



Assessing home ownership affordability

HOME ownership has marginally improved with 76.9% of households owning their homes in 2019 versus 76.3% in 2016.

This can be considered as high by any standards when Malaysia does not have a universal home ownership policy.

In this regard, Malaysia compares well with advanced countries such as Canada (66.3%), US (65.3%), Britain (65.2%) and South Korea (56.8%).

The details say something else, however. More of that later.

Regarding the trend of house prices and household incomes, house prices rose slower at 3.4% on average compared with household incomes at 5.2% between 2001 and 2009.

Between 2011 and 2013, house prices rose in double digits by 11.8% compared with household income at 9.9%, rendering many types of houses unaffordable.

Government measures to manage demand and supply of houses resulted in a slower rise in house prices at 6% between 2014 and 2019, slightly lower than the rate of increase in household income at 6.3% on average.

Policy makers relied on short-term measures such as median multiple ratio which compares house prices with current incomes when assessing affordability.

According to the World Bank, a home is considered affordable if the median multiple score is 3.0 or less, moderately unaffordable between 3.1 and 4.0, seriously unaffordable between 4.1 to 5.0 and severely unaffordable 5.1 and above.

Home affordability has improved on a national basis in the last few years with the overall median house price falling by 1% annually on average from RM298,000 in 2016 to RM289,646 in 2019.

Annual median household income rose by 4% yearly from RM62,736 in 2016 to RM70,476 in 2019.

So the median multiple score dropped to 4.1 in 2019 versus 4.8 in 2016.

Although it has gradually decreased, the 2019 ratio implies that homes remained seriously unaffordable in general with Sabah having the highest median multiple score of 5.9, Sarawak at 5.7 and Putrajaya at 2.2, the lowest. Kuala Lumpur was at 3.8 and Selangor 3.9 at 2019.

Based on analysis, during 2015 and 2019, the bottom 40 (B40) group in Kuala Lumpur faced severe unaffordability issue even for low-cost flats, low-cost houses and flats.

In fact, the median multiple scores for all types of properties remained high above 5.0 throughout the period this four-year period in the city, Sabah and Selangor.

Among the middle 40 group (M40) in the three states during 2015 to 2019, the M40 in KL could only afford flats but they are not qualified to do so under the public low-cost housing programmes.

The other two types of properties they usually head towards - condominiums/apartments and terraced houses - are beyond their affordability as the mean multiple scores for condominiums, apartments and terraced housing were 8.0 and above.

Conclusion - the provision of affordable housing is vital.

Although the government has various programmes to help the low and lower-middle income groups, the problem continues to persist, especially among the middle- and lower-income groups across the states.

Efficient delivery of affordably priced housing is imperative.

Therefore, alternative models of social housing programmes should be considered.