

AFFORDABLE HOUSING WITHIN THE MIDDLE INCOME HOUSEHOLDS IN MALAYSIA: CHALLENGE TO ENTER HOMEOWNERSHIP

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ABSTRACT

The growth of the Malaysian housing sector has been underpinned by the correlation between three forces; growing population, high rates of urbanization, and growing economy. There are policies currently in place that assist to address housing for the needy, particularly low income households. However, little is done to attend to the needs of middle income households. This study seeks to examine the affordability profiles of middle-income earners in each major city to derive the level of house price they can afford. The study also evaluates accessibility to affordable housing amongst the middle income households. Based on the literature review and surveys on respondents from households in each of the chosen major towns and cities in Malaysia, the study establishes that middle income households can be categorised into three main sub-groups; Low-Middle Income, Middle-Middle Income, and Upper-Middle Income. Further insight into the type of house preferred and affordable prices by these middle income households revealed that there is an explicit mismatch between affordability and housing price throughout the case study areas in Malaysia. The study concluded that the current affordability challenge faced by this middle income household warrants a greater role by the Malaysian government in meeting the housing needs of this group.

Key words: Affordability, middle income households, affordable housing, affordable prices

1. INTRODUCTION

The issue of ensuring sufficient supply and distribution of affordable housing is becoming a major housing policy concern in most developed and developing countries. There is a policy imperative to address the need of the low income people and the practice of providing assistance for housing. This is well established in most developed countries and is used to improve housing affordability for lower income households, most of whom are on incomes well below median. The mechanisms adopted are through the provision of rent assistance to those in the private rental market, and through the provision of income geared subsidies to those in public housing. In the context of Malaysia, the provision of subsidised low-cost housing for home ownership and public housing for renting are examples of housing assistance provided by the state to improve housing affordability for the lower income households.

However, concerns have been expressed about affordability challenges faced by the middle-income households (MIH) who are finding it difficult to enter private sector homeownership near their place of work. Further, these households are excluded from current housing assistance programs in most developed and developing countries. The latest development for housing policies in Malaysia witnessed the role of the state in providing assistance to these households. The revival of interest among policymakers in Malaysia to explore the impact of escalating house prices on the position of low to medium paid workers is driven by the growing recognition of MIH failing to access their preferred home ownership locations. This trend on the growing failure of home ownership, once perceived as available to almost all working-age Malaysians in order to successfully accommodate those in the economic mainstream, has become a policy dilemma. The implication is that there may be a growing spatial divide between the locations in major cities and towns in Malaysia which MIH can afford to live. This will become increasingly apparent as jobs tend to be concentrated in areas of higher housing costs.

Drawing on case studies in major towns and cities of Malaysia, this study seeks to investigate the affordability profiles of middle-income earners in a few major cities of Malaysia, in order to determine affordable house price levels. The study also investigates the profiles of affordable housing supply (both existing and future supplies) in terms of the prices, the types of houses and the locations. Specifically, this research intends to address key issues with respect to middle income groups as follows:

- a. What is affordable housing in the local context?
- b. What are the affordable prices?
- c. What type of houses are affordable in the market?

2. CONCEPTUALISING THE MEANING OF AFFORDABILITY

Landt and Bray (1997) and Burke and Ralston (2003) suggested that whilst estimates of the number and composition of those with affordability problems are sensitive to the measures employed, there are many results that are robust to whatever measure is employed. At a microeconomic level, there is a significant amount of consistent information in the last decade about which groups are most vulnerable to housing affordability problems, which reinforces results from earlier decades.

Affordability can be thought of as being a problem of differing duration. It can be:

- a. A short term “threshold” problem for people having difficulty meeting the up-front costs of entering either home purchase or rental (due to deposits, transaction costs, high mortgage to income levels, etc).
- b. An “on-going” problem for households where, for example, high initial housing costs fail real terms in relation to household income over time (or may actually increase).
- c. An “episodic” problem resulting from an unplanned change in household circumstances (e.g. illness, family break-up) or from unpredicted external factors (e.g. periods of unemployment, change in lending rates, etc).

Policy options will be different for each type of affordability problem (Nguyen, 2005). However, most evidence to-date does not provide a means of distinguishing between these problems, nor does it provide a means of determining the extent to which affordability problems (or solutions to these) are spatially driven.

Several attempts have been made to understand how and why affordability problems are created. What is meant by affordable housing and who might be served by it is interpreted differently by different people. The practice of providing assistance for housing to improve housing affordability for lower income households, most of whom are recipients of social security payments and are on incomes well below median, is well established through the provision of rent assistance to those in the private rental market and through the provision of income geared subsidies to those in public housing (Turner et al. 2009). Concerns have been expressed about affordability outcomes for working households who are finding it difficult to rent or purchase private sector housing that is accessible to their place of work. As a result, they bear the burden of either significant housing costs or significant transport costs. In many countries these households may not be covered by housing assistance programs, leaving the middle income group to independently face the challenges of entering home ownership, a dream aspired by all. The spiralling of house prices, especially in major cities has aggravated inaccessibility to housing for this group. These households are concerned because affordability affects not only their ability to become homeowners, but also the size and type of the home they are able to purchase.

Thus, affordability problems can be viewed as operating at different levels, ranging from a more narrow direct experience of severe problems such as poverty and homelessness, through to an intermediate level of risk and a broader problem of access to the market. Many authors (Yates and Gabriel, 2006; Disney, 2006; Cairney and Boyle, 2004) argue that housing affordability is influenced by the levels and distributions of home prices, household incomes and the structure of financing costs. The affordability of housing has become a common way of summarising the nature of the housing problem in many market-based

housing systems. To a great extent, housing affordability is influenced by the levels and distributions of home prices, household incomes and the structure of financing costs (Bramley, 1994; Ludwig et al, 2002). In a similar tone, Wilcox (2003) mentioned that home ownership affordability has traditionally been defined by the rules of access to mortgage finance. Affordability in the owner-occupied market has been increased mainly as a result of interest rates (albeit there has been significant housing price inflation) and also perceived as related to incomes, housing costs, housing availability, employment, maintenance of the existing affordable housing stock, and patterns of new construction. Housing affordability is both a real issue and an issue manufactured by middle-class and affluent young adults with ever-growing expectations. Down payment constraints are binding for many younger lower- and middle-income households who find themselves postponing home ownership.

3. WHAT IS AFFORDABLE HOUSING?

The term 'affordable housing' has gained traction in housing policy and research circles as a way of distinguishing the supply of traditional forms of social housing from a range of privately initiated housing options that may be more widely targeted. Those traditional forms particularly include public housing; that is, a government centred system of provision with restricted access. Providers of the more diverse range of affordable housing products are generally not for profit organisations or private individuals and companies who, in return for government assistance in one or more forms (such as planning benefits, tax incentives or financial subsidies), invest in housing provided under government regulation, funding agreement or contract at a price considered affordable to the target groups of households they serve.

The meaning of 'affordable housing' depends on the income, the age, the geographic location, and the ethnic group or race of the people involved. At one extreme it translates into affordability for the first time homebuyer of a traditional single-family house with a traditional mortgage. At the other, it translates to having any kind of roof over one's head (Steve, 1992). In the United States, where the particular usage originated, the broad characteristics of 'affordable housing' include that it is privately owned, socially oriented and price restricted (Davis, 1994). Generally, when this conceptualisation of affordable housing has been applied, the term is used to distinguish new ways of financing and delivering housing that is affordable for low and MIH, from traditional forms of social (or public) housing.

Underpinning this, the term 'affordable housing' in this study refers to housing which generally meets the needs of households whose incomes are insufficient to allow access to appropriate housing in the market without assistance.

The primary determinants of the affordability of housing are household income, house price, and mortgage rates. Since affordability is greatly influenced by the levels and distributions of home prices, household incomes and the structure of financing costs, affordable housing for middle income households is therefore defined as a housing where house payment is no greater than 33 percent of gross household income.

The study also subscribes to the expression 'affordable housing' which is connected to the relationship between median incomes and market prices within a given community. Most fundamentally, affordable housing is an expression of the social and material experiences of people, constituted as households, in relation to their individual housing situations. Affordability expresses the challenge each household faces in balancing the cost of its actual or potential housing, on the one hand, and its non-housing expenditures, on the other, within the constraints of its income.

4. THE RESEARCH

This study is based on a research funded by the Real Estate Research and Development Grant Scheme (NAPREC) represented by National Institute of Valuation (INSPEN). The Centre for Studies of Urban and Regional Real Estate (SURE), Faculty of Built Environment, University of Malaya, Kuala Lumpur gratefully acknowledges the financial and other support it has received from the Government of Malaysia, without which this work would not have been possible. Fieldwork took place between April 2008 and July 2009 and additional data collections were carried out in April to May 2010. The sampling designs adopted random sampling for households' survey and non-random sampling for the interviews with relevant officers at the identified local authority offices. This quantitative technique of research by the questionnaire-based survey is considered the first level of primary data collection for this study.

Affordability problems for middle income households in Malaysia are widespread in most major cities and towns in Malaysia where many of them find it difficult to purchase a home. The increasing growth of new centres such as townships, commercial hubs, industrial parks and office complexes inevitably result in an increased working population. Along with the increasing population in urban centres, the shortage of affordable housing units is escalating. Continuous efforts are undertaken to ensure that Malaysians of all income levels will have access to adequate, quality and affordable homes, particularly the low-income group (Ninth Malaysia Plan, 2006-2010). However, to cite an example, the Kuala Lumpur Structure Plan 2020 (CHKL, 2004) does not include a low medium/medium cost housing category in the projection of house units to be built by 2020. Although the emphasis of Structure Plan is to provide more houses in medium cost range (including low medium cost), specific policies were not clearly stated.

In this study, the middle income households are identified on the basis of family income. It is based on both economic and cultural consideration. In addition, the cultural view of the middle income household seems to be one in which the family is the typical income unit. Significant structural changes have taken place among families in the last two decades, most importantly, due to large scale participation of married women into the labour force. This increase among family types gives added impetus to using the family unit in examining changes in the size of the middle income household.

5. THE FINDINGS AND DISCUSSIONS

This study divided the findings into two sections; the current home owners amongst the middle income households, and the prospective buyers amongst this group currently residing in rented units.

Total number of respondents from the current home owners amongst the middle income households according to the cities surveyed is shown in Table 1. A total number of 1,162 households were surveyed. With the exception of Kuala Lumpur, all other cities were each represented by at least 120 respondents. Reflecting the size of its population, Kuala Lumpur was represented by 171 respondents (14.7% of total respondents).

Table 1: Distribution of Survey Respondents by City

City	Frequency	Percentage
Kuantan	131	11.3
Kota Bharu	120	10.3
Kota Kinabalu	130	11.2
Kuching	120	10.3
Johor Bahru	120	10.3
Kuala Lumpur	171	14.7
Pulau Pinang	120	10.3
Melaka	120	10.3
Alor Setar & Kangar	130	11.2
Total	1162	100.0

The original set of respondents comprise of Malays, being the majority (57.3%), Chinese (29.8%), Indians (7.1%), Other Bumiputeras (5.2%) and Other citizenships make up the remaining 0.7 percent.

The average household size is 4.74 persons while the median is 5 persons (Table 2). This is relatively higher than the average national figures of 4.3 persons for private households in 2005 (Malaysia, 2006). Majority of the households had been between 3 and 6 persons.

Table 2: Distribution of Survey Respondents by Household Size

Household Size	Frequency	Percentage
1 – 2 persons	140	12.8
3 – 4 persons	366	33.6
5 – 6 persons	412	37.8
> 6 persons	172	15.8
Total	1090	100.0
Raw Mean (persons)	4.74	
Raw Median (persons)	5.00	

For the prospective buyers amongst this group currently residing in rented units, the new set of data of more tenants were specifically explored for tenanted houses in Kuantan, Kota Bharu, Kuala Lumpur, Pulau Pinang, Melaka, and Alor Setar and Kangar. In the additional

survey, a total 190 respondents were obtained, but reduced to 133 following the skimming process of including only the middle income households. Added with those from the first survey, the total number of tenants analysed is 284.

The findings in Table 3 illustrate that the distribution of respondents for the survey on MIH tenants is highest in Kota Bharu (57 respondents or 20.1%) followed by Kota Kinabalu (19%) and Kuala Lumpur (15.8%).

Table 3: Distribution of Survey Respondents by City

City	Frequency	Percentage
Kuantan	33	11.6
Kota Bharu	57	20.1
Kota Kinabalu	54	19.0
Kuala Lumpur	45	15.8
Pulau Pinang	34	12.0
Melaka	33	11.6
Alor Setar & Kangar	28	9.9
Total	284	100.0

The middle income tenant respondents selected is comprised of Malays, being the majority (77.3%), Chinese (12.8%), Indians (5.7%), Other Bumiputeras (3.5%) and 'Others' making up the remaining 0.7 percent. In terms of household size, these findings demonstrate that almost 45 percent of households had 3 or 4 persons. To a certain degree, this suggests a relatively smaller household size when compared to the first surveyed home owners group (see Table 4).

Table 4: Distribution of Middle Income Survey Respondents by Household Size

Household Size	Frequency	Percentage
1 – 2 persons	52	18.6
3 – 4 persons	125	44.6
5 – 6 persons	77	27.5
> 6 persons	26	9.3
Total	280	100.0
Raw Mean (persons)	4.12	
Raw Median (persons)	4.00	

Further analysis on the income distribution of the households from current home owners demonstrates that up to 13 percent of households declared their monthly income to be RM1500 or less. To a certain degree, this suggests a general feature of poor families. Nevertheless, almost 15 percent of the respondents had a total income between RM1501-2000, and a further 34 percent had a total income of between RM2001-4000. As such, this category formed the majority of households. A higher income category of RM4001-6000 represents about 21 percent of the respondents. The remaining 17.5 percent had household income above RM6000 per month (see Table 5).

Table 5: Distribution of Respondents Monthly Household Income by City (the current home owners)

Total Household Monthly Income (RM)	City									Total
	Kuantan	Kota Bharu	Kota Kinabalu	Kuching	Johor Bahru	Kuala Lumpur	Pulau Pinang	Melaka	Alor Setar & Kangar	
RM1000 or less	1.5	0.8	-	-	0.9	3.7	2.6	5.0	25.4	4.5
RM1001-1500	9.2	3.4	9.2	8.3	6.8	3.7	7.0	11.8	16.7	8.4
RM1501-2000	16.9	23.5	9.2	19.2	15.4	7.4	16.7	14.3	12.7	14.7
RM2001-4000	30.0	43.7	48.5	35.0	36.8	32.7	25.4	26.9	25.4	33.9
RM4001-6000	20.0	27.7	19.2	18.3	22.2	23.5	24.6	23.5	11.1	21.1
RM6001-8000	11.5	0.8	8.5	5.8	12.8	10.5	10.5	11.8	7.9	9.0
RM8001-10000	7.7	-	3.8	5.8	3.4	6.2	7.9	4.2	-	4.4
RM10001-15000	3.1	-	0.8	5.0	0.9	6.8	3.5	1.7	.8	2.6
More than RM15000	-	-	0.8	2.5	0.9	5.6	1.8	0.8	-	1.5
Total	130	119	130	120	117	162	114	119	126	1137
Raw Mean (RM)	4207.69	3216.39	3865.38	4414.58	4021.37	5473.77	4592.11	3981.09	2593.25	4083.77
Median Group (RM)	2001-4000	2001-4000	2001-4000	2000-4000	2001-4000	4001-6000	2001-4000	2001-4000	1501-2000	2001-4000

Note: This is not representative of actual population as a purposive sampling of potential middle-income households was surveyed.

Kuantan, Kota Bharu, Kota Kinabalu, Kuching, Melaka, Alor Setar and Kangar are deemed to share a lower income limit of RM1,500 per month. This would form the category termed as 'lower-middle income'. This is followed by the income category of RM2,001 – RM4,000 which forms the core income for the 'middle income' group. The category RM4,001 – RM6,000 forms the upper-middle income category for these cities. In Kelantan, the upper income limit for Kota Bharu is deemed to remain at RM2,001 – RM4,000. In other words for Kota Bharu, there will only be two sub-categorisations of the middle income group in Kelantan. Hence, RM1,501 – RM2,000 forms the lower-middle income category and RM2,001 – RM4,000 forms the middle-to-upper middle income category in Kota Bharu. The median household income remains between RM2,000 and RM4,000 for all cities except for Kuala Lumpur which records between RM4,000 and RM6,000, while Alor Setar and Kangar demonstrated a lower median income of between RM1,500 and RM2,000. The overall median income for all cities is at RM2,001 - 4,000.

The distribution of household income for respondents in renting sector (Table 6) illustrates that respondents from Kuala Lumpur have the highest total household income of RM4,022 per month. Respondents from Kota Kinabalu, Pulau Pinang, Melaka, and Alor Setar and Kangar have a lower mean household income between RM3,000 and RM4,000, while Kuantan and Kota Bharu tenants have below RM3,000 per month. The city on the east coast of the Malaysian peninsular, Kota Bharu, earned the lowest at RM2,517. Overall, the median household income remained at between RM2,001 and RM4,000 for all cities.

**Table 6: Distribution of Tenant's
Total Monthly Household Income by City**

Total Household Monthly Income (RM)	City							Total
	Kuantan	Kota Bharu	Kota Kinabalu	Kuala Lumpur	Pulau Pinang	Melaka	Alor Setar & Kangar	
RM1501-2000	39.4	38.6	9.3	-	-	30.3	25.0	20.1
RM2001-4000	45.5	61.4	72.2	60.0	76.5	48.5	50.0	60.6
RM4001-6000	15.2	-	18.5	28.9	20.6	21.2	25.0	17.3
RM6001-8000	-	-	-	11.1	2.9	-	-	2.1
Total	33	57	54	45	34	33	28	284
Raw Mean (RM)	2,810.1	2,517.4	3,254.3	4,022.2	3,529.1	3,045.5	3,044.4	3,161
Median Group (RM)	2001-4000	2001-4000	2001-4000	2001-4000	2001-4000	2001-4000	2001-4000	2001-4000

The distribution of household income for respondents who are deemed to represent the middle income households is shown in Table 6. The income categories that fit into this group appear to be between RM1,500 and RM6,000 for Kuantan, Kota Kinabalu, Kuching, Melaka and Alor Setar and Kangar. With special reference to Alor Setar and Kangar (the capital state cities of the northern state of Kedah and Perlis respectively), this category is fitting as a large proportion had income below RM1,500 per month. On the east coast of Malaysia, Kota Bharu, the capital city of the State of Kelantan recorded the highest proportion of households with an income below RM1,500 per month. Incomes of more than RM4,000 are deemed to represent the high income category and are thus excluded from the MIH category. Kuala Lumpur, Penang, and Johor Bahru had proportions in the higher income bracket, and thus the MIH category that befits these cities is deemed to be between RM2,000 and RM8,000 per month commensurate with the high level of urbanisation and high per capita income in these cities.

Table 7: Distribution of Middle Income Respondent's Monthly Household Income by City

Total Household Monthly Income (RM)	City									Total
	Kuantan	Kota Bharu	Kota Kinabalu	Kuching	Johor Bahru	Kuala Lumpur	Pulau Pinang	Melaka	Alor Setar & Kangar	
RM1501-2000	25.3	35.0	12.0	26.4	-	-	-	22.1	25.8	15.6
RM2001-4000	44.8	65.0	63.0	48.3	51.2	49.1	42.0	41.6	51.6	51.1
RM4001-6000	29.9	-	25.0	25.3	31.0	35.2	40.6	36.4	22.6	27.5
RM6001-8000	-	-	-	-	17.9	15.7	17.4	-	-	5.8
Total	87	80	100	87	84	108	69	77	62	754
Raw Mean (RM)	3281.6	2562.5	3350.0	3175.2	4306.5	4402.7	4507.2	3451.3	3129.0	3593.8
Median Group (RM)	1	0	0	9	5	8	5	0	3	3
	2001-4000	2001-4000	2001-4000	2001-4000	2001-4000	4001-6000	4001-6000	2001-4000	2001-4000	2001-4000

With these groupings of income, Table 8 shows the sub-categorisation by city and its representation in terms of income bracket. The sub-categorisation is performed as follows:

- Low-Middle Income
- Middle-Middle Income
- Upper-Middle Income

Table 8: Categorisation of Income for Middle-Income Groups for Selected Cities

City	Income Category		
	Lower-Middle	Middle	Upper-Middle
Kuantan	RM1501-2000	RM2001-4000	RM4001-6000
Kota Bharu	RM1501-2000	RM2001-4000	
Kota Kinabalu	RM1501-2000	RM2001-4000	RM4001-6000
Kuching	RM1501-2000	RM2001-4000	RM4001-6000
Johor Bahru	RM2001-4000	RM4001-6000	RM6001-8000
Kuala Lumpur	RM2001-4000	RM4001-6000	RM6001-8000
Pulau Pinang	RM2001-4000	RM4001-6000	RM6001-8000
Melaka	RM1501-2000	RM2001-4000	RM4001-6000
Alor Setar & Kangar	RM1501-2000	RM2001-4000	RM4001-6000

Against this scenario, the acceptable range of affordability for middle income home owners is between RM120,000 and RM150,000, except for Kuala Lumpur. In Kuala Lumpur the MIH reported a median of between RM180,000 and RM200,000 as the affordable price for their property. For Kota Bharu and Kuantan, the range for affordability is wider, between RM120,000 and RM180,000. For the prospective middle income buyers currently in the renting sector, the study established that tenants in Kuantan, Melaka and Alor Setar and Kangar could afford a property of RM100,000 or below. Those residing in Kuala Lumpur can afford more as the proportion of those who can afford property above RM120,000 is higher than in other cities.

The overall median affordability housing price is between RM120,001 and RM150,000. This is also the median affordability housing price in Kota Bharu and Kota Kinabalu. However, the median value of RM80,001-100,000 is lowest at Melaka, Alor Setar and Kangar. As for Kuantan and Pulau Pinang, the median affordability housing price is also a modest RM100,001-120,000. Kuala Lumpur lists the highest median value at RM150,001-180,000.

The above conclusions are summarised below in Table 9.

Table 9: Acceptable Range for Affordability According to State

State	Middle Income Home Owners	Prospective Middle Income Buyers (tenants)
Pahang	100,000 - 120,000	100,000 - 120,000
Kelantan	120,000 - 150,000	120,000 - 150,000
Sabah	120,000 - 150,000	120,000 - 150,000
Sarawak	120,000 - 150,000	-
Johor	120,000 - 150,000	-
Kuala Lumpur	180,000 - 200,000	150,000 - 180,000
Pulau Pinang	120,000 - 150,000	100,000 - 120,000
Melaka	100,000 - 120,000	80,000 - 100,000
Kedah & Perlis	120,000 - 150,000	80,000 - 100,000

Our findings demonstrate that single storey housing is perceived as the type of house most affordable in Kuantan, Kota Kinabalu and Melaka. This is evident from the preferred choice of housing in these cities. Double storey housing appeared to be the type of houses most affordable amongst the households in Kota Kinabalu, Johor Bahru, Kuala Lumpur, Penang and Melaka. Bungalows are preferred in the low cost-of-living cities such as Kuantan, Kota Bharu, Alor Setar and Kangar.

In addition, the study demonstrated that the mean monthly instalment payment deemed to be affordable by current middle income home owners is about RM800 per month. This forms about 20 to 25 percent of their total monthly income. Furthermore, the mean down payment the group is able to commit is about RM14,000.

It is also observed that the affordability of prospective buyers currently in the renting sector is lower than those currently residing in their own residence. The overall mean affordable

mortgage payment per month prevails at about RM650 for the men and RM680 for the female tenants. The overall mean deposit payment is about RM10,500. Further analysis on the affordable price by both current MIH home owners and prospective buyers compared to mean housing price according to state explicitly suggest a mismatch between affordability and housing price for the MIH (see Table 10 and Table 11).

Table 10: Affordability compared to mean housing price for current middle income home owners

State	Type of Perceived Affordable Housing	Affordable Price - Owner (RM)*	Mean Housing Price (RM) 2007**	Mean Housing Price (RM) 2008**	Mean Housing Price (RM) 2009**
Pahang	Single storey terrace house	100,000	-	118,967	134,672
		120,000	-		
Kelantan	Bungalow	120,000	-	216,412	257,750
		150,000	-		
Sabah	Single storey terrace house	120,000	-	161,065	166,373
		150,000	-		
Sarawak	Single-storey Semi-detached house	120,000	-	189,583	222,909
		150,000	-		
Johor	Double storey terrace house	120,000	-	190,101	177,880
		150,000	-		
Kuala Lumpur	Double storey terrace house	180,000	-	437,398	432,876
		200,000	-		
Pulau Pinang	Double storey terrace house	120,000	-	299,565	317,664
		150,000	-		
Melaka	Single Storey terrace House	100,000	-	102,763	106,418
		120,000	-		
Kedah	Bungalow	100,000	-	195,777	187,688
		120,000	-		
		120,000	-	234,966	326,800
		150,000	-		

Source: * Our Analysis

**Malaysia, Residential Property Stock Report (Q4- 2007; Q4- 2008; Q4- 2009)

Table 11: Affordability compared to mean housing price for prospective buyers currently in renting sector

State	Type of Perceived Affordable Housing	Affordable Price – Tenant (RM)*	Mean Housing Price (RM) 2007**	Mean Housing Price (RM) 2008**	Mean Housing Price (RM) 2009**
Pahang	Single storey terrace house	100,000 - 120,000	118,967	134,672	133,374
Kelantan	Bungalow	120,000 - 150,000	216,412	257,750	293,448
Kuala Lumpur	Double storey terrace house	150,000 - 180,000	437,398	432,876	518,628
Pulau Pinang	Double storey Semi-detached house	100,000 - 120,000	526,931	511,057	586,678
Melaka	Single storey terrace house	80,000 - 100,000	102,763	106,418	111,921
Kedah	Bungalow	80,000 - 100,000	234,966	326,800	609,450

Source: * Our Analysis

**Malaysia, Residential Property Stock Report (Q4- 2007; Q4- 2008; Q4- 2009)

5. CONCLUSIONS

Affordability expresses the challenge each household faces in balancing both the cost of its actual or potential housing, and its non-housing expenditures, within the constraints of its income. The study suggests that urban populations in major cities and towns enjoy a higher income compared to those living in smaller cities. Further analysis demonstrated that single storey housing is perceived as the type of house most preferred in smaller cities whilst double storey housing is most preferred amongst the households in bigger cities. A marked mismatched between house prices in the market and the affordable prices by the MIH appeared amongst both current home owners and prospective homeowners in big cities such as Kuala Lumpur and Penang. The study concluded that affordability expresses the challenge each household faces in balancing the cost of its actual or potential housing, on the one hand, and its non-housing expenditures, on the other, within the constraints of its income. Addressing this current situation warrants immediate attention by the state.

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