

Malaysian Low Cost Housing; Needs and Barriers

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Abstract: - The high rate of birth in some parts of Malaysia can cause a large demand for housing in the near future. Furthermore, the high increase in incomes of Malaysians produced new demands in housing sector. It is almost certain that the demand rate in the coming years will increase more than before because many of children will enter the housing market when they become 20 years old. This research is an overview to Malaysia low cost housing's need and Malaysian approach to low cost housing (LCH). In this study the process of a sample LCH has defined and barriers and difficulties in constructing LCH has discussed. The results confirmed that making balance between low income obligations and developer's profit-making is the key element for building more LCH in the country.

Key-Words: - Low Cost Housing (LCH), Low income housing, Affordable housing,

1 Introduction

Malaysia is a nation of two distinct geographical regions. Peninsular Malaysia includes large cities, and has active agricultural, industrial and service economy. Across the South China Sea lies East Malaysia. East Malaysia, spreading along much of the northern coast of the island of Borneo, is a land of forests and plantations. The federal government and state governments support public housing schemes in urban areas yet many families are not reachable through these programs. Affordability is an issue. Land and housing costs are often too high for the 4% of the population who live below the poverty level [1]. Families find themselves living in squatter communities in larger cities. In the countryside, housing needs are more acute and there is less formal help.

Forecast shows that Malaysia's population in 2010 will be 28.96 million people with 1.6%

average growth annually. According 9th Malaysia Plan (9MP), 63.8% of the population in 2010 would be living in urban areas and 32.6% of population will be under 14 years old [2]. This large percentage of young people shows future demand for housing. Limited land is another problem for planning and housing in addition to large population growth. Poverty in Malaysia was reduced from 17.1% in 1990 to 9.6% in 1995, exceeding the Sixth Plan target of 11.1%. During the Sixth Plan period, the focus of anti-poverty programs was the hardcore poor. The action to eliminate hardcore poverty was implemented through a special program known as the Development Program for the Poorest. As a result, the rate of hardcore poverty decreased from 4.0% in 1990 to 2.2% in 1995 [3].

To alleviate poverty, the government applied various programs and projects intended for rural and agricultural households. Among others, the poor participated and benefited from

projects such as the Integrated Agricultural Development Projects focused on the provision of agriculture infrastructure, replanting schemes, land consolidation and rehabilitation and support services [4]. In addition, greater employment opportunities from off-farm and non-farm activities helped to increase the income of poor households. In summary, housing in Malaysia needs to be expedited for sustainable growth as part of economic and social activities.

2 Low Income Housing in Malaysia

Malaysia had been faced with increased population from 21.3 million in 2000 to 25 million people in 2008. Yet, this is when the population growth rate decreased from 2% in 2000 to 1.75% in 2008. During this period, the birth rate and death rate have both decreased. Life expectancy has increased from less than 71 years to more than 73 years. Gross Domestic Production increased from 207 in 2004 to 358 in 2008 which decreased the number of poor people significantly. It means that GDP has increased from \$9000 in 2004 to \$14,400 in 2008 per capita [5]. Statistics show that the population under poverty line has decreased from 8% in 2002 to 5.1% in 2008 and %4 in 2009 [5]. On the other hand, the labour force has increased from 9,300,000 in 2000 to 10,910,000 in 2008.

Because of around 3,000,000 foreign labours in Malaysia, the fixed rate for minimum wage has generated discussions among different groups [6]. On May 2, 2008 Malaysia's top union chief called for a minimum wage of RM 1,200 (\$375) to help workers cope with soaring food and fuel prices but this has yet to be practiced. The Malaysian Trade Union Congress (MTUC) presented a memorandum on Oct 7, 2008 to the Human Resources Ministry, highlighting the numerous threats faced by workers. The MTUC demanded that the

government fixed a RM900 minimum monthly salary under the Employment Act [7].

The government of Malaysia has focused more on low medium cost housing during the Seventh Malaysia Plan (7MP) with a total of 350,000 units or 44% from the total 800,000 units planned. Although the number of units planned for low medium cost houses are the highest compared to other categories, the achievement is relatively low in both sectors [8]. The construction of medium and high cost housing by private sector has achieved 187% and 435% respectively of the targeted units. This situation created the oversupply of housing stock for both categories during 1997-2000 [9].

The Asian economic crisis worsened the properties scenario in Malaysia is resulting too many unsold properties including medium and high cost housing. The construction of low medium cost housing across Malaysia's states also shows the imbalance of distribution with several states not even building a single low medium cost houses until 1999 including the Federal Territory of Kuala Lumpur.

Moreover, the conditions imposed by local authorities are different from one project to another. This inconsistency creates confusion among the private developers. This study's survey shows that housing delivery system for low medium cost housing needs to be more stringent because there is no control over the purchasers. This category of housing is obviously becoming the choice of the property speculators. They believe that it is because of the absence of proper regulatory measures by the local authority that the price of low medium cost housing in Kuala Lumpur are mostly pegged between RM 70, 000 to RM 85,000 per unit.

In fact, the Kuala Lumpur area faces inadequate low income housing. This lacking is because of high number of foreign workers and immigration of Malaysians from rural area. In addition, developers mostly engage in

constructing medium income and luxury housing. Although Malaysian regulation forces developers to construct 30% of their total produce as low cost housing, this is not visible inside the city.

2.1 Low-Cost Housing in Malaysian Plan

The Ninth Malaysia Plan (9MP) gave special attention to low-cost housing. The overall performance of houses built under the low-cost housing category is encouraging with 200,513 units completed or 86.4 % of the target. Out of this number, 103,219 units or 51.5% were constructed by the public sector including state economic development corporations [2]. To ensure an adequate supply of low-cost houses, any mixed-development projects undertaken by private developers are required to allocate a minimum of 30% to low-cost housing [9]. However, some state governments made adjustments to the policy taking into account the situational demand for low-cost houses as well as to address the issue of unsold units.

Under the Public Low-Cost Housing Program (PLHP) for the low income group, during the 9MP period, a total of 27,006 low-cost houses were constructed under 70 projects. These projects were implemented by state governments through loans provided by the Federal Government and mainly concentrated in small towns and sub-urban areas [10]. These houses were sold to eligible buyers. Eligible buyers registered under the computerized open registration system administered by the respective state governments. The Program Perumahan Rakyat Bersepadu (PPRB) was implemented for the resettlement of squatters in cities and larger towns. Under this program, 37,241 low-cost houses were completed and rented out to those eligible. Out of this number of units, 24,654 units were built in Wilayah Persekutuan Kuala Lumpur while 12,587 units are in other major towns throughout the country

[10]. But it is too horrible when we see the 10th Malaysia Plan is only talking about 78,000 affordable units when Malaysia is facing more than 1,300,000 people under the poverty line [11]. Furthermore, we have to include at least 440,000 workers with less than \$250 (RM700) of monthly income [12].

Malaysia still needs high range low-income houses (LIH) in which the demand is currently increasing. Malaysia's planners have to rearrange LIH programs in their new plans.

2.2 Malaysia's Low-Income Housing Needs

The programs to eradicate poverty led to a reduced rate of poverty among Malaysians by 6.8% by the year 2000. Poverty was practically eliminated in 2008 with an even lower rate of 5%. Anti-poverty program was directed towards the poorest states and districts as well as the Orang Asli (aboriginal people of Peninsular Malaysia) community and the urban poor [2].

While attention is given to direct welfare assistance, attitudinal change and the provision of basic amenities, poverty elimination programs placed primary emphasis on income-generating projects. Among others, the income-generating projects include cash crop cultivation, livestock rearing, aquaculture, petty trading and cottage industries [3]. In the low-medium-cost housing category, a total of 83,910 units were completed, achieving 63.9% of the Plan target. Out of this number, the private sector constructed 61,084 units or 72.8%. In this category, the overall performance was better than the 20.7% of the target achievement, during the previous 8MP. This achievement shows that private developers responded very well to the increasing demand of houses in this category, thus, reducing the demand pressure for low-cost houses.

The total number of medium and high cost houses constructed by the private sector during the 8MP has far exceeded its target, reflecting a

continuous demand for houses in this category. In this respect, a total number of 222,023 units of medium-cost and 274,973 units of high-cost houses were constructed. The public sector constructed a number of 30,098 medium-cost houses and 22,510 high-cost houses, which met 64.4% and 112.6% of the 8MP's target, respectively [8].

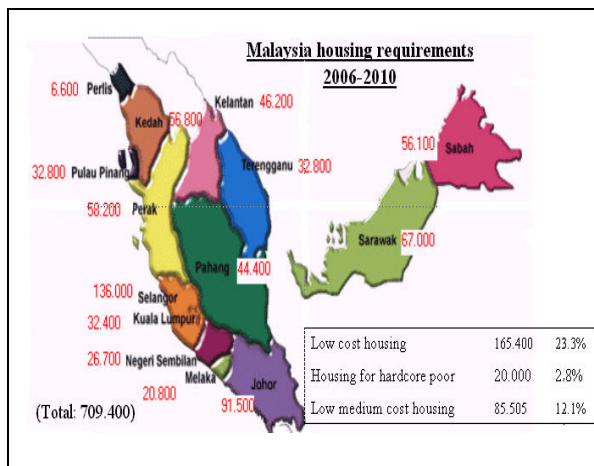


Fig 1. Malaysian Housing Requirements 2006-2010 (9MP 2006)

Malaysia's housing requirement between 2006 –2010 is 709,400 houses. Twenty thousand units are allocated for hardcore poor, people living under poverty line, their need for housing, too urgent. One hundred and sixty-five thousand four hundred units belong to low-income earner as low-cost housing and 85,505 units are for low-medium-cost housing.

This study illustrates that the current number of Malaysia's low-income housing doesn't cover Malaysia's future needs. Comparison between what has been constructed and what Malaysia needs reveals a big gap. It is clear that this gap in lower-cost housing is bigger than the high cost and luxury units.

3 Research Methodologies

This research is a qualitative research that employs Yin (2003) case study research methodology which has five components comprised of: 1) Research question; 2) Proposition; 3) Unit of analysis; 4) The logic of linking data to proposition and; 5) The criteria for interpreting the findings.

The case is reported from the practitioner's point of view. In actual fact, developers analyses their own project and they decide, don't involve in any more low-cost housing projects which must be profit making for them.

The validity of results has tested by four main type of validation which confirms that a single case study can cover all parts of the validation. For internal validity researcher applied to explanatory or causal cases and explained the Pangsapuri Belimbing's low-income process. Also reviews by a panel of experts (committee members and developers) and the experts explained about the reason of each process. In part of construct validity the chronology of events and making chart process for Pangsapuri Belimbing's and Malaysia low-income housing, develop a chain of evidence and a strong connection between case study and the literature is visible. In part of external validity comparing Pangsapuri Belimbing with American quality housing is possible. The location and clear process of Pangsapuri Belimbing help us for avoiding to any bias comparison. Also in reliability validity, Pangsapuri Belimbing let us to use Yin (2003) protocol step by step and one by one. As well as, the proposed process is calculated able. Not only adding new facility and amenities is not magic but also the site already has.

4 A Case Study for Malaysia LCH

To understand Malaysia's Low-Income Housing process and its regulations the researcher selected a LIH project in Malaysia called Pangsapuri Belimbing Height (PBH). It is

located in the Balakong district of Selangor. The main reason for constructing Bukit Belimbing in this area is to attract people to settle in Mines area, thus, mitigating overpopulation in Kuala Lumpur city. The area is an industrial district and influenced from University Putra Malaysia in recent years. The building is situated west of Jalan Belimbing Indah, south of Belimbing Height medium cost building, 1.5 km to Mines shopping centre and 2 km to KTM station in Serdang.

The project has built by Tan & Tan Construction Company. Established in 1971, Tan & Tan Developments Berhad (Tan & Tan) has been the recipient of The Edge's Top Property Developers Award for seven consecutive years and has been awarded the prestigious FIABCI Award of Distinction for Residential Development in the year 2002. The company is a wholly owned subsidiary of IGB Corporation Berhad, which is listed on the main board of Bursa Malaysia.

Residents of this building are enjoying recreational facilities such as playground, Mini market and Badminton court. Badminton court, children playground, a big area as car park, mini market and even security covers some needs of LI people in PBH.



Fig 2. PBH's playground

The total area of LCH of PBH is 45,000 sq.ft. The low cost houses or build up occupy a total area of 17,000 sq.ft. This is including 23,000 sq.ft. for car parking and 5,000 sq as playground. It is look like two building attached together in 11 storeys and totally 242 units. It means in each floor 22 units.

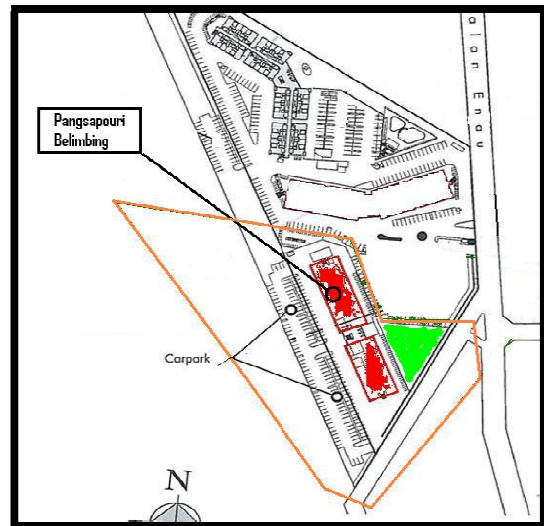


Fig 3. Pangsapuri Belimbing's site plan

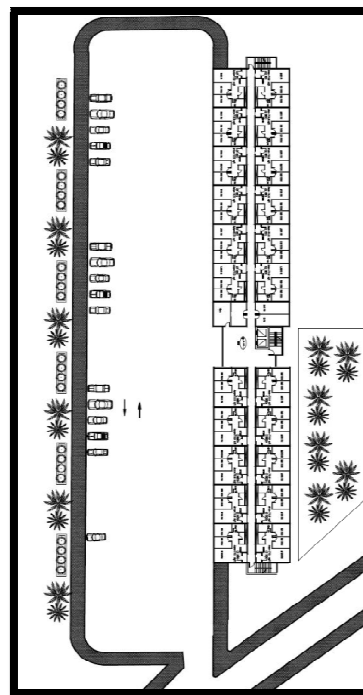


Fig 4. Pangsapuri Belimbing's site plan

Each floor is including 22 units. Each one two bedrooms, one bath, kitchen and one small study room or storage in 710 sq.ft.

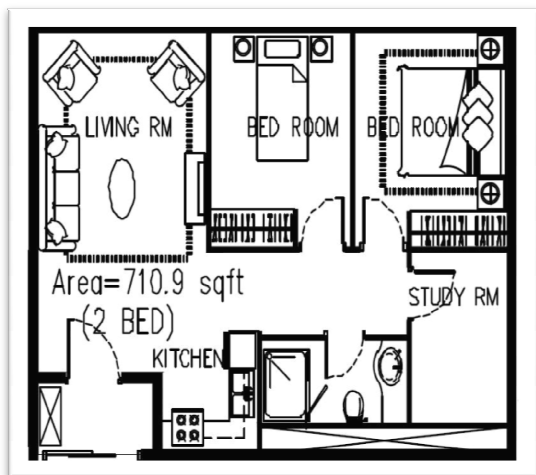


Fig 5. PBH's Floor Plan

4.1 Malaysia LCH sample Process

The project was developed in 1996. In 1998, almost two years after Tan & Tan submit PBH's plan, normal construction started. In 2001, the company started LCH. While the construction of PBH was underway, state housing department was registering low-income people for its units. In 2004, the developer completed PBH's LCH and sold each unit in fixed governmental price. The Figure below shows the process chart of LCH of PBH.

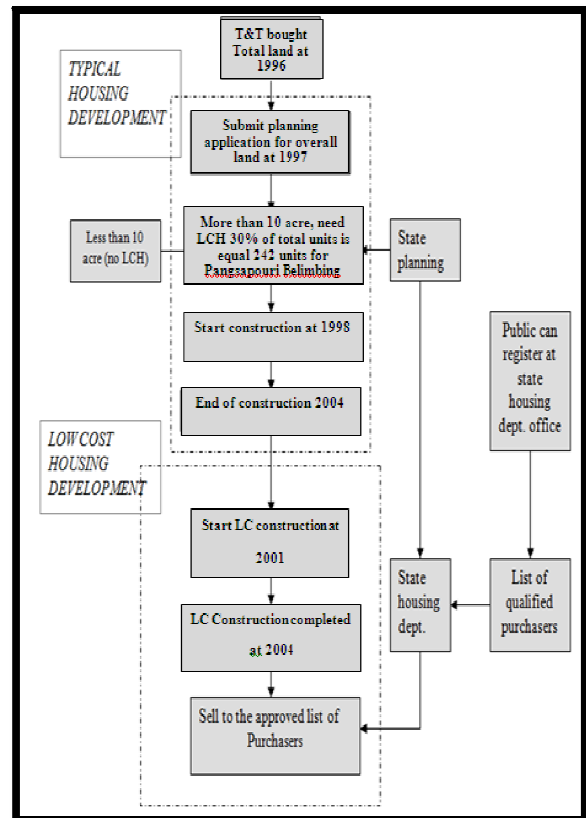


Fig 6. Project Process Chart

The total process from buying land to occupying by low income tenants has taken about 8 years which is quit long term for investment and increases the cost of developer.

5 Analyses the Malaysian LCH

Study on Malaysia's plans and regulations indicate that Malaysia pays special attention to housing requirements. There are 12 elements identified as Malaysia special attentions in different plans and agendas which are related to Malaysian future targets: median income group beside the low income group, quality of life, development projects, houses for government employees, focus on building for disadvantaged and the poor in urban and rural areas, more systematic and well-organized urban services programs, emphasis on sustainable development, promote greater community participation,

physical and social infrastructure, soft housing loan for target group, female-headed household as a target group and attention to mixed development and mixed income housing. The PBH process chart confirms that the LCH construction in Malaysia is not suffering from plenty of steps. Also the low quality of constructed houses as LCH is not because of low quality developers. What is visible around the country is almost the same quality for LCH which constructed by different developers.

Further study and interviews with developers confirms the government pressures for making higher quality LCH and selling in low fixed prices. This low fixed price is the real barrier for developers for involving in LCH and has resulted more luxury and medium income houses against low income housing.

6 Conclusions

The Malaysia plans is expected to see the government's continuous effort to ensure that Malaysians of all income levels will have access to adequate, quality and affordable homes, particularly for those under the low-income group. In this regard, the private sector is expected to support the government's initiative to build more low- and low-medium-cost houses in their mixed-development projects while the public sector will concentrate on building low-cost houses as well as houses for government employees, the disadvantaged and the poor in urban and rural areas. To enhance the quality of life of the urban population, the provision of more systematic and well-organized urban services programs will emphasize on sustainable development, promoting greater community participation and social integration of the population. In very short summary this study shows if the authorities (government) can balance low income obligations and developer's profit-making objective then developer can increase the number of permanent affordable

housing units and enhance the quality of settlement areas according Malaysia plans' targets.

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