

# Providing Adequate and Quality Affordable House

## Strategy Paper

# 6

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## I. INTRODUCTION

6.1 Housing contributes significantly to socioeconomic development and the wellbeing of communities. It serves as a shelter and provides a vibrant living environment that will influence and shape human behaviour, productivity and development. During the Tenth Plan, efforts were geared towards providing high quality and environmentally sustainable housing, streamlining delivery system and cultivating a vibrant housing industry. Various housing programmes were implemented to provide affordable housing for both rural and urban communities in line with inclusive development objectives. The Eleventh Plan will continue to focus on the provision of affordable housing to meet increasing housing needs, particularly among the poor, low- and middle-income households.

## II. TENTH MALAYSIA PLAN, 2011-2015: PROGRESS

6.2 During the Tenth Plan, the Government implemented various housing programmes to provide sufficient and affordable housing for the poor as well as for the low- and middle-income households. These housing programmes were designed with sufficient and quality public amenities that contributed to safe, healthy and harmonious living environment.

### Providing Affordable and Quality Housing for the Poor

6.3 The *Program Bantuan Rumah* (PBR) was implemented to provide a comfortable home in the rural areas, particularly for hardcore poor households headed by elderly, single parent and disabled as well as households with larger number of dependents including *Orang Asli* in Peninsular Malaysia, and poor households in the rural and remote areas in Sabah and Sarawak. As of March 2015, 15,322 houses were built and another 41,346 houses were repaired.

### Housing Programmes for the Low- Income Households

6.4 The *Program Perumahan Rakyat* (PPR) was implemented to address the increasing demand for affordable housing among the low- income household, particularly in urban areas. The PPR was developed to provide comfortable houses with adequate infrastructure and basic amenities in suitable locations. As of March 2015, 23 projects with 12,025 houses were built and 63 projects with 27,087 houses were under various stages of development.

6.5 In addition, 32,948 houses were built under the *Rumah Mesra Rakyat 1Malaysia* (RMR1M) programme implemented by *Syarikat Perumahan Negara Berhad* (SPNB). Under this programme, the Government subsidised between RM15,000 and RM20,000 for the low-income households to build houses priced between RM45,000 to RM65,000 per unit on the land owned by the recipients.

6.6 To fulfil the housing requirement of second generation settlers, Federal Land Development Authority (FELDA) and FELCRA Berhad (FELCRA) developed houses to help this group own houses and improved quality of living. In 2013, FELDA allocated RM1.5 billion to build 20,000 units of affordable houses throughout the country within five years. As of March 2015, 8,570 houses were under various stages of development. Meanwhile, FELCRA has built 349 houses, while 850 houses were under various stages of development.

## Housing Programmes and Schemes for the Low- and Middle-Income Households

6.7 The *Perumahan Rakyat 1Malaysia* (PR1MA) programme was launched in 2011 to provide affordable homes to middle-income household in urban areas with monthly household income between RM2,500-RM10,000. As of March 2015, *Perbadanan PR1MA Malaysia* approved 119,933 homes for development nationwide, and 18,400 units are under construction. In addition, Rent-to-Own and 110% financing schemes were introduced in 2014 to assist PR1MA house buyers.

6.8 1Malaysia Civil Servants Housing (PPA1M) programme was launched in April 2013. The aim of PPA1M is to assist civil servants to own a house, particularly in major cities. As of March 2015, 13,539 units of PPA1M houses are being constructed.

6.9 *Rumah Wilayah Persekutuan* (RUMAWIP) comprising low-, low-medium and medium-cost housing priced between RM42,000-RM300,000 per unit was launched in April 2013 with the objective of providing housing to the residents of the Federal Territories. As of March 2015, 9,309 units were under construction.

6.10 *Skim Perumahan Mampu Milik Swasta* (MyHome) was launched in April 2014 to help the low-income households to own a house at affordable prices. The Government provides a subsidy of up to RM30,000 per unit to private developers to enable first-time buyers with a monthly household income of RM3,000 to own a house.

## Improve the Quality and Condition of the Low- and Medium-Cost Housing

6.11 The Government has initiated MyBeautiful Malaysia under the National Blue Ocean Strategy to improve the quality and condition of low- and medium- cost housing. The main components of MyBeautiful Malaysia are housing maintenance through the *Program Penyelenggaraan Perumahan (PPP)*, *Tabung Perumahan 1Malaysia (TP1M)* and maintenance of Government quarters. The scope of these programmes include major repairs and maintenance works such as repainting, replacement of lifts, water tanks and sanitary system for public low- cost housing, private low- and medium- cost housing and Government quarters.

6.12 The PPP was established in 2011 with an initial funding of RM500 million for the maintenance of public low- cost housing. As of March 2015, 197 housing projects benefited from this programme. In addition, the TP1M was introduced in April 2012 with an initial fund of RM180 million for the maintenance of private low- and medium-cost housing. As of January 2015, 193 projects consisting of 143 private low- cost and 50 private low-medium cost housing schemes benefited from this initiative. In 2015, the Government allocated RM105 million for the maintenance of Government quarters through the Ministry of Urban Wellbeing, Housing and Local Government (MHLG).

## Reviving Abandoned Private Housing Projects

6.13 In ensuring adequate supply of affordable housing to the low- and middle-income households, the Government also embarked on reviving abandoned private housing projects by providing assistance to housing developers. As of January 2015, a total of 25 abandoned private housing projects with 4,692 units were revived.

## Ensuring an Environmentally Sustainable Housing

6.14 During the Tenth Malaysia Plan, 167 amendments to the Uniform Building By-Laws, 1984 were undertaken to incorporate minimum specifications in ensuring the provision of quality affordable homes. In addition, The Strata Management Act, 2013 (Act 757) was enacted in February 2013 to substitute the Building and Common Property (Maintenance and Management) Act, 2007 (Act 663). It was enforced together with the amendments of the Strata Title Act (Act 318) to increase the efficiency of residential strata management and ensure quality of affordable housing.

6.15 The National Landscape Policy was formulated in 2011 to strengthen and improve the quality of landscape in line with the vision to promote green neighbourhood and the aspiration to become a Beautiful Garden Nation. To achieve the aspiration of a Beautiful Garden Nation, adequate landscape spaces were provided for recreational activities and social interaction. From 2011 to 2014, 25 public parks were built and another 22 were in various stages of development. In an effort to create a more liveable environment for senior citizens, two guidelines on public recreation development in housing projects were formulated, namely the Open Space and Recreation Guidelines and the Physical Planning Guidelines for Senior Citizens.

6.16 The Green Neighbourhood Planning Guidelines were formulated in 2013 to promote green lifestyle and green housing development schemes. These guidelines were adopted by the states to guide local authorities, government agencies, developers and the public towards green housing and sustainable development. Apart from that, five green neighbourhood guidelines on pedestrian walkways, bicycle paths, rain water harvesting systems, composting of waste and community gardens were also issued as reference for the local authorities and the public.

### Promoting House Ownership

6.17 Several financing schemes such as the My First Home Scheme, Youth Housing Scheme and MyHome were introduced to provide opportunities to the low- and middle-income households to own a house. The My First Home Scheme was introduced in 2011 to assist youth earning RM5,000 per month or less to obtain 100% financing from banks to purchase their first home. To enable them to own a home without having to pay 10% down payment, Cagamas SRP Berhad provides a guarantee to banks for financing above 90% of the cost of the house. The Government allocated RM50 million for this scheme and as of February 2015, 1,193 youth benefited from the scheme.

6.18 In 2015, the Youth Housing Scheme was introduced for youth with household income not exceeding RM10,000 to own a house. The scheme offers funding for the purchase of a first home costing less than RM500,000.

### Protection of Home Buyers

6.19 The Housing Development (Control and Licensing) Act, 1996 (Act 118) was amended in December 2011 and gazetted in February 2012 to improve protection of home buyers. The amendment provides an avenue to charge developers who fail to complete their housing projects. In addition, the Government also promoted the Build-Then-Sell concept to protect the house buyers and reduce the incidence of abandoned housing projects.

## Strengthen the Coordination and Implementation of Affordable Housing Programmes

6.20 The National Housing Council (NHC) was established in 2014 to develop strategies and action plans, coordinate legal aspects and property price mechanism in ensuring the provision of affordable and quality homes. To support the functions of the NHC, the National Housing Committee was established.

### III. ISSUES AND CHALLENGES

6.21 The issues and challenges relating to the provision of housing are mismatch in demand and supply for affordable housing, escalating house prices in major cities, lack of integrated planning and implementation, poor maintenance of public housing and insufficient amenities.

#### Mismatch in Demand and Supply for Affordable Housing

6.22 There is still a demand and supply gap of affordable housing due to socioeconomic changes, urbanization and evolving population structures. Based on the Household Income and Expenditure Survey (HIES), 2014, about 66.1% of the bottom 40% of household income (B40) in urban areas living in owner occupied houses and 30.6% living in rented houses. Significant proportion of urban households lived in over-crowded houses with an average of more than two persons in every room.

6.23 There is inadequate supply of affordable housing, particularly for the low-and lower-middle income households in urban areas. In 2014, there were 63,662 households living in squatter areas involving 273,381 inhabitants, where the majority were in Sabah, Sarawak, Johor and Penang.

#### Escalating House Prices in Major Cities

6.24 The affordability of housing is a major public concern as expenditure on housing represents the third largest expenditure item of average households. The housing affordability index shows that house prices in most major cities in Malaysia are more than three times the annual median income of households. The World Bank Affordability Index, 2012 shows that households in all states, except Terengganu and Kelantan, cannot afford to buy houses as prices have exceeded three times the annual household income.

6.25 Since the fourth quarter of 2011, the residential property prices recorded a quarterly price increase of above 10%. In Kuala Lumpur, the growth of house prices peaked at 18% in the first quarter of 2012 compared to its historical average of 4.3% during 2001-2009. This was primarily driven by rapid urbanisation, demographic change and property speculation which caused a surge in housing demand. The increase in house prices attracted high end property development at the expense of affordable housing. This resulted in the shortage of affordable housing which turned many to the secondary market further driving up prices of existing houses in the low-and middle price segments.

6.26 The rapid increase in house prices in general is due to factors such as increasing price of land and construction material, higher labour cost and speculative activities. The situation was further compounded by the insufficient data and comprehensive information that existed within the targeting and delivery system for affordable housing.

### **Lack of Integrated Planning and Implementation**

6.27 There are multiple authorities involved in developing affordable housing for different target groups. The key agencies involved are the MHLG, Ministry of Rural and Regional Development, Ministry of Agriculture and Agro-based Industry, *Perbadanan PR1MA Malaysia* and SPNB. Improved coordination among these agencies is required to encourage provision of an affordable housing. In addition, the lack of an integrated database on housing supply and demand has hampered planning and implementation of affordable housing programmes.

### **Poor Maintenance of Public Housing**

6.28 One of the main issues in executing the Housing Maintenance Programme is financial constraints faced by the state governments and agencies to undertake major repairs of their public low-cost housing. The collection of maintenance funds from the residents is insufficient due to low rental rate, unpaid or uncollected rents. As a result, local authorities have been saddled with the maintenance of public housing. Acts of vandalism and irresponsible behaviour have also affected the quality of housing facilities and increased their maintenance costs.

6.29 Meanwhile, for private low-cost housing, the financial constraints faced by the Joint Management Body or Management Corporation resulted in their failure to meet the 10% requirement to qualify for the matching grant provided under the TP1M Programme.



## Insufficient Amenities

6.30 Several public housing projects in the suburbs were insufficiently equipped with basic amenities such as schools, clinics, and public transportation. HIES 2014 indicated about 10.3%<sup>1</sup> of Malaysian household lack accessibility to health services. The lack of accessibility to health services in the urban areas was about 10.8% while in rural areas was 8.7%. About 6.6% of the urban households do not have access to garbage collection services that can pose health hazards to the *rakyat*.

## IV. ELEVENTH MALAYSIA PLAN, 2016-2020: WAY FORWARD

6.31 The Government will continue to play a strategic role in creating an enabling environment to promote private sector participation in the development of affordable homes. In line with inclusive development objective, the Eleventh Plan will focus on increasing affordability and accessibility of low- and middle-income households; strengthening the management and delivery of public housing programmes; as well as promoting efficient and sustainable housing industry.

### Target

6.32 Target for public affordable housing under the various programmes during the Plan period is shown in *Exhibit 6-1*.

*Exhibit 6-1*  
Targets for Public Affordable Housing during The Eleventh Plan

| Programme    | Housing Unit   |
|--------------|----------------|
| PBR          | 47,000         |
| PPR          | 50,000         |
| PR1MA        | 380,000        |
| PPA1M        | 88,000         |
| RMR1M        | 55,000         |
| RUMAWIP      | 33,000         |
| <b>Total</b> | <b>653,000</b> |

<sup>1</sup> Distance of household to health facility is more than 5 kilometer and no mobile health facility is provided.

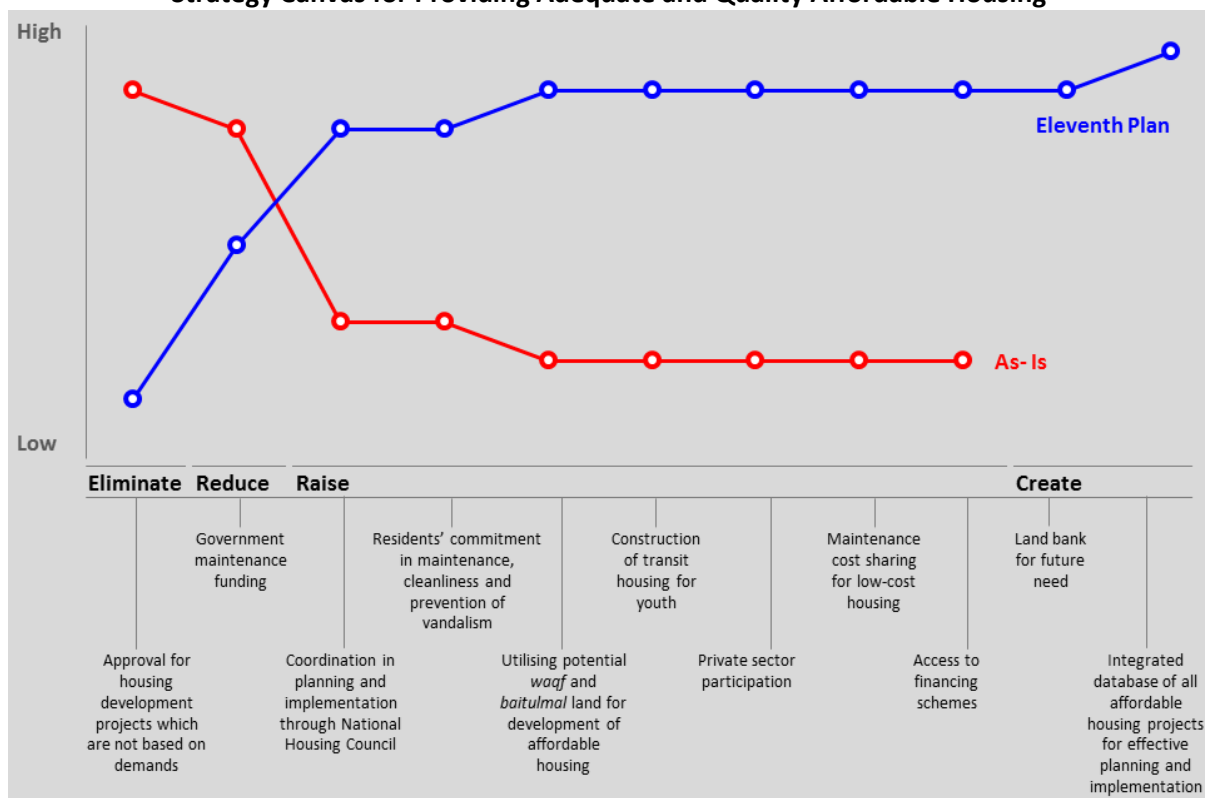
## Strategies

6.33 During the Eleventh Plan, efforts to provide quality affordable housing will be focused on strategic initiatives as shown in *Exhibit 6-2*. The eleven factors will be incorporated into three main strategies as follows:

- Increasing access to affordable housing for targeted groups
- Strengthening planning and implementation for better management of public housing
- Encouraging environment-friendly facilities for enhanced liveability

Exhibit 6-2

Strategy Canvas for Providing Adequate and Quality Affordable Housing



## Increasing Access to Affordable Housing for Targeted Groups

6.34 The Government will continue to play a major role in ensuring quality affordable housing to the *rakyat* by continuing existing programmes, providing financing facilities, expanding rental and Rent-to-Own housing programmes and enhancing the role of private sectors.

### ***Continuation of Existing Programmes***

6.35 Existing programmes to deliver affordable houses will be continued as follows:

- The PBR programme will continue to be implemented based on the need-basis to build, refurbish and repair dilapidated houses and improve living conditions of the poor particularly among the hardcore poor households in rural areas. Priority will be given to the poor with larger households members as well as households with disabled and elderly members. New houses will be provided with emphasis for the deserving hardcore poor households while the dilapidated houses will be improved for the poor households
- Affordable housing programmes for the low- and middle-income groups in urban areas and suburbs such as PPR, RMR1M, PR1MA and PPA1M will continue to be implemented based on the needs. In addition, state government will be encouraged to provide affordable housing to increase supply. FELDA and FELCRA will continue to build affordable housing with the necessary infrastructure to ensure the second generation of settlers will own houses
- State governments will be encouraged to enforce the quota system to meet the specific needs of target groups in specific locations for housing projects by the private sector
- The National Housing Department (NHD) will coordinate the implementation of all affordable housing programmes to ensure adequate supply

### ***Financing Facilities for Affordable Housing***

6.36 The Government will continue to provide innovative financing facilities and subsidy for the low- and middle-income households to purchase affordable houses. For first time buyers, the Government will continue to provide special financing schemes under the My First Home Scheme. The Inter Generation Home Loan Scheme that provides financing for 41 to 70 years will be continued. The loan servicing can be passed to the next generation. This scheme will enable the *rakyat* of all ages to have an opportunity to own a house. The MyHome Scheme will continue to provide opportunities for the low-and middle-income households to purchase a house from private developers. In addition, the Youth Housing Scheme introduced in 2015 will be continued.

### ***Rent-to-Own Housing Programme***

6.37 The Government will expand the implementation of Rent-to-Own Housing programme to provide homes for the low-income households. This programme will enable the low-income households to rent and have the option to purchase the house within stipulated

rental period. The delivery and monitoring mechanism will be streamlined to ensure that only those who are qualified will benefit from this programme.

### ***Housing through Rental Schemes***

6.38 The Government will continue to build more houses for rent under PPR, especially in major cities and specific locations, to ensure sufficient and continuous availability of affordable housing. Applications and tenancy conditions will be streamlined to minimise mismatch and eliminate renting out to third parties. An exit policy will be imposed on tenants to ensure that more people will benefit from this scheme.

6.39 The transit housing programme will be continued in urban areas for youth including those engaged in the informal sector. This programme is open to young married couples and single youth particularly to those living in overcrowded houses.

### ***Providing Adequate Infrastructure and Amenities***

6.40 Affordable housing projects will be provided with sufficient infrastructure, basic amenities and recreational facilities for a modern living environment. As land in urban areas is limited and more expensive, affordable houses will be developed in peri-urban areas with access to public transport and schools, clinics and commercial hubs.

### ***Enhancing the Role of Private Sector in Providing Affordable Housing***

6.41 The private sector will be encouraged to play a larger role in the development of affordable housing, particularly to meet the demand of the low- and middle-income households. In line with this, public private partnership concept will continue to be promoted in the development of affordable housing programmes. The state government and local authorities will facilitate the development of affordable housing projects in their respective states and localities.

## **Strengthening planning and implementation for better management of public housing**

6.42 To strengthen planning and implementation for better management of affordable public housing, three measures will be implemented, namely establishment of land bank, strengthen the management and delivery system and identification of potential waqf land.

### ***Establishing Land Bank for Affordable Housing***

6.43 The Government will establish land bank through the Department of Director General of Lands and Mines (JKPTG) to cater for future needs of affordable housing, particularly in urban areas. To achieve this objective, JKPTG will work closely with state governments for the provision of suitable land for current and future development of affordable housing.

### ***Strengthening the Management and Delivery of Affordable Housing***

6.44 Efforts will be intensified to improve the planning and delivery of affordable housing. The role of NHD will be strengthened in planning, coordinating and monitoring affordable housing programme across ministries, agencies and private sector. To facilitate this, an integrated database on housing will be established to ensure housing supply matches the needs according to the location, price and target group.

### ***Utilising Potential Waqf and Baitulmal Land for Affordable Housing***

6.45 *Waqf* land is an inalienable religious endowment in which a plot of land is entrusted by the landowner as a donation. The land can be used for charitable or income-generating purposes to be distributed to the beneficiaries. Currently, it is estimated that there are 30,889 hectares of *waqf* land available all over Malaysia. NHD will collaborate with the respective state Islamic religious councils to identify suitable *waqf* land that can be used for the development of affordable housing, including baitulmal land.

## **Encouraging environment-friendly facilities for enhanced liveability**

6.46 To create liveable housing environment to the *rakyat*, housing units for specific target groups with appropriate facilities will be provided and maintenance culture will be promoted.

### ***Providing Housing Units for Special Target Groups with Appropriate Facilities***

6.47 The ability to own a house will have a significant impact on special target groups such as persons with disabilities, elderly and single mothers. The provisions of housing to special target groups are to ensure improvement in their quality of life. In this regard, emphasis will be given to the accessibility of public facilities, location, design and quality and affordability of the target groups. The guideline on the 1% allocation of public housing

projects for the disabled will be implemented nationwide. Priority will also be given to elderly and single mothers. The 1Malaysia Youth City will also consists housing for youth.

### ***Promoting Maintenance Culture for Liveable Environment***

6.48 Management and maintenance of public housing as well as a conducive environment are key factors for creating a liveable housing. The review of rental rates will ensure that sufficient funds are collected to pay for the management and maintenance. In addition, a systematic rental collection system and an exit policy for non-paying tenants will be strictly enforced.

6.49 Local leaders will be encouraged to collaborate with non-governmental organisations and civil society to organise awareness programmes to the local community on the responsibility to pay rent, preventing vandalism and ensuring maintenance of facilities. Residents will collaborate with the police and local authorities in the prevention of crime and vandalism in the neighbourhood.

6.50 Existing initiatives under the My Beautiful Neighbourhood and MyBeautiful Malaysia will be continued to sustain comfortable environment for living and nurture cleanliness. In addition, construction of affordable housing will adopt environment-friendly elements towards sustainable development.

## **V. CONCLUSION**

6.51 During the Eleventh Plan, priority will be given to the provision of adequate and quality affordable housing for Malaysians. Affordable housing will be enhanced through the provision of financing facilities, availability of suitable land and provision of environment-friendly facilities and infrastructure. An integrated database on housing will be developed to ensure housing supply matches the needs according to the location, price and target group. Coordination in the planning and implementation of affordable housing development will be improved by strengthening the role of the NHD. The private sector will encouraged to develop public housing through public private partnership.