



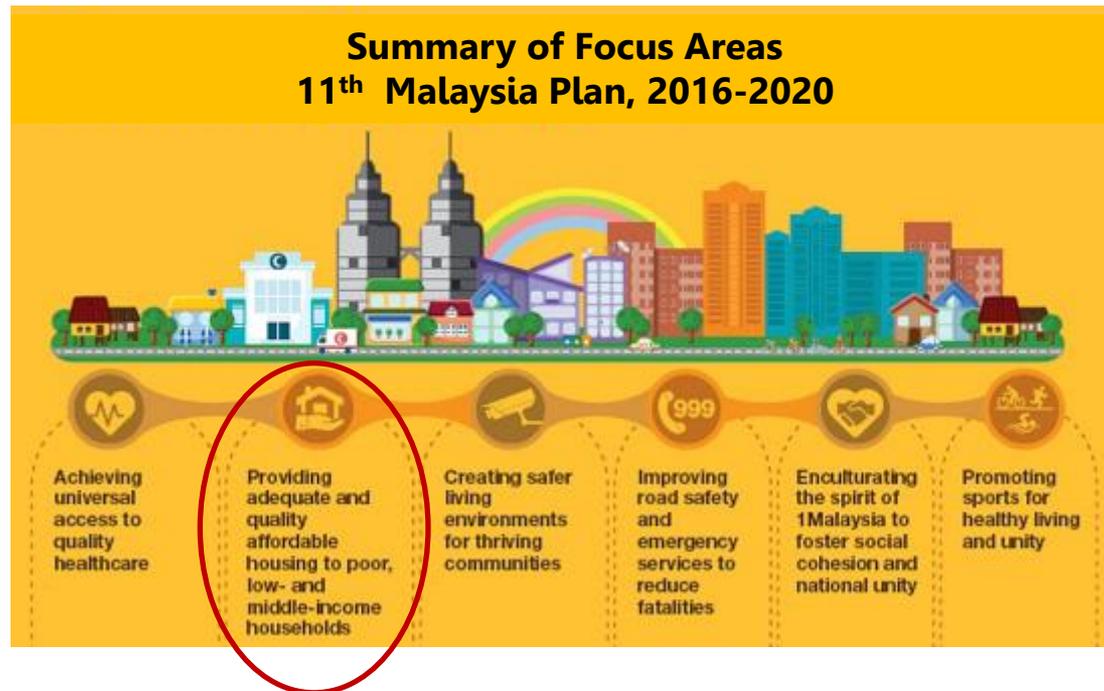
Cagamas Berhad

National Mortgage Corporation of Malaysia

4th Asian Secondary Mortgage Market Association Meeting
Bali, Indonesia

Sustainable Development of Affordable Housing in Malaysia

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Focus Area B : Providing adequate and quality affordable housing to poor, low- and middle-income households via:

- Increasing access to affordable housing for targeted groups
- Strengthening planning and implementation for better management of public housing
- Encouraging environment-friendly facilities for enhanced liveability

Assessing the Affordability of Houses in Malaysia

- In defining housing affordability, 3 approaches commonly used, namely, the Median Multiple, the Housing Cost Burden and the Residual Income
- Using the Median Multiple (MM) approach, the well-functioning market is when median price for the whole of housing market is 3x the median gross annual household income
- The housing affordability ratio in Malaysia was **4.4**, indicating houses in Malaysia were **“seriously unaffordable”**

Median Multiple Approach: Affordability Thresholds

Rating	House Price to Income Ratio
Severely Unaffordable	5.1 & Above
Seriously Unaffordable	4.1 to 5.0
Moderately Unaffordable	3.1 to 4.0
Affordable	3.0 & Below

- Using the MM approach, houses in Malaysia were less affordable compared to US (house price to income ratio of 3.6), Canada and Ireland (4.3), but more affordable than in UK (4.7), Singapore (5.0), Australia (6.4), New Zealand (8.2) and Hong Kong (17.0)

[Source : Demographia International 2015; BNM Annual Report 2016 (page: 90)]

Factors Contributing to Housing Affordability Issues in Malaysia

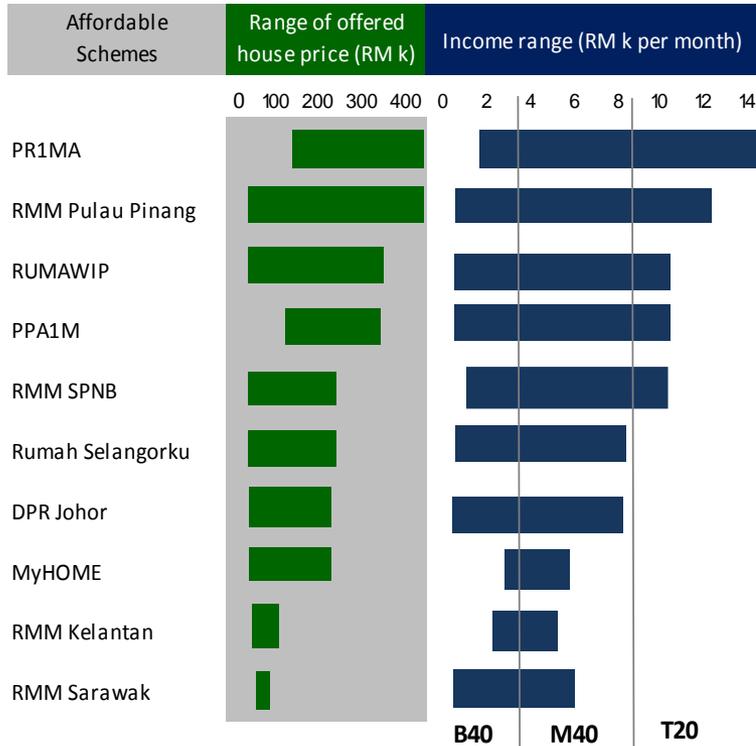
The issues and challenges relating to the provision of housing include the following:

- **Supply-demand imbalances** caused by rapid socioeconomic changes, urbanisation and evolving population structures. The demand and supply gap was worsened during the 2012-2014 period with 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 period 2007-2009, when the new supply exceeded the demand for housing.
- **Escalating house prices in major cities** attracted high end property development at the expense of affordable housing. This has resulted in the shortage of affordable housing, driving up prices of existing houses in the low and middle price segment.
- **Lack of integrated planning and implementation** since there are multiple authorities (Federal and State) levels involved in developing affordable housing for different target group. In addition, the lack of an integrated database on housing supply and demand has hampered planning and implementation of affordable housing programmes.

Some Affordable Home Schemes

The Federal and State Governments in Malaysia have embarked on several initiatives to address the shortages in the affordable housing segment

Public Affordable Housing Schemes in Malaysia



Note: The income threshold for the households are as follows:
 Bottom 40% (B40) below RM3,860, Middle 40% (M40) RM3,860-RM8,319
 Top 20% (T20) RM8,320 and above

Schemes	Description
My First Home Scheme	Enable young adults earning RM5,000 per month or less to obtain 100% financing from banks to purchase their first home
Youth Housing Scheme	Aims to assist single or married youths with combined income not exceeding RM10,000 to own their first homes. Successful applicants will receive financial assistance; RM200 monthly for the first two years
Private Affordable Ownership Housing Scheme (MyHome)	Provides a subsidy of up to RM30,000 per low cost house for qualified first time home-buyers
1Malaysia Citizen Housing (PR1MA)	Aims to provide affordable homes to middle-income household in urban areas with monthly household income between RM2,500-RM10,000

Cagamas as guarantee provider

Way Forward

- Demand for affordable housing is likely to increase going forward due to growing population in Malaysia(1970: 10.8 mil, 2010: 28.5 mil, 2020F: 32.4 mil, 2030F: 35.9 mil)
- The 11th Malaysia Plan (2016-2020) will give priority to the provision of adequate and quality affordable housing for Malaysians. **Approximately 650,000 public houses are targeted to be built during the 5-year period under various government agencies.**
- Affordable housing programmes for the low and middle income groups in urban areas and suburbs will continue to be implemented based on the needs. In addition, state governments are encouraged to provide affordable housing to increase supply of affordable housing.
- The Government will continue to promote home ownership with new initiatives and enhance existing schemes for the low and middle income households to purchase affordable houses. On the other hand, **Cagamas will continue to support Government of Malaysia's initiatives with innovative solutions.**



THANK YOU

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