



Headline	Undersupply of affordable houses seen to worsen
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Undersupply of affordable houses seen to worsen

PETALING JAYA: The undersupply of affordable homes in the local property market is expected to worsen, going forward, due to demographic factors and current income trends.

Since 2012, the increase in house prices in Malaysia has outstripped the rise in income levels, according to Bank Negara's Financial Stability and Payment Systems Report 2016.

"Consequently, prevailing median house prices are beyond the reach of most Malaysians. This is primarily attributable to a gross mismatch between housing supply and demand amid diverging expectations between households and developers."

"The issue has been compounded by the fact that the distribution of new housing supply has been concentrated in the higher-priced categories."

The central bank said the issue of affordable housing, which reflects the supply-demand imbalances in Malaysia, worsened during the 2012 to 2014 period.

"During these years, new housing supply fell short of the increase in demand (average supply of 85,000 new units versus the formation of 118,000 new households).

"This is in contrast to the 2007 to 2009 period, when the new supply exceeded the demand for housing."

The central bank added that the effect of the supply shortfall on housing affordability was exacerbated by the slower increase in household incomes (12.4%) relative to house prices (17.6%).

Another factor which worsened the housing affordability issue was the trend of higher property launches in the price categories above RM250,000, it said.

"While there were more launches during 2012 to 2014, the number of new affordable housing units for households earning the median income (below RM250,000) was fewer by 16,200 units per year since the 2008 to 2009 period.

"The oversupply of higher-end properties beyond what households can afford resulted in a significant portion of these non-affordable properties remaining unsold."

On the supply side, Bank Negara said the housing market has not provided an adequate supply of affordable housing for the lower and middle-income households.

"In 2014, the shortage of affordable houses was estimated to be 960,000 units. This gap is evident across most states, with Sabah and Sarawak having the highest deficit, account-

ing for 50% of the total shortage in Malaysia.

"Among the four states with the highest concentration of urban population, the shortage of affordable housing was largest in Kuala Lumpur, followed by Penang and Johor. On the other hand, Selangor was found to have a surplus of affordable houses."

Going forward, Bank Negara said a carefully-designed strategy of policy interventions is required for the housing market to ensure that it is able to accommodate households of all income groups.

“The issue has been compounded by the fact that the distribution of new housing supply has been concentrated in the higher-priced categories.”

Bank Negara

"Meeting the demand of affordable housing units, going forward, will require the commitment of both the Government and the private sector. The establishment of a central agency to consolidate the provision of affordable housing as well as a central repository is key.

"Additionally, reducing costs associated with the development of affordable housing through the implementation of cost-saving and productivity-enhancing technologies would increase the speed and scale of delivery of affordable housing projects, going forward."

On the demand side, the central bank said the development of the rental market to bridge the affordability gap could relieve some of the pressure on the Government to build all of the affordable housing needed.

"This should be complemented by more innovative schemes to fund the delivery of affordable houses. As for end-financing, as in other countries, the central bank has introduced macro-prudential measures to deter speculative activity in the housing market and to avoid over-borrowing beyond one's means.

"It is important to note that these measures do not in any way hamper access to financing for eligible borrowers, including those who are first-time buyers."