

LOW MEDIUM COST HOUSING IN MALAYSIA: ISSUES AND CHALLENGES

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ABSTRACT

Housing provision for all in any country is very crucial in order to ensure social- economic stability and to promote national development. Therefore the Malaysian government under its 5 year National Plan has introduced the low, medium and high cost housing categories. Under the Seventh Malaysia Plan (1996-2000) the government for the first time introduced the Low Medium Cost Housing category (previously it was classified together with medium cost housing category) due to the ever increasing demand for housing in this category.

This is to ensure that the middle low income group with salary ranging from RM1,501 (USD395) to RM2,500 (USD658) per month able to own a house. However, provision of low medium cost housing or house costing from RM42,001 (USD11,503) to RM60,000 (USD15,789) per unit projected under Seventh Malaysia Plan is very disappointed with only 20.7% or 72,582 unit completed from 350,000 unit targeted nationwide.

The need to examine the cause of the problems associated with the implementation of low medium cost housing to ensure the success of future housing policy in Malaysia. For this purpose, the study will look into the implementation of low medium cost housing policy with special reference to Kuala Lumpur as case study.

1.0 INTRODUCTION

To most individuals housing represents the largest single investment item of a lifetime. This is especially true as family incomes increase and housing viewed less as a basic consumption and more as a key to a secure future. Developing countries have learned that the provision of decent housing for all cannot be left to the play of the market forces alone. Whereas the well-to-do few have no trouble in obtaining comfortable homes, the majority of families in the developing countries go without adequate housing and related facilities. Therefore, the governments found it necessary to intervene in the production of housing for their population.

Under the Seventh Malaysia Plan (1996-2000) and Eight Malaysia Plan (2001-2005), Malaysian government are committed to provide adequate, affordable and quality housing for all Malaysian, particularly the low income group. This is in line with Istanbul Declaration on Human Settlement and Habitat Agenda (1996) to ensure adequate shelter for all.

The government also included for the first time low medium cost housing category in the Seventh Malaysia Plan for the medium low income group with salary ranged between RM1,501 to RM2,500 per month with target of 350,000 units are to be built during the plan period. Unfortunately only 72,582 units or 20.7% from the target units were built nationwide at the end of the Seventh Malaysia Plan. This paper will discuss the general scenario of housing in Malaysia particularly the low medium cost housing.

2.0 OVERVIEW OF MALAYSIA HOUSING POLICY

Since independent, the provision of low cost housing has become a priority of the government in the Five Years National Plans. Government agencies were directly responsible in providing housing for the poor in urban areas through establishment of the State Economic Development Corporations and various urban development agencies. A Ceiling price for low cost housing was fixed at RM25,000 per unit for people with household income of less than RM750 per month since 1982.

In order to ensure the private sector to construct low cost housing, government through the local authority also impose 30% quota provision of low cost housing in every residential development. In ensuring that these houses are secured by targeted group, the government also imposed an open registration system (refer to Table 1). There are no specific quota or registered purchaser required for other housing categories.

Table 1 : Summary of Malaysia Housing Policy

Phase	Period	Focus of Attention	Strategies	Key Documents	Policy Analysis
Colonial Period	Before 1957	<ul style="list-style-type: none"> - Housing for government staff quarters - Resettlement of people during communist insurgencies to the new village. - Resettlement of people to Felda scheme - Provision of housing especially for low income people in urban areas. 	<ul style="list-style-type: none"> - Construction of government quarters based on department requirement - Building of houses in the new settlements with facilities for more than 500,000 people. - Planning and development of Felda Scheme with the housing and facilities. - Setting-up of Housing Trust in 1952. 	<ul style="list-style-type: none"> - Briggs Plan, 1952 - Land Resettlement Act, 1956 - Housing Trust Ordinance, 1949 - G. Rudduck Report, 1950's 	<ul style="list-style-type: none"> - Government are the key player in housing provision - Physical oriented - Ad-hoc policies
Early stage of Independence	1957 - 1970	<ul style="list-style-type: none"> - Continuing the colonial government policies with minor improvement. - Emphasis on housing especially for low income group in urban areas. - Private sector involvement in housing provision. - Improvement of basic infrastructure. 	<ul style="list-style-type: none"> - Implementation follow the colonial policies with limited budget. - Housing Trust involved actively low cost housing development in urban areas such as KL and Penang. - Private sector to concentrate on medium and high cost housing. 	<ul style="list-style-type: none"> - First and Second Malaya Plan (1955 - 1964) - First Malaysia Plan (1965 - 1969) 	<ul style="list-style-type: none"> - Government as key player in housing provision especially low cost. - Private sector to focus on medium and high cost housing.
New Economic Policy	1971 - 1990	<ul style="list-style-type: none"> - Eradication of poverty & restructure the society. - Implementation of Human Settlement Concept in housing development - Housing for low income group was given priority in national policies. - Private sector play as key player in housing provision. 	<ul style="list-style-type: none"> - High rate of rural-urban migration - Private sector was responsible to built large portion of housing for people including low cost. - Ceiling price for low cost house was set at RM25,000 in 1982. - Government established state agencies - Encourage national unity in housing development. 	<ul style="list-style-type: none"> - New Economic Policy, 1971 - Second Malaysia Plan to Fifth Malaysia Plan (1971-1990) 	<ul style="list-style-type: none"> - Private sector as key player in housing provision including low cost.

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Phase	Period	Focus of Attention	Strategies	Key Documents	Policy Analysis
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National Development Plan	1991 - 2000	<ul style="list-style-type: none"> - Continue implementation of NEP policies and strategies. - Human Settlement Concept with Emphasis on sustainable development. - To ensure all people regardless of their income to live in decent house. - Private sector continue to responsible in housing provision for the people. 	<ul style="list-style-type: none"> - To build more affordable housing especially low and low medium cost housing. - Low medium cost housing as major component in housing provision since Seventh Malaysia Plan (1996-2000) - Emphasis on squatters elimination by the year 2005 - Government created new laws and guidelines to control private sector 	<ul style="list-style-type: none"> - National Development Plan, 1991 - Sixth and Seventh Malaysia Plan (1991 - 2000) - Agenda 21 (UNCHS), 1994 - The Habitat Agenda 1996 	<ul style="list-style-type: none"> - Private sector still play as key player in housing provision but government created many new laws and guidelines to ensure quality housing.
Vison Development Plan	2001 - 2010	<ul style="list-style-type: none"> - Emphasis on sustainable urban development and adequate housing for all income group. - Housing development will be integrate with other type of development such as industry and commercial. - Emphasis on ICT. - Government as key player in low cost housing provision and private sector for medium and high cost housing. 	<ul style="list-style-type: none"> - Continue effort to provide the guidelines and inculcate the citizen understanding towards sustainable development and encourage citizen to participate in housing development in line with Local Agenda 21. - Encourage more private developers to construct low medium cost house. - Setting-up Human Settlement Research Institute or MAHSURI to encourage research and development in housing. 	<ul style="list-style-type: none"> - Vision Development Plan 2001 - Eight Malaysia Plan, 2001 - 2005 	<ul style="list-style-type: none"> - Government as key player in provision of low cost housing provision.

Source : Various Five Years Malaysia National Plan

3.0 HOUSING PRICE CATEGORIES IN MALAYSIA

The housing price categories in Malaysia based on the Ministry of Housing and Local Government definition can be divided into four categories as listed in Table 2. The price structure has remained until government announced a new revised price for low cost housing on 10th June 1998 as follows:-

Table 2 : House Price Structure and Target Groups

Category	House Price Per Unit	Target Groups/ Income per month
Before June 98		
Low Cost	Below RM 25,000	Below RM750
Low Medium Cost	RM25,001 – RM60,000	RM750 –RM1,500
Medium Cost	RM60,001 – RM100,000	RM1,501 – RM2,500
High Cost	More than RM100,001	More than RM2,501
After June 98		
Low Cost	Below RM 42,000 (Depend on Location)	Below RM1,500 (Depend on house type)
Low Medium Cost	RM42,001 – RM60,000	RM1,501 –RM2,500
Medium Cost	RM60,001 – RM100,000	Not Stated
High Cost	More than RM100,001	Not Stated

Source : Ministry of Housing and Local Government Malaysia, 1998

4.0 LOW MEDIUM COST HOUSING IN MALAYSIA

The government has been focused more on low medium cost housing during the Seventh Malaysia Plan with total 350,000 units or 44% from the total 800,000 units planned (refer to Table 3).

Table 3 : Planned and Completed Housing Unit According to House Price Category During Sixth and Seventh Malaysia Plan

	Sixth Malaysia Plan (91 - 95)			Seventh Malaysia Plan (96 - 2000)		
	Planned	Completed	%	Planned	Completed	%
PUBLIC SECTOR						
Hardcore Poor Housing	-	-	-	35,000	17,229	42.9
Low Cost	126,800	46,497	36.7	60,000	60,999	101.7
Low Medium Cost	-	-	-	110,000	18,782	17.1
Medium Cost	44,600	35,195	78.9	20,000	21,748	108.7
High Cost	2,600	2,850	109.6	5,000	2,866	57.3
Sub Total	174,000	84,542	48.6	230,000	121,624	52.9
PRIVATE SECTOR						
Low Cost	217,000	214,889	99.0	140,000	129,598	92.6
Low Medium Cost	-	-	-	240,000	53,800	22.4
Medium Cost	155,900	247,241	158.6	110,000	206,208	187.5
High Cost	26,100	100,788	386.2	80,000	348,250	435.3
Sub Total	399,000	562,918	141.1	570,000	737,856	129.4
Total	573,000	647,460	113.0	800,000	859,480	107.4

Source : Eight Malaysia Plan, 2001

Although the number of units planned for low medium cost houses are the highest compared to other categories, but the achievement relatively low in both sectors. During the Seventh Malaysia Plan 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. The Asian economic crisis worsened the properties scenario in Malaysia with many unsold properties including medium and high cost housing.

The construction of low medium cost housing according to the states in Malaysia also shown 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. From the study, in several states the construction of low medium cost housing has only started after the government announced the new ceiling price structure for low cost housing to be at RM42,000 per unit. Other factor including the economic crisis which require the housing developers to concentrate more focus on affordable housing due to the oversupply of medium and high cost housing (refer to Table 4).

Table 4 : Completed Low Medium Cost Housing according to State, 1996-2000

State	1996		1997		1998		1999		2000	
	Units	%	Units	%	Units	%	Units	%	Units	%
1. Kuala Lumpur	-	0.0	-	0.0	-	0.0	962	7.1	2,866	18.2
2. Johor	1,118	13.9	694	24.5	1,032	11.5	892	6.6	-	0.0
3. Kedah	257	3.2	14	0.5	896	10.0	702	5.2	652	4.1
4. Kelantan	681	8.5	111	3.9	241	2.7	139	1.0	1,072	6.8
5. Melaka	829	10.3	59	2.1	1,216	13.6	550	4.1	-	0.0
6. Neg. Sembilan	115	1.4	24	0.8	1,218	13.6	1,285	9.5	1,083	6.9
7. Pahang	175	2.2	555	19.6	24	0.3	244	1.8	-	0.0
8. Perak	1,193	14.9	87	3.1	468	5.2	1,442	10.7	-	0.0
9. Perlis	147	1.8	-	0.0	120	1.3	125	0.9	-	0.0
10. Pulau Pinang	568	7.1	708	25.0	1,642	18.3	4,548	33.7	7,502	47.7
11. Selangor	2,845	35.5	437	15.4	1,120	12.5	2,322	17.2	1,696	10.8
12. Trengganu	89	1.1	142	5.0	816	9.1	84	0.6	-	0.0
13. Sabah	-	0.0	-	0.0	162	1.8	200	1.5	252	1.6
14. Sarawak	-	0.0	-	0.0	-	0.0	-	0.0	614	3.9
Malaysia	8,017	100.0	2,831	100.0	8,955	100.0	13,495	100.0	15,737	100.0

Source : Ministry of Housing and Local Government Malaysia, 2001

Map 1 : Map of Malaysia



5.0 CASE STUDY : FEDERAL TERRITORY OF KUALA LUMPUR

Federal Territory of Kuala Lumpur is the Capital City of Malaysia with a population of 1,423,900 people in the year 2000 (National Population and Housing Census, 2000). Almost 70% of Kuala Lumpur population is in the active workforce group, of which more than 52% involved in trading and business activities.

The land area of Kuala Lumpur is 24,221.05 ha. with residential land use being the largest land use component (23%). However, the trend shows a declining in residential land use as compared to the 1990 and 1995 data. The demand for the more profitable land use such as commercial is identified to be the reason for conversion of more residential lands. The household income structure and affordability level in the year 2000 are shown in Table 5.

Table 5 : Household Income and House Affordability in Kuala Lumpur, 2000

Income Category	%	Affordability for House (RM)	House Category
Less than 499	0.7	Below RM42,000	Low Cost
500 – 999	7.4		
1000 – 1499	11.8		
1500 - 1999	12.8		
Total	32.7		
2000 - 2499	11.0	RM42,001 to RM85,000	Low Medium Cost
2500 - 2999	9.5		
Total	20.5		
3000 – 3499	8.3	RM85,001 to RM150,000	Medium Cost
3500 - 3999	6.0		
Total	14.3		
4000 - 4999	9.0	More than RM150,000	High Cost
More than 5000	23.5		
Total	32.5		

Source : Kuala Lumpur City Hall, 2002

Although only 20.5% of Kuala Lumpur population within the range of low medium income but in reality many of them are still struggling to own a house due to ever increasing cost of living.

5.1 HOUSING IN KUALA LUMPUR

Generally the City Hall Kuala Lumpur adopted the house prices structure as proposed by the Ministry of Housing and Local Government, especially for low cost housing which is at RM42,000 per unit ceiling price. But for the low medium cost housing, the price structure is a bit different from what has been proposed by the Ministry due to higher cost for development in Kuala Lumpur. The price are ranging between RM42,001 to RM85,000 per unit and targeted for household with income between RM2,001 to RM2,999 per month.

Based on Draft Kuala Lumpur Structure Plan 2020, currently there are 328,205 units of house (excluding temporary houses) as compared to total household number of 348,800. It means that, Kuala Lumpur still lacks some 20,595 unit of house if the objective of every family to own a house is to be achieved.

The present housing stock according to the price category is at 3.5% for low medium cost housing as compared to percentage of targeted group at 20.5% within the affordability level associated with this category. There is clear mismatch between the people affordability and house category available at the market currently. For low cost housing the number is nearly achieve the target of 30%.

Table 6 : Existing Housing Stock in Kuala Lumpur, 2000

Price Category	Unit	%
Low Cost	111,906	26.1
Low Medium Cost	14,993	3.5
Medium Cost	61,345	14.3
High Cost	184,725	43.1
Temporary House	40,350	9.4
Others	15,489	3.6
Total	428,808	100

Source : City Hall Kuala Lumpur, 2003

Achievement of construction of low medium cost housing in Kuala Lumpur during Seventh Malaysia Plan was also the lowest with only 27.3% compared to medium (233.7%) and high cost (749.6%). The construction of low medium cost housing only started in 1998 (refer to Table 7).

Table 7 : Target and Achievement Housing Construction According to Price Category in Kuala Lumpur, 1996-2000

Price Category	Target		Achievement		%
	Unit	%	Unit	%	
Hard Core Poor Housing	100	0.2	0	0.0	0.0
Low Cost	14,000	33.3	4,329	6.0	30.9
Low Medium Cost	14,000	33.3	3,828	5.3	27.3
Medium Cost	8,000	19.0	18,692	26.0	233.7
High Cost	6,000	14.2	44,962	62.6	749.4
Total	42,100	100	71,811	100	

Source : 1) Eight Malaysia Plan, 2001
2) Ministry of Housing and Local Government Malaysia, 2001

6.0 ISSUES AND CHALLENGES IN IMPLEMENTING LOW MEDIUM COST HOUSING IN MALAYSIA

In order to identify the issues and challenges in implementing low medium cost housing in Kuala Lumpur, interviews with the officers from City Hall Kuala Lumpur and housing developers in implementing low medium cost housing have been conducted. The findings of the study are as follows:-

1. There is clear miss-match between the supply and demand of low medium cost housing in Malaysia.
2. Private developers are not keen in building low medium cost housing due to low level profitability and the fact no compulsion has been imposed unlike the low cost housing. Moreover there is no special incentives given to the private developers to encourage them to build low medium cost housing.
3. The Draft Kuala Lumpur Structure Plan 2020 does not included low medium cost housing category in the projection of houses unit to be built by year 2020. Although the emphasis of Structure Plan is to provide more houses in medium cost range (including low medium cost), specific policies and projection for low medium cost housing category were not clearly stated.

4. There are no specific planning and design guidelines for low medium cost housing compared to low cost housing. The conditions imposed by local authorities are different from one project to another. This inconsistencies creates confusion among the private developers.
5. Housing delivery system for low medium cost housing needs to be more stringent because there is no control over the purchasers. This category of house are always becoming choice of the property speculators.
6. Without proper regulation by the local authority, the price of low medium cost housing in Kuala Lumpur are mostly pegged between RM70,000 to RM85,000 per unit. From the data collected none of the private housing developers is offering houses at the price between RM42,000 to RM69,999 per unit.
7. Lack of control and monitoring by the local authority for the construction and completion of medium and high cost housing compared to low cost housing.
8. The construction of low medium cost housing in Kuala Lumpur during and many other cities only started after 1998 due to the economic downturn.

7.0 RECOMMENDATIONS

At the federal level, the need for **National Housing Policy** is very crucial for long term housing planning for the country. This is in line with government objective to become developed country by the year 2020. With the comprehensive national housing policy, the government can control and monitor not only construction of low medium cost housing but also other categories. Proper strategies and programs can be outlined since this elements lack in the current policy document.

To ensure the housing developers to build more low medium cost housing, the incentive given to low cost housing such as tax relief, lower land premium, faster approval, etc. should be extended to low medium cost housing as well. The government also should set the appropriate quota of low medium cost housing to be built by housing developers.

6.0 CONCLUSION

In order to achieve government aims to provide adequate and decent housing for all as stated in Eight Malaysia Plan, something needs to be done especially at the implementation level. This is because under the Eight Malaysia Plan the government planned to build another 131,300 units of low medium cost housing nationwide. Special attention must be given to low medium cost housing since majority of this country population are in this category. The low achievement of Seventh Malaysia Plan should not hamper the government effort to provide housing in this category.

The need for National Housing Policy then become more crucial since the government should provide clear direction for housing development in this country in order to achieve develop nation status by the year 2020.

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