

Headline	Definition of affordable homes must change		
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Definition of affordable homes must change

> House prices above RM300,000 are beyond the reach of even KL residents, who have the highest monthly median income among all states, at RM9,073

BY **EVA YEONG**
sunbiz@thesundaily.com

KUALA LUMPUR: Houses priced RM500,000 should not be considered "affordable" as these homes are beyond the reach of most Malaysians, who earn a median monthly income of RM5,228.

Even in Kuala Lumpur, where the median monthly income of RM9,073 is the highest among all states, a house priced RM500,000 would still be considered unaffordable, based on the calculation for an affordable market.

An affordable market is one where the median house price is 3.0 times median household income, which means an affordable home in Kuala Lumpur should be priced around RM300,000.

To date, the National House Buyers Association (HBA) and the central bank have refuted the Real Estate and Housing Developers Association (Rehda) Malaysia's "unrealistic" definition of affordable housing.

HBA secretary-general Chang Kim Loong said an affordable home should be priced between RM150,000 and RM300,000 in Kuala Lumpur while Bank Negara Malaysia's maximum price of an affordable home is RM282,000, based on the median household

income and international Housing Cost Burden Approach.

However, many property developers continue to label their products priced RM500,000 as affordable homes while the Housing and Local Government Ministry has broken down the affordable housing segment into three categories namely RM150,000 and below, RM150,001 to RM300,000 and RM300,001 to RM500,000.

"The targeting of house prices should be done at local level; meaning, Selangor must have a different price range for affordable housing and Penang would have a different price range. It's all contingent on their income," said Khazanah Research Institute (KRI) director of research Dr Suraya Ismail.

Since the publication of KRI's book *Making Housing Affordable* in 2015, little has changed, but there is a realisation that property firms must innovate and that Malaysia cannot have a one-size-fits-all policy for affordable housing, said Suraya.

"For example, the state median in Johor is different from Kedah. So it cannot be RM180,000 for every household in Malaysia. It has to be targeted," she said in an interview recently.

Although it is more work for the state governments to manage the

policies, Suraya said each state must understand that one policy will have a different impact on each state as the composition is different and will change every two to three years.

Therefore, policies cannot be crafted without knowing the baseline of each state as well as the limitations or capabilities of the executing agencies.

"You must do a baseline of them (agencies) too because you're only as good as the execution power. I can say to someone, you have to supply 20,000 homes but based on demand, when I look at the supply side, it's not there, so what sort of policy is this?"

"So maybe the policies would be to strengthen the supply, the process, but this might not be very popular. But we believe in this long-term institutional enhancement to deliver the outcomes that we want," she added.

Suraya said Malaysia already has a lot of instruments at the local level to achieve a better process such as municipal councils and state planning committees, who can be equipped to monitor the price range of new projects so that they match the income of the population in their respective districts.

"There and then, they can question (the developer), 'how can you build houses that cost RM2



Chang Kim Loong



Suraya Ismail

million when most of my households have income of just RM6,000? You cannot build these houses here."

She said it goes back to the question of who we are building for?

"We need to ensure that everybody is on board. So far, I've been looking at it, I've been with municipal councils, they seem to be very receptive to this. That's all we can do.

"I'm not for a price ceiling or price caps, I think it is always a bottom out approach," Suraya said, adding that developers must also be willing to work with municipal councils in order to ensure that supply matches demand.