

**AN ASSESSMENT OF HOUSING AFFORDABILITY AT
DISTRICT LEVEL FOR THE STATE OF SELANGOR**

BY

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**A thesis submitted in fulfilment of the requirement for the
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**Kulliyyah of Architecture and Environmental Design
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ABSTRACT

The shelter is an essential need for all people and it falls under the psychological needs. Additionally, home is salient for the bonding of a family. Even though the home is a salient, but it is still being arduous to own a decent home especially for low-middle income earner. The term 'affordable' not necessarily only appoint to the price of the house, the location, quality and build-up of a house is equally as important as the financial affordability of a house. In 11th Malaysia Plan highlighted the issue of affordable housing location is poorly equipped with basic facilities and it is believed the excess of unsold residential units is due to less attractive locations. Apart from that, houses in Malaysia remain unaffordable to many households due to the failure in the market to produce a sufficient quantity of affordable housing for the masses. Furthermore, the increase in housing price is faster than increases in income lead to the inability for a household to own a house, especially who live in urban area. Hence, this study is sought to (i) identify the criteria needed by residents in Selangor for affordable housing distribution, (ii) analyse the housing affordability index in Selangor in the year 2012, 2014 and 2016 and (iii) analyse the issues and problems of a home buyer in Selangor according to districts. The approach of this study is the quantitative data analysis method which requires 500 samplings with the targeted population who lived in Selangor. This study adopted a questionnaire survey by face-to-face with the respondents. The formulated data was analysed used descriptive analysis whereby the data will be interpreted in the table of frequency and percentage; mean and median and Relative Importance Index (RII). Apart from that, the bivariate analysis also adopted in analyse the findings by using the Pearson Correlation to determine the relationship between socio-demographic profile and the criteria needed in the provision of affordable house. Based on findings, the respondents in Selangor stated the location of the house is the most important in constructing the affordable houses. Majority of the respondents claimed excessive housing price is the main reason for still not afford to buy a house. Due to this reason, the respondents proposed affordable house price at below RM200,000. However, the issue raised by the respondents was insufficient income. This issue will make them ineligible in applying housing program such as Rumah Selangorku which the income-eligible must at least RM3,000. Due to several issues highlighted, there are recommendations provided in this study to help the low-middle income group to own a decent house.

Keywords: Housing, Criteria, Affordability, low-middle household income, Selangor

خلاصة البحث

الملجأ هو ضرورة أساسية لجميع الناس وهو من الاحتياجات النفسية. بالإضافة إلى ذلك، المنزل بارز لترايط الأسرة. على الرغم من أن المنزل بارز، إلا أنه لا يزال من الصعب امتلاك منزل لائق لا سيما لذوي الدخل المنخفض. إن مصطلح "بأسعار معقولة" لا يعني بالضرورة سعر المنزل فحسب، بل موقع المنزل وجودته وتكوينه لا يقل أهمية عن القدرة على تحمل التكاليف للمنزل. في الخطة الحادية عشرة لماليزيا، لقد سلطت الضوء على قضية موقع الإسكان بالتكلفة الميسرة يتم تجهيزه بشكل سيء مع التسهيلات الأساسية، ويعتقد أن زيادة الوحدات السكنية غير المباعة يرجع إلى مواقع أقل جاذبية. بصرف النظر عن ذلك، لا تزال المنازل في ماليزيا في متناول العديد من الأسر بسبب فشل السوق في إنتاج كمية كافية من المساكن بأسعار معقولة للجماهير. علاوة على ذلك، فإن الزيادة في أسعار المساكن أسرع من الزيادات في الدخل مما يؤدي إلى عدم قدرة الأسرة على امتلاك منزل، وخاصة الذين يعيشون في المناطق الحضرية. ومن ثم، فإن هذه الدراسة مطلوبة من أجل (1) تحديد المعايير التي يحتاجها سكان سلانجور لتوزيع المساكن بأسعار معقولة، و(2) تحليل مؤشر القدرة على تحمل تكاليف السكن في سلانجور في الأعوام 2012 و 2014 و 2016 و(3) تحليل القضايا والمشكلات لمشتري المنازل في سلانجور حسب المناطق. قد نهجت هذه الدراسة طريقة تحليل البيانات الكمية التي تتطلب 500 عينة مع السكان المستهدفين الذين عاشوا في سلانجور. واعتمدت هذه الدراسة على استبيان وجهها لوجه مع المستجيبين. يكون تحليل البيانات التي تمت صياغتها باستخدام التحليل الوصفي حيث سيتم تفسير البيانات في جدول التكرارات، والنسبة المئوية، والمتوسط الحسابي ومؤشر الأهمية النسبية (RII). بصرف النظر عن ذلك، اعتمد التحليل الثنائي المتغير أيضاً في تحليل النتائج باستخدام ارتباط بيرسون لتحديد العلاقة بين الملف الشخصي الاجتماعي والديموغرافي والمعايير اللازمة لتوفير منزل بالتكلفة الميسرة. بناء على النتائج، ذكر المشاركون في سلانجور أن موقع المنزل هو الأهم في بناء المنازل بأسعار معقولة. وادعى غالبية المستجيبين أن أسعار المساكن المفرطة هي السبب الرئيسي لعدم تحمل شراء المنازل حتى الآن. لهذا السبب، اقترح المستجيبون أسعار معقولة للمنازل بأقل من 200,000 رينجيت ماليزي. ومع ذلك، كانت القضية التي أثارها المستجيبون الدخل غير كافية. وهذه ستجعلهم غير مؤهلين في تطبيق برنامج الإسكان مثل برنامج "Rumah Selangorku" الذي يجب على المؤهل بالدخل الذي لا يقل عن 3000 رينجيت ماليزي شهريا. بسبب العديد من القضايا التي تم تسليط الضوء عليها، هناك توصيات مقدمة في هذه الدراسة لمساعدة مجموعة الدخل المنخفض على امتلاك منزل لائق.

الكلمات المفتاحية: السكن، المعايير، القدرة على تحمل التكاليف، دخل الأسرة المنخفض والمتوسطة، سيلانجور

APPROVAL PAGE

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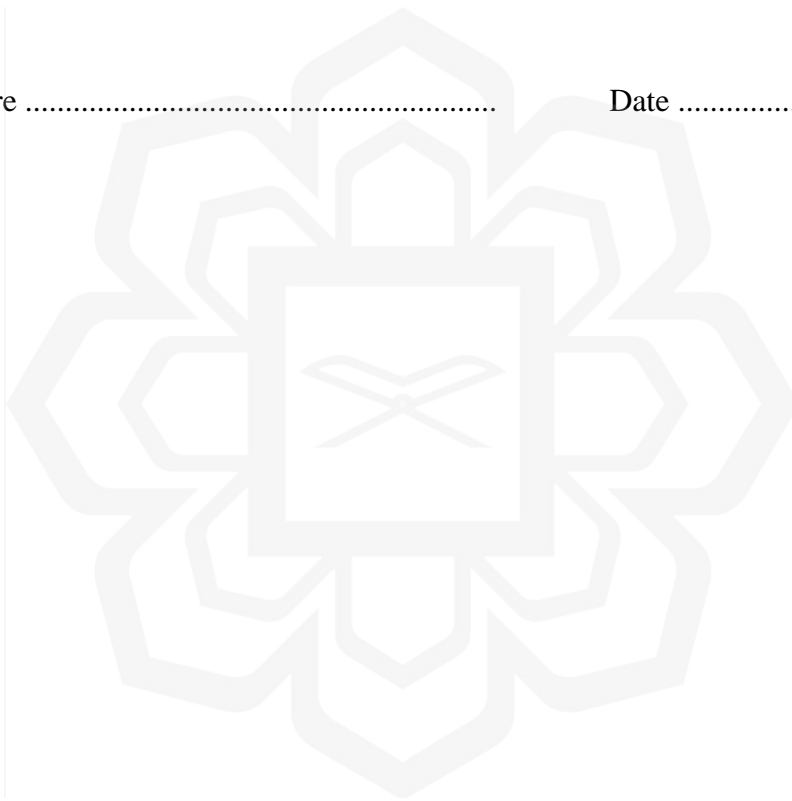
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ABBREVIATION

B40	Bottom 40% of Household Income Range
BTS	Build-then-Sell
CAGR	Compound Annual Growth Rate
CC	Correlation Coefficient
CORS	Computerized Open Registration System
DSR	Debt Service Ratio
GDP	Gross Domestic Product
HAI	Housing Affordability Index
HCB	Housing Cost Burden
ISC	Industrialized System of Construction
LA	Local Authority
LRT	Light Rail Transit
M40	Middle 40% of Household Income Range
MHLG	Ministry of Housing and Local Government
MM	Median Multiple
MRT	Mass Rapid Transit
NAHP	National Affordable Housing Policy
NAPIC	National Property Information Centre
NHD	National Housing Department
NHP	National Housing Policy
NLC	National Land Code
OKU	Orang Kurang Upaya
PIR	Price- to- Income Ratio
PPAM	Perumahan Penjawat Awam Malaysia
PPR	Program Perumahan Rakyat
PPRM	Program Perumahan Rakyat Dimiliki
PPRS	Program Perumahan Rakyat Disewa
PR1MA	Perumahan Rakyat 1 Malaysia
RI	Residual Income
RII	Relative Importance Index

RIR	Rumah Idaman Rakyat
RMR1M	Rumah Mesra Rakyat 1 Malaysia
RMRPLUS	Rumah Mesra Rakyat Plus
RUMAW1P	Rumah Wilayah Persekutuan
SHPB	Selangor Housing and Property Board
SPNB	Syarikat Perumahan Negara Berhad
SPSS	Statistical Package for the Social Sciences
SRP	Skim Rumah Pertamaku
T20	Top 20% of Household Income Range
UNCHS	United Nations Centre for Human Settlement



CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

This chapter introduces the research by providing an overview of housing affordability in Malaysia and related issues. It then articulates the research problem from which is derived the research questions that reflect the objectives of the research. The parameters that define the scope of the study are then determined followed by explaining how this study is significant to the field of study, policy and industry.

1.2 BACKGROUND OF THE STUDY

A home is a place where families bond. According to psychologist theory of human motivation, shelter is a psychological need and critical to human life (Maslow, 2017). Shelter protects people from harm. It is often associated with a home. It is the physical requirement for people to feel safe and that a basic need is being fulfilled (Maslow, 2017). Even though a house is a human necessity, it is difficult to own a decent home, especially for the low-income household.

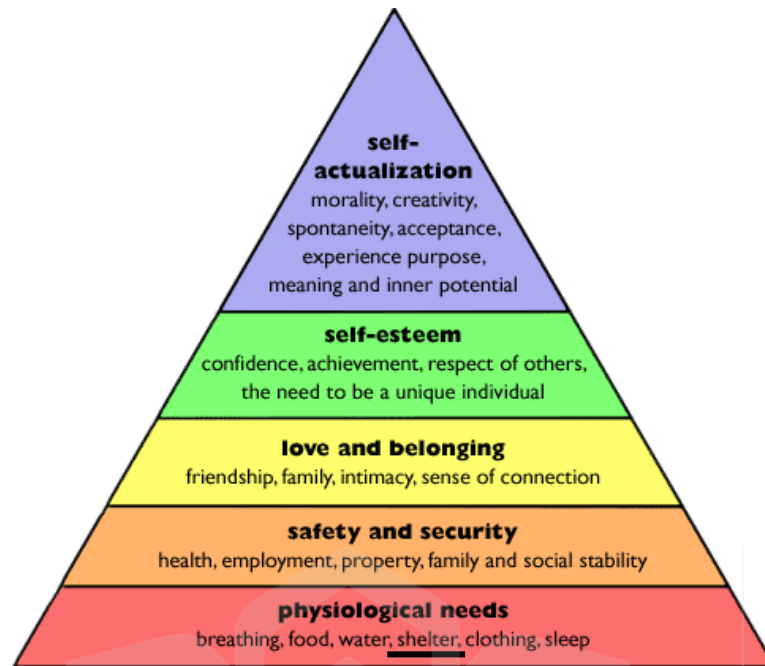


Figure 1.1: Hierarchy of A Human Needs
Source: Maslow (1943)

To indicate the affordability of the house in the urban and rural housing market, the formula of ‘median multiple’ has been used by Demographia International Report as recommended by the World Bank (Oliver Hartwich, 2017). In the year 2020, Malaysia seeks to achieve a developed-nation status and become a high-income nation. The 11th Malaysia plan (2016-2020) aims to advance the quality of life of the bottom 40 (B40) by doubling the average income from RM2,862 to RM5,725, thereby raising the B40 group into the middle-class (Economic Planning unit, 2016). The government also takes responsibility for improving B40’s access to affordable housing, quality health services and basic amenities.

There are challenges in identifying the right price in the right location for new housing (Almeida et al., 2017). Hence, the housing industry needs to be adaptive and responsive to the demand of all people, especially special groups, medium-income and low-income groups.

The government needs to provide suitable housing policies that are considered to be a sustainable housing policy for all. To this end, this study assesses housing affordability according to districts in Selangor, Malaysia.

1.3 PROBLEM STATEMENT

a) Lack of facilities and infrastructure for affordable housing development in rural area

Public facilities and infrastructure are vital in the provision of housing development (Darda et al., 2015). Lack of facilities and infrastructure always became an issue of housing development, especially in rural areas. According to the previous study, some residents have to go to a nearby town to access facilities (Zain, 2012). This is due to the affordable housing project in a particular area in Hulu Selangor district, for example has inadequate and insufficient facilities such as schools, shops, community halls, etc. Additionally, there is also an issue wherein a particular area in Kuala Selangor has an inadequate and inefficient public transportation such as bus route system, operating hours, etc. (Dahalan et al., 2017).

Apart from that, the quality of affordable housing often being complaint by the residents whereby the house was built with the various defect of construction due to poor building materials (Abdul Rahman et al., 2014). This issue supported by other researcher stated that affordable housing projects often suffer from poor quality of raw materials (Zain, 2012). Abdul Rahman et al., (2014) added that affordable housing in Klang suffers from problems in infrastructure, especially failures in the water supply system and cracking in external walls.

b) Affordable Housing Development in a Rural Area is Less Strategic

Affordable housing is defined as housing that is sufficient in quality and location and is not so costly that it prevents its occupants from satisfying other basic living needs. In other words, the location, quality and build of a house are equally as important as the financial affordability of a house (Almeida et al., 2017). As a human being, all house buyers deserve to access the surrounding facilities. Unfortunately, the developers usually construct the location of affordable dwellings in places far from major urban areas while expensive residences are built closer and are highly accessible to the public facilities. This is due to the developer paying higher land premiums for better locations that offer more infrastructure and greater connectivity (Yang et al., 2016). The previous study highlighted an affordable housing development in certain areas in Hulu Selangor is located at a non-strategic location as the development was near an industrial park far from the town (Zain, 2012). She claimed the soil structure might be at risk leading to landslides due to the absence of flora and fauna if the housing project is located at a non-strategic location.

According to Zainon et al. (2017), even for low-cost residential properties, location remains an important consideration for potential buyers. The 11th Malaysia Plan and Malaysia Sustainable Development Goals Voluntary National Review share the same point of view on issues of affordable housing location whereby poorly equipped with basic facilities such as schools, clinics and public transport (Economic Planning unit, 2016, 2017). The excess of unsold residential units in Malaysia is believed to be due to being located in unattractive locations (Tan, 2011).

c) The Uncontrolled Increase of Housing Prices

In 2011, housing prices increased to more than 54%, and the average cost of a house exceeded RM 240,000 in most urban centres in Malaysia (Global Property Guide, 2016). Within seven years, the average house price in Kuala Lumpur increased to RM773,000 while in Selangor, it was RM497,000 by the third quarter of 2018 (Raj, 2019a). According to the National Property Information Centre (NAPIC) (2016), the maximum affordable house price in Selangor in the year 2016 estimated at RM260,100. However, the actual median house price is RM405,000 making the differences in house price is RM144,900. Malaysia's income level in 2016 was 76% having an income below RM5,000 (Department of Statistic Malaysia, 2017) and this led to low affordability level for the population to own a house. Additionally, house prices are increasing twice as fast as income growth (Belvedere, 2018).

There are certain locations in Selangor where house prices rose sharply. This is due to more systematic new urban development, the construction of new administrative centres such as hospitals, colleges, hypermarkets, and efficient transportation systems such as the MRT and LRT while locations outside main development areas such as Kuala Kubu Baru, Rasa, Ulu Yam, Kuala Selangor, Hulu Langat and Hulu Selangor recorded much lower rates of increase (Zainon et al., 2017).

One of the factors causing increases in the house price in Selangor could be due to the scarcity of land. The previous study claimed the developer tend to offer a high price of a house due to limited resources and financial constraints (Zain, 2012).

Although there are various housing policies and strategies outlined to regulate and monitor the housing supply in Malaysia, some of the developers tend not to build houses within the affordable range of Malaysians' income. Instead, build high-cost houses priced above RM400,000 (Samad et al., 2016). Thus, the developers tend to build houses which gain more profit due to the high cost of land, especially in urban areas. Houses in Malaysia was unaffordable for many households in 2016 due to the failure in the market to produce a sufficient quantity of affordable housing for the masses (Almeida et al., 2017).

1.4 RESEARCH QUESTIONS

1. What is the expected affordable housing criteria?
2. What is the housing affordability index pattern within districts in Selangor for 2012, 2014 and 2016?
3. What are the main issues and challenges faced by affordable home buyers in Selangor?

1.5 GOAL AND RESEARCH OBJECTIVES

The goal of this research is to assess the housing affordability at the districts level in Selangor while the research aims to achieve the followings objectives:

1. To identify the criteria needed by residents in Selangor for affordable housing distribution.
2. To analyse the housing affordability index in Selangor in the year 2012, 2014 and 2016.
3. To analyse the issues and problems of homebuyers in Selangor.

1.6 SCOPE OF STUDY

This research explores the aspect of housing affordability for nine districts in Selangor. It focuses on the low- middle income groups in Selangor who have yet to own a house. To understand the situation faced by this group, a survey questionnaire will be conducted in every district in Selangor. In this research, Selangor has been chosen as the case study due to being a developed state in Malaysia, which has been recognised since 2005 with the total area of 8,104 km². The nine districts of Selangor are Sabak Bernam, Kuala Langat, Petaling, Hulu Selangor, Sepang, Klang, Gombak, Kuala Selangor and Hulu Langat with the total population of 6.29 million (Department of Statistic Malaysia, 2017).

1.7 SIGNIFICANCE OF THE STUDY

This research endeavours to identify the actual affordable house criteria and the market price of houses in Selangor to overcome the issue faced by low- middle income groups in Selangor concerning owning a house. It will provide a better understanding of the impacts of increasing prices in the housing market on both groups. It is hoped that this research will encourage the government to formulate or improve policies based on existing issues regarding affordable housing. The outcomes to be considered consist of the following:

- i. The improvement of affordable housing criteria.
- ii. To provide the current housing affordability index.
- iii. Helps in the forecast of the maximum affordable house price (ceiling price) by calculating annual median income multiple 3.0.
- iv. Contribute to resolving the existing issues related to affordable housing.

1.8 LIMITATIONS OF THE STUDY

A survey questionnaire was conducted in each district in Selangor, namely Petaling, Hulu Langat, Klang, Gombak, Kuala Langat, Sepang, Kuala Selangor, Hulu Selangor and Sabak Bernam. To perform the survey questionnaire, the enumerators approached the potential respondents where the venue was a public area such as a recreational park or shopping mall. This led to difficulty for the enumerators to find the respondents because most of the expected respondents did not cooperate in answering the survey questionnaire.

The survey questionnaire period, which includes the pilot study, took almost two months for all districts. It started from 12th November 2016 and ended on 10 January 2017 with the cost of conducting of survey almost RM3,000. With the help of the limited enumerators, the survey questionnaire was conducted in a short period. In this research, 500 sampling will represent the whole population in Selangor. Using the formulae of Taro Yamane (1967), only 400 respondents were needed, but we added 100 respondents to avoid the sampling error. The 500 samples were then divided into each district according to the total population of the district.

1.9 CHAPTER SUMMARY

In conclusion, this chapter has been discussed in the introduction flow of the research. Through the study background, it makes a clear understanding of the topic of the research while the problem statements have been identified for supportive evidence to describe clearly the problem related to the affordable house. Apart from that, goal and research objectives have been set to make the research keep in track and not distorted.

