

**THE ASSESSMENT OF PUBLIC ABILITY TO
PURCHASE RESIDENTIAL PROPERTIES BY DISTRICT
IN MELAKA**

BY

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**A thesis submitted in fulfilment of requirement for the
degree of Master of Science (Built Environment)**

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ABSTRACT

Many people seek to own a house and having a comfortable house is the main objective for most. According to the 10th Malaysia Plan, the focus of housing development in Malaysia is to provide adequate housing to ensure access to homeownership with complete public amenities and good recreational facilities within the neighbourhood for a better living. This corresponds with the National Housing Policy 2018-2025, which ensures the provision of quality housing for all and to improve the accessibility and affordability of homeownership. The Khazanah Research Institute (2015), reported the percentage of homeownership in Malaysia in 2011 was 72.5%, while Melaka constitutes as one of the highest homeownership states in Malaysia with 84.4%. According to the Gross Domestic Product, housing constructions in Malaysia had contributed 4.9 % in 2010 and this increased to 5.0 % in 2017 (DOSM, 2017). Hence, this study will assess the public's ability to purchase residential properties by districts in Melaka. The research objectives of this study are: a) to analyse people's ability to buy residential property, b) to analyse the housing affordability index for three districts in Melaka, c) to analyse the sociodemographic with homeownership ability and d) to propose recommendations for improving the ability of homeownership. A total sample of 400 were selected using stratified random sampling. The study applies various analysis methods such as simple descriptive analysis, relative information index (RII), chi-square, and Pearson correlation analyses. The analysis found that the level of affordability in Melaka by districts improved over the studied year for 2012 (3.4), 2014 (3.0), and 2016 (3.1), from seriously unaffordable to become more affordable. Furthermore, the analysis found that by using RII analysis methods, the criteria in the provision of affordable housing were scored and ranked accordingly as follows: housing price (RII: 0.90), followed by the security (RII:0.89), access to the public facility (RII: 0.88), distance from the working area (RII: 0.88) and location of the house (RII: 0.87). Therefore, several measures were proposed to improve the provision of affordable housing programs such as setting up a comprehensive guideline for the authority and developers which include feasibility and market studies, strategic location, high accessibility to public facilities and amenities as well as good infrastructure provisions.

خلاصة البحث

كثير من الناس يسعون لامتلاك منزل والحصول على منزل مريح وهو الهدف الرئيسي لمعظم الناس. وفقًا للخطة المالىزية العاشرة، فإن تركيز تطوير الإسكان في ماليزيا يتمحور حول توفير السكن الملائم لضمان الوصول إلى ملكية المنزل مع تسهيلات عامة كاملة وتسهيلات ترفيهية جيدة داخل الحي السكني من أجل توفير حياة أفضل. وهذا يتوافق مع السياسة الوطنية للإسكان 2018-2025، والتي تضمن توفير سكن عالي الجودة للجميع وتحسين إمكانية الحصول على ملكية المنزل والقدرة على تحمل تكاليفها. لقد أفاد معهد أبحاث الخزانة (2015)، أن نسبة ملكية المنازل في ماليزيا في عام 2011 كانت 72.5٪، وتشكل ولاية ملاكا لوحدها من أعلى ولايات تملك المنازل في ماليزيا بنسبة 84.4٪. حيث ساهم الناتج المحلي الإجمالي للإنشاءات السكنية بنسبة 4.9 ٪ في عام 2010 ويزيد إلى 5.0 ٪ في عام 2017 (DOSM، 2017). وبالتالي، ستقوم الدراسة بتقييم قدرة الناس على شراء العقارات السكنية في أحياء ولاية ملاكا. ومن أهداف هذا البحث: (أ) تحليل قدرة الناس على شراء العقارات السكنية، (ب) تحليل مؤشر القدرة على تحمل تكاليف السكن لثلاث محافظات في ولاية ملاكا، (ج) تحليل الخصائص الاجتماعية والديموغرافية مع القدرة على امتلاك المنازل، (د) اقتراح توصيات لتحسين قدرة ملكية البيوت. تم اختيار 400 عينة باستخدام طريقة العشوائية الطبقية. وتطبق الدراسة طرق تحليل مختلفة مثل التحليل الوصفي البسيط، ومؤشر المعلومات النسبية (RII)، واختبار كاي تربيع (Chi-Square) وتحليل ارتباط بيرسون. لقد وجد التحليل أن مستوى القدرة على تحمل التكاليف في ولاية ملاكا حسب المناطق تحسنت خلال الأعوام المدروسة لعام 2012 (3.4)، و2014 (3.0) و2016 (3.1)، من تكلفة لا يمكن تحملها بشكل ملحوظ لتصبح أكثرها امتلاكًا بأسعار معقولة. علاوة على ذلك، وجد التحليل أنه باستخدام طرق تحليل RII، يتم تصنيف معايير توفير الإسكان الميسور على النحو التالي: سعر السكن (RII: 0.90)، ويليه الأمن (RII: 0.89)، والوصول إلى التسهيلات العامة (RII: 0.88)، والمسافة من منطقة العمل (RII: 0.88) وموقع المنزل (RII: 0.87). لذلك، وبناءً على النتائج، تم اقتراح التدابير وخطط العمل المناسبة لتحسين وتعزيز تقييم القدرة العامة على امتلاك العقارات السكنية من قبل المناطق في ملقا لتكون أكثر فعالية وكفاءة.

APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion, it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a thesis for the degree of Master of Science (Built Environment)

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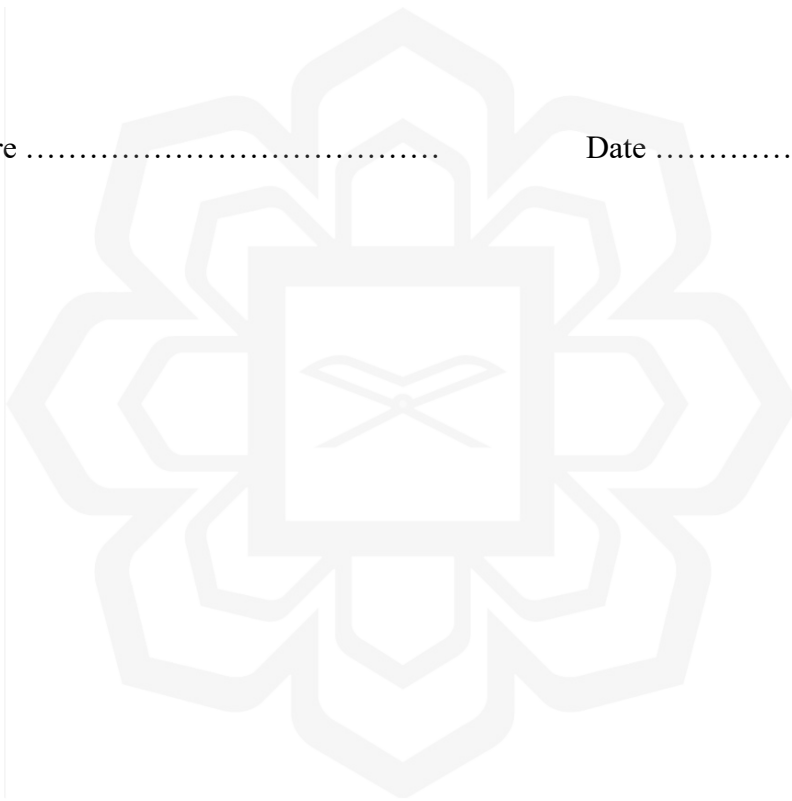
DECLARATION

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SPECIAL DEDICATION

This thesis is dedicated to my family for their endless support, encouragement, patience and unconditionally loves, especially:

Rasimah Hassan, Abdul Rahim Ramlee, Ustaz Jalaluddin Hassan, Siti Noraien, Hafizah, Siti Nur Raihan, Muhammad Addinudin and family members.

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Al – Fatihah

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LIST OF ABBREVIATIONS

BNM	Bank Negara Malaysia
BR	Base Rate
CBD	Central Business Districts
CCRIS	Central Credit Reference Information System
CTOS	Credit Tip-off Service
DBKL	Dewan Bandaraya Kuala Lumpur
DIBS	Development Interest Bearing Schemes
DOSM	Department of Statistics Malaysia
DSR	Debit Service Ratio
DTI	Debit To Income Ratio
ELR	Effective Leading Rates
HAI	Housing Affordability Index
HDB	Housing Development Board
IBS	Industrialised Building System
INSPEN	Institut Penilaian Negara
KPKT	Kementerian Perumahan dan Kaijian Temapatan
KWP	Kementerian Wilayah Persekutuan
KWSP	Kumpulan Wang Simpanan Pekerja
LPHS	Lembaga Perumahan dan Hartanah Selangor
LPM	Lembaga Perumahan Melaka
LTV	Loan To Value
MBMB	Majlis Bandaraya Melaka Bersejarah
MM	Mediam Multiple Affordability
MOF	Ministry of Finance
MPAG	Majlis Perbandaran Alor Gajah
MPHTJ	Majlis Perbandaran Hang Tuah Jaya
MPJ	Majlis Perbandaran Jasin
NAPIC	National Property Information Centre
NAPREC	National Real Estate Research Coordinator
NHP	National Housing Policy
OSC	One Stop Centre
PhD	Doctor of Philosophy
PIR	Price to Income Ratio
PL	Majlis Perbandaran Labuan
PPj	Perbadanan Putrajaya
PPAM	Perumahan Penjawat Awam
PPRT	Program Perumahan Rakyat Termiskin
PRIMA	Perumahan Rakyat 1 Malaysia
REHDA	Real Estate & Housing Developers' Association

PHB	Public Housing Board
RIR	Rent to Income Ratio
RMM	Rumah Mampu Milik (Melaka)
PPP	Public Private Partnership
RUMAWIP	Rumah Mampu Milik Wilayah Persekutuan
SOCISO	Social Security Organization
SPNB	Syarikat Perumahan Negara Berhad
UN	United Nation
UN- HABITAT	United Nation Habitat
UNCHR	United Nation High Commissioner for Refugees



CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

Housing is a fundamental human need that determines wellbeing and lifestyles. Housing is the building or structure that functions as a habitat for human beings and other creatures to shelter from danger (Hamidah and Zahari, 2016). A comfortable house is a common goal for most families (Hashim, 2012). It is crucial to choose a house that provides basic needs to provide quality and convenience for a better quality of life (Osman et al., 2018). Homeownership is essential for wellbeing. Safe and comfortable housing support physical and spiritual calm and secures from intruders. This is in line with the hadith, Sa'd ibn Abi Waqqas reported: The Messenger of Allah, peace and blessings be upon him, said, "Four things are part of happiness: a righteous spouse, a spacious dwelling, a righteous neighbour, and a comfortable amount (Narrated by Ibn Habban, 4122). This shows Islam is the religion that concerns the provision of adequate spaces, segregation between parents, daughters and sons. The aim is to *"to serves its purpose to shelter appropriately from any danger and harms"*. Hence, the concept of affordable housing in Malaysia is part of the Syariah needs, where the design of the house, including the requirement of affordable houses and segregation between parents and kids for privacy. Hence, this research assesses the ability to purchase residential properties among the public by the district in Melaka.

The ability to purchase a house is a dominant criterion in the housing market as it represents buyer and market stability in terms of socioeconomic performance and progressive development (Norazmawati, 2008). However, the current situation in

Malaysia has made owning a house difficult due to high prices. According to The Valuation & Property Services Department's (JPPH) Property Market Report in 2016, there were 14,792 excess units worth about RM 8.56 Billion in 2016, of which 70.7% were high-cost units. This impedes economic growth as the housing industry contributed 23.3% from the total sector of GDP in 2017 (BNM, 2017). In a nutshell, the access of affordable homeownership is essential in ensuring the fair the provision of housing to all.

1.2 RESEARCH BACKGROUND

Evidence shows that the homeownership benefits individuals and communities (Osman et al., 2017; Tan, 2009; Tan, 2008; Glasier and Sacerdote, 2000). The focus of development according to the 10th Malaysian Plan is the provision of adequate housing and ensuring access to homeownership for a safe, healthy and harmonious environment equipped with complete public amenities and good recreational facilities within the neighbourhood. Today, the government is undertaking vigorous initiatives to ensure all levels of society have equal access to affordable homeownership in Malaysia

This study examines the factors the contribute to homeownership in Melaka. The factors are socio-demographic, physical, and satisfaction level towards the provision of public facilities and infrastructure within the neighbourhood

The rising cost of living expenses, insufficient income as well as expensive house prices make it difficult to own a house, especially for M40 and B40 groups. The study will help to identify issues in affordable housing through survey questionnaires as well as the Housing Affordability Index (HAI) using the Price Income Ratio (PIR). The methods of Price Income Ratio (PIR) or also known as median multiple (MM) and will be used to calculate the Housing Affordability Index (HAI) in Melaka by district to

calculate house price affordability that is comparable to 30% of their annual income level. In the survey questionnaire, the study will focus on the sociodemographic factors, assessing the current rental house, perception of housing affordability, and measuring satisfaction levels. The assessments also involve interviews and focus group discussions on supporting the information with quantitative analysis. It is hoped that this study will provide empirical evidence and a new perspective to improve homeownership in Melaka and Malaysia.

1.3 PROBLEM STATEMENT

1.3.1 The Increase in Rural Migration to Urban Areas has led to a Shortage of Housing Market in Urban Areas

Since the establishment of The New Economic Policy (NEP) in the 1970s by the Malaysian government, the rural-urban migration has started to increase significantly. A report on Malaysia's internal migration by the United Nations Habitat (2016) shown, from the year 2010 until 2016, the rural-urban migration to the urban area has increased to 75.2 % which lead to the restructuring society of major cities in Malaysia. As a consequence, the demand towards affordable housing properties starts to increase dramatically, while the demands also reflect households' desire to live in an urban center (Femi & Khan, 2014; Shuid, 2010). Other reasons that contributed to rural-urban migration are supported by the promise of work opportunities, good infrastructure facilities, as well as better access to public education and transportation.

According to Silvar and Kassim (1997), the rate of migration in the urban area increased drastically over the last three decades and resulted in an increase in housing units in major cities. The shortage in affordable housing occurs, as the market was not ready to cater to the increased demand for housing (Osman et al., 2017). Furthermore,

the objective of developers towards profits oriented has led to fewer developers to built more affordable housing units.

This has led to an increase in slum and squatters' settlement in urban areas as the poor need to find shelter for a living (Tan, 2011; Tey, 2014). Subsequently, more urban sprawl are created and affecting the urban morphology of the urban center in Malaysia.

1.3.2 The Increase in Housing Prices is not proportionate with the Increase in Local Incomes

The rise of housing price, especially in the major cities, has significantly contributed to the inability of homeownership as to the housing price is not proportionate to local incomes (Osman et al., 2018). According to DOSM (2018), until 2016, semi and low-skilled workers contribute about 60% of rural-urban migration. While, according to a study from MIDF Investment Bank Berhad collaborative with DOSM (2018), until 2016, the median income earned by a semi and low-skilled workers is RM 1050 – RM 2784. There has been a 4.7% average increment in wages from 2010-2015. However, according to Khazanah Research Institute (KRI), the median house price is 4.4 times the median household income and making the housing market “seriously unaffordable” (KRI, 2015). It is indisputable that the income level influences homeownership and the homeownership issue is a national problem. According to BNM (2017) and KRI report (2015), this happens when the house price offered in the market did not match the level of household income, and causes people to be unable to afford a house. There were 14,792 excess units in 2016, and the main reason for not being sold was because their prices exceeded RM 300,000 per unit. This number has been increasing throughout the years (NAPIC, 2017)

Also, the daily cost of living and expenditure have caused buyers to be unable to save to own a house (The Star, 13 June 2017). Besides daily commitments, the monthly commitments such as car loan, personal loan, study loan and other commitments lead to insufficient income to pay for a mortgage. According to “Beyond the Bricks” by the HSBC Holdings Plc based in London (2017), the rise of living cost and house prices up to RM 500,000 are still perceived as in high demand by young people, although 75% of the young people do not have sufficient money to pay for the deposit or upfront costs. While, the studies claimed 43% of young people postponed their dream to own a house due to the inability to buy a house that is based on their preferences due to insufficient income, commitments and price of the house. Even though the government has provided several initiatives, many Malaysian still have limited access to homeownership.

1.3.3 The Difficulty of Housing Finance and Unsupportive Finance Terms and Conditions

Affordable housing is defined based on the ability of an individual or household income to pay for a mortgage and still have sufficient money to pay for other necessity expenditures (Norazmawati, 2010). Hence, a house is considered affordable if the owner has adequate money after paying for the mortgage (Whitehead, 1991).

The amount of loan that can be financed will be based on the income earned, as the income earned will determine the amount of the loan approved (Osman et al., 2018). Furthermore, the banks will undertake several procedures and calculation to consider other commitment that the applicant possesses. This is to ensure the borrower has the ability and sufficient income for housing repayment loan according to the agreed terms and conditions. In general, if the borrower has financially secure access to