development are:—

- (i) *co-ordinating implementation* In view of the many State and Federal agencies responsible for housing development, *proper co-ordination* is necessary to ensure that every agency plays its role meaningfully and adequately in fulfilling national objectives. In this regard, the active and vigorous participation of the State Governments is of utmost importance. Housing, being a State subject, requires the States to assume positive roles in meeting the needs for low-cost housing in their own areas and to be accountable for shortfalls;
- (ii) *private sector role* Similarly, private developers will have to be more responsible to national social objectives and not merely economic gains. Checks will need to be instituted to keep prices within reasonable limits so that low and middle income buyers will have adequate access to private sector housing;
- (iii) *physical planning* Urban development planning will have an important role in housing development. Urban planning efforts will be geared to determining optimum housing densities and distribution in the large towns and cities which will minimize living costs in urban areas, taking into consideration the cost of land, transportation and the essential services. A basic issue is that of developing sprawling sub-urban housing as against high density housing development with their attendant benefits and costs;
- (iv) *workers' housing programme* Private industrialists would be encouraged to participate in workers' housing programme of their own to augment efforts of the public sector as well as to relieve critical shortages in their respective industrial estates. The provision of cheap and adequate accommodation for workers employed in modern, urban-based industries is important to promote the social well-being of the workers who are mostly rural youth; and
- (v) *supply and demand of building materials* The housing industry has to compete with the commercial and industrial sectors for limited building materials. This has caused building material prices such as cement, steel and tiles to increase markedly during the inflationary years of the SMP period. Special efforts will continue to be made to ensure that domestic production of building materials is expanded in line with demand.

1117. Determined public efforts to provide cheap and adequate accommodation for the people have not been lacking but the sheer magnitude of the task involved necessitates bold and imaginative innovations in the approach to the housing problem. To this end, the planning and implementation machinery at all levels of Government will be strengthened to be

responsive to the increasing demands for low-cost housing. Likewise, the private sector will also be required to assess and adjust to the situation and to take such measures as may be necessary to increase substantially their building capacity.

VI. HOUSING STRATEGY

1118. To meet the housing targets of the Plan, realistic measures will be taken by the Government in designing and implementing special programmes for the low income groups as well as ensuring effective participation by both the public and private sectors in sound housing development. The measures to be taken to attain the objectives of the Government's housing programmes are outlined in the following paragraphs.

Housing for the lowest income groups

1119. To enable the poorest sectors of the population in both the urban and rural areas to acquire proper housing, the main thrust of the Government's housing programme would be to provide inexpensive housing units and also improve sub-standard dwellings through the following means:—

- (i) joint efforts by the public and private sectors in the construction of low-cost units within the price range of \$5,000-\$7,000 each, with appropriate Government assistance;
- (ii) Sites and Services projects in urban areas as an immediate measure for the rehousing of squatter families. The projects will provide housing lots with basic housing shells. The inhabitants will accordingly complete the construction of their homes with Government loan facilities for the procurement of materials. The cost of each unit is estimated at \$3,900 for a 1,200 sq. ft. lot; and
- (iii) squatter improvement schemes through the provision of basic services and facilities within the neighbourhood.

Public low-cost housing

1120. Designed for the lower income groups, public low-cost housing programmes are undertaken by the State Governments under the supervision and co-ordination of the Ministry of Housing and Village Development. The Ministry provides direct financial assistance, technical expertise and guidelines on implementation. The creation of the National Housing Department within the Ministry will further strengthen the Ministry's capability in discharging its co-ordinating and supervisory functions for the States. For the programme to be effective, the full participation and co-operation by the States are essential. With the increased financial allocations being provided for the programme in the Plan, the implementation capacity of the States will be strengthened and expanded so as to meet their respective targets.

Greater use of timber for housing

1121. The use of timber in home construction has great potential. Recent amendments to existing by-laws as well as the willingness of insurance firms and commercial banks to provide loans for timber houses should stimulate a wider use of timber for building construction. As part of the effort to promote the use of timber and other local low-cost building materials, the Government will intensify its research endeavours at the development and wider use of appropriate building technology for the purpose.

Home ownership policy and promotional incentives

1122. The Government realizes that the benefits of housing should be widely enjoyed by the population irrespective of income, as accommodation is a basic necessity. To this end, the Government will strive to provide adequate accommodation for all Malaysians, particularly the lower income groups, through appropriate housing programmes and incentives for home ownership. Besides affording accommodation, these programmes will also aim at promoting national unity among different communities and social groups throughout the country.

1123. The Government also provides loans to its employees to finance the purchase of houses. An annual sum of \$100 million is allocated for the purpose. The Government Officers' Housing Company Sdn. Bhd. will undertake special projects for public employees earning below \$300 per month, which will include the provision of loans at subsidized interest rates. For the majority of households in the middle and higher income brackets, their housing needs will continue to be catered for by private developers. The Government will, however, assume strict supervision of private developers' activities to ensure conformity with the requirements of the Housing Developers (Control and Licensing) Act, 1966. It will also promote the development of financial arrangements to meet more directly the financial needs of the developers as well as end-purchasers.

1124. A major part of both bridging and end-financing for housing projects is provided by the commercial banks and the financial institutions, including borrowing companies, building societies, insurance companies, housing co-operatives and the Housing Loans Division of the Treasury. The growth in national savings expected during the 1976-80 period will generate a significant amount of such finance. This is envisaged to be about two and a half times more than that for the 1971-75 period growing from \$662 million to \$1.6 billion. In addition, new loans to be disbursed to individuals for housing are also expected to increase significantly by two-thirds to \$2.2 billion, compared with the \$1.3 billion disbursed during the 1971-75 period. Commercial banks and borrowing companies will continue to direct a minimum of 50% of net loans and advances for priority sectors and purposes, including individual home ownership schemes. In the endeavour of the Government to encourage home ownership, *Bank Negara Malaysia*

will continue to accord priority in its monetary policy to the extension of loans and advances by the commercial banking system for home ownership. An additional source of financing for rural housing would be the provision of mortgage loans by rural co-operative societies.

Measures to reduce costs and prices of houses

1125. Apart from adequate financing, another problem to be met in the provision of housing for the *rakyat* is the compelling need to effect cost reductions. At current prices, the cost of the cheapest form of urban housing ranges from \$7,700 to \$20,000 per unit as undertaken by the City Hall of Kuala Lumpur and private developers respectively. A three-room flat in a seventeen-storey structure costs the City Hall about \$12,000 whilst the Selangor State Development Corporation builds single-storey terrace houses at a cost of \$12,000 each. According to the 1973 Household Income and Expenditure Survey of the Department of Statistics, households on the average spend approximately 15% of their income in meeting accommodation costs. On the basis of the above costs, it is estimated that households earning less than \$400 per month or some 70% of the urban population cannot afford to purchase or rent most of the housing units at present constructed by the various agencies.

1126. Significant reductions in construction costs and the prices of houses are therefore imperative to bring housing within the means of a substantially large number of low income households. The cost of land, building materials and other elements in housing construction is generally subject to imperfections both institutional and economic. The removal of such imperfections can help to lower the costs and prices of dwelling units for which the following are relevant factors:

- (i) *land* The curbing of speculation in real estate transactions, facilitation of land conversion for residential use, speedy processing of building plans and modification of infrastructural and building standards to meet local needs;
- (ii) *building materials* Increased supplies of essential building materials to support rapid expansion of the construction industry;
- (iii) *labour* Expansion of the supply of semi-skilled and skilled construction workers; and
- (iv) *research* Stepped-up research into cost-reducing method of construction.

1127. The provision of housing for low income groups will require a pragmatic approach to be taken in the planning and design of houses which come within the income means of these groups. This will be achieved by encouraging higher density construction, reducing interior living space and economizing on the quality of finish and building materials without sacrificing reliability and durability. Through such measures, reductions of housing costs of up to 51% could be realized.

Rural housing

1128. While efforts will be made to provide low-cost housing and accommodation in the urban areas where overcrowding is most acute, programmes for improvements and additions to the rural housing stock will also continue to be implemented. In addition to the general provision of adequate basic amenities for rural households such as piped water, electrification and sanitation facilities, the construction of low-cost units will be accorded priority in the rural areas. In the case of estates, the Government will work in conjunction with estate management to effect needed improvements.

1129. Major improvements will be undertaken in the various regional development schemes designed to modernize and urbanize the rural countryside. The regional development strategies during the TMP period will ensure integrated development of new growth centres with their hinterland to not only provide income and employment but, through the possession of proper housing and other social amenities, to ensure their well-being.

Role of private developers

1130. A Private Sector Consultative Committee on Housing and Construction, comprising representatives from both the public and private sectors, has been formed to assist the Government in the formulation of appropriate programmes to deal with the housing problem, particularly with respect to the low income groups. Private developers who are expected to cater especially to the needs of the middle and higher income groups will be encouraged to participate in providing low-cost housing as well in joint-venture with public housing agencies. A housing company, *HDA Perumahan Bhd*, with the sole objective of undertaking private low-cost housing, had been formed by the Housing Developers' Association. The company, with appropriate assistance from relevant Government agencies, is expected to play a constructive role in the building of houses for the lowest income groups. In addition, private industrial enterprises will be encouraged to collaborate with the SEDCs in the provision of appropriate housing in industrial estates for their work force. Landowners, in particular the Malays and other indigenous people, with land near industrial estates can play a helpful role in this regard by undertaking housing development for rural migrant workers with such Government assistance as may be necessary.

VII. ALLOCATION FOR HOUSING DEVELOPMENT

1131. As shown in Table 19-6, a total of \$2.5 billion has been allocated under the TMP for public housing and staff quarters, a three-fold increase over the allocation for the SMP. The allocation for public housing exclusive of staff quarters amounts to \$1.7 billion, of which \$720 million or 42.6% is for the construction of some 129,400 low-cost units. The Ministry of Housing and Village Development has been provided with \$480 million for low-cost housing programmes to be undertaken by

State Government agencies—\$426 million in Peninsular Malaysia, \$35 million, Sarawak and \$18 million Sabah. The allocation also includes the provision of a \$10 million revolving fund intended for a complementary housing programme to meet the needs of rural migrant workers employed in industrial estates as well as housing construction for estate and mine workers. In addition, other Federal agencies and regional development authorities including FELDA, FELCRA, the Sarawak and Sabah Land Development Boards, DARA, LKTT and LKJT and the *Jabatan Orang Asli* have been allocated a total sum of \$184 million for the construction of about 60,000 low-cost units.

TABLE 19-6

MALAYSIA: PUBLIC DEVELOPMENT EXPENDITURE FOR HOUSING PROGRAMMES, 1976-80

(\$ million)

Public low-cost housing programme ³	480.0
Federal agencies and regional development authorities housing programmes	168.0
Institutional quarters and other staff accommodation	778.7
Sarawak and Sabah Land Development Boards, <i>Jabatan Orang Asli</i>	15.8
SEDCs commercial housing programme	26.3
SEDCs own fund/joint venture projects, other State projects, Government Officers' Housing Company and other programmes ...	998.8
Total ...	2,467.6

³ Includes the provision for SEDCs low-cost housing programmes of \$313 million.

1132. The allocation for staff quarters amounts to \$778.7 million for the construction of 41,300 units. Most of these units are intended for security personnel and Government staff in areas where living accommodation is not readily available.

1133. The Government will also be involved in commercial housing. A sum of \$26.3 million has been allocated to the SEDCs for the construction of 1,300 medium cost units. Besides the commercial housing programme, the SEDCs will also utilize their own or State Government funds to construct some 30,000 commercial housing units.