

## The Transformation of Affordable Housing Provision Policy in Johor

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State governments are given flexibility in forming housing policies based on demand and suitability of locations. Johor Housing Policy was formed in 1997 and re-enacted in 2012 branded as Johor Affordable Housing Policy (*Dasar Perumahan Rakyat Johor*). Changes of a public policy are a condition that requires a legal or policy reviewed to monitor its effectiveness from time to time. Johor housing policy transformation performed in order to overcome the problem of excess low-cost houses because of several factors such as invalid target group of buyer, non-strategic location and unsatisfied design of housing. Affordability housing issues in Johor is a reflection of mismatch between the supply and demand of housing due to net enhancement of households. In addition, the increase rate of household income is slower than the house price. Therefore, state authorities evaluate the previous housing policy to tackle affordability issues to ensure people of Johor can own a house per family by year 2020. This study will identify the transformation of Johor Affordable Housing Policy by reviewing Johor's background affordability to own a house and how the changes of housing policies could solve the problem of housing ownership. The compulsory provision of forty percent of affordable housing in each housing project construction shows that the housing policy changes made turned out to bring positive impact to the ownership of affordable houses in Johor.

**Keywords:** Housing Policy, Policy Changes, Affordable Housing

### 1. Introduction

Provision of affordable housing remains a nation priority and the affordability problem, itself, with regard to housing market is one of the most controversial issues within most developed and developing countries. In Malaysia, provision of affordable housing is one of the main agenda by relevance authorities to ensure social-economic stability and to promote nation development as well as a part of benchmark towards developed country status is the tranquility of the people including the provision of adequate housing (Malaysian Well-Being Index, 2012). As Beer (2007) stated, the adequate and affordable housing is an endless global challenge. Majority of previous researchers argued that affordable housing is determined by the level and the difference in house prices, household income per month and financing cost. The problem of affordable housing can be seen based on the implementation of housing policies in each stage started from poverty scenario; through facing up to a larger problem which is how to enter the housing market itself (Aziz *et. al.*, 2012).

The provision of affordable houses is based on the current economic climate and an ideal location (National Housing Policy, 2012). Woetzel (2014) and Samad *et. al* (2016) for instance, stressed that the economic and human cost involved on the ability of the housing is high which would effect on 330 million households around the world. Based on this trend, the number of households with insecure housing or financial problem due to expenditure is expected to exceed 440 million to 1.6 billion people by the year 2025.

Meanwhile, the ability of individual to buy a house is based on the household income. Arimah (1997) stated that household income is the main characteristic that should be evaluated

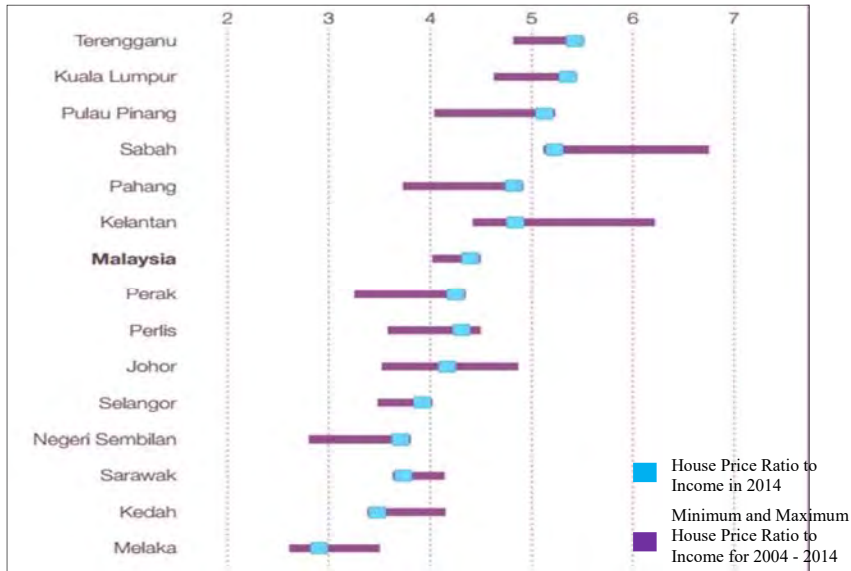
first in order to determine individual ability to buy a house. Whitehead (1991) also suggested that to find out whether someone is able to own a house or otherwise; by calculating the balance of the remaining income to buy the needs of household after paid an amount monthly to own the house. In addition, UN-Habitat also outlined two main components of finance capability to buy a house which are; (i) the cost of purchase the house, and (ii) the cost of maintaining the house, which influenced by property price, booking or advance fees, the amount of financing loan approved, as well as the ability to finance the property maintenance and commitment to repay mortgage loan every month.

In 2012, low income group in Malaysia is defined as household earning below RM3,000 per month while household below than RM6,000 per month is in middle income group (National Housing Policy, 2012). National Housing Policy (NHP) also noted the low income group in Malaysia calculated to 33.4 percent while middle income group calculated to 42.4 percent by year 2012. Couple reports prepared by the Economic Planning Unit (EPU), a total of 76 percent of Malaysians earning below than RM5,000 per month. Pan to the report by EPU and Department of Statistics whom conducted a survey on household income for Malaysian, averagely total income of a household by year 2014 is RM6,141 per month with the increase rate 10.3 percent per annum. On the other hand, the average of household income in urban area is RM6,833 per month compared to RM3,831 per month for in rural areas (Institute of Economic Research, 2014). Surprisingly, Bumiputera households are reported to have the lowest average income which is RM5,548 per month compared to RM7,666 per month for Chinese and RM6,246 per month for Indian as year 2014. Plus, the average size of household is 4.4 person per house. If divided into strata, the size of rural household is larger; 5.1 person per house compared to 4.1 person per house for urban household. This means majority of rural residents are Bumiputera who face lower average income with bigger household size due to the fact that Bumiputera is the largest ethnic group in Malaysia which is 48 percent (Department of Statistics, 2014).

In 2015, Economic Report came out with the new terms of group income which are B40, M40 and H20. B40 is a group of earners who earn less than RM3,855 per month while group M40 is the earners between RM3,860 until RM8,319 per month. Group H20 is for earners who earn more than RM8,320 per month. Based on the financial report above, it is shown that the average of Malaysians and Bumiputera (especially) earners belong to the groups of B40 and M40. In addition, Khazanah Research Institute expressed in a study in 2015, a total of 65 percent of the Malaysian individuals earning below than RM3,000 per month (B40). This means the majority of earners still being on the same class since 2012. Within four years Malaysians income has not yet been so satisfactorily increased which is cause to the low purchasing power of house. Therefore, this paper focuses on scenario of housing affordability in Johor and how housing policies changes is a solution of affordability problem in order to help people of Johor own a house per family by year 2020.

## **2. Housing Affordability and Price**

Based on Department of Statistics (Malaysia) in 2014, Johor recorded an average gross income of households is RM6,588 (urban areas) and RM4,971 (rural areas). While the median income for the people of Johor is RM5,197 per month. This means that the middle-income household or M40 is majority group in Johor. In addition, through the multiple median price house indicator based on household income used by Khazanah Research Institute reported that housing indicator in Malaysia is at the level of 4.4 which is 'housing not affordable to own'. Meanwhile for Johor, housing indicator located at the level of 4.2 which is in serious stage of 'housing not affordable to own'. This shows that for a status of a State with vastly different from neutral affordable housing indicator which is at a level of 3.0 (Figure 1).



**Figure 1:** Affordability Housing Indicators Using Median Multiple for State  
Source: Department of Statistics (Malaysia), National Real Estate Information Center and Estimation by Central Bank of Malaysia



**Figure 2:** The Average of Monthly Gross Household Income in Malaysia and Johor (2002-2014)  
Source: Johor Structural Plan 2030 (Review), 2016

On the other side, house price reportedly increased every year. According to a Global Property Guide report, house prices in Kuala Lumpur are classified as the most expensive house prices in Malaysia with an average price RM497,535 per unit as of the end of the year 2012. Followed by are Sabah and Selangor which reportedly have an average price RM382,414 and RM372,499 per unit. These prices put Malaysia on the tenth most expensive houses in Asia after Philippines (<http://www.globalpropertyguide.com>). Based on the report of the Malaysian House Price Index (MHPI), the average house price in Malaysia increased by 8 percent per annum since 2011 (Table 1). While averagely, Malaysians is able to buy a house that costs less than RM300,000 based on 30 percent of net income per month (used for the housing loans commitment) with current loan rate was 6.6 percent.

**Table 1:** House Price Index and House Price in Malaysia (by Year) and in District Johor Bahru (2012)

Year	House Price Index (2000 = 100)	Price (RM)		Type of Housing	Housing Area	Price (RM)
2000	100.0	138,712	SCENARIO OF HOUSE PRICE IN MALAYSIA (2000–2015) AND IN DISTRICT JOHOR BAHRU (2012)	Single Storey Terrace House	Kangkar Pulai (Skudai)	151,130.00
2001	101.1	140,507			Pulai Indah (Skudai)	157,879.00
2002	103.6	144,830			Mount Austin (Johor Bahru)	124,480.00
2003	107.7	150,705			Putri (Kulai)	137,700.00
2004	112.9	156,549			Lagenda Putra (Kulai)	146,900.00
2005	115.6	160,654			Taman Gemilang (Senai)	169,915.00
2006	117.8	165,111			Genting Indahpura (Kulai)	144,900.00
2007	124.0	172,464			Taman Daya (Johor Bahru)	173,230.00
2008	129.8	179,359			Double Storey Terrace House	Horizon Hill (Nusajaya)
2009	131.8	184,002		Dato' Onn (Johor Bahru)		313,480.00
2010	140.7	196,720		Mutiara Rini (Skudai)		272,000.00
2011	154.6	216,034		Sierra Perdana (Johor Bahru)		196,690.00
2012	172.8	241,591		Scientex (Pasir Gudang)		153,000.00
2013	192.9	266,304		Seri Austin (Johor Bahru)		315,996.00
2014	211.0	280,885		Bandar Putra (Kulai)		221,900.00
2015	228.7	302,716		Ehsan Jaya (Ulu Tiram)	397,800.00	

Source: Malaysia House Price Index Report, Valuation and Property Services Department (2016) and *Setiausaha Kerajaan Negeri Johor (SUKJ)*, Housing Department (2012)

The details based on median multiple method implemented by the Khazanah Research Institute, a household is calculated able to own or buy a house with price that are not over than triple annual income. As example, in simple calculation, for low-income household (B40) who earns less than RM3,855 per month (RM46,260 per annum) able to buy a house less than RM138,780. Similarly, for middle income household (M40) who earns less than RM8,319 per month (RM99,828 per annum) able to buy a house for less than RM299,484. However in reality, the average market house price was at least RM302,716 per unit (see Table 1) by year 2015. This shown clearly why Malaysians still cannot afford to buy or own a house because of the targeted buyers is beyond the ability of the majority earners in Malaysia.

### **3. Factors of Transformation of Johor Affordability Housing Policy**

These factors are identified by research conducted by the state government of relevant low-cost housing for the low and middle income groups as well as income projections research carried out by Iskandar Development Regional Authorities (IRDA). The transformation of housing policy changes are on the following factors:

#### **3.1 The excess of low-cost houses**

The study found that the house offered does not meet the needs and requirements of the target group, such as the size of a unit and the location it was built. Even though there are many families from low and middle income group still do not have their own house, the needs and other unsatisfied reasons are the cause why the low cost housing was in a bubble situation.

#### **3.2 Invalid targeted group**

Through a projected income study by IRDA, more families will be migrated to the better status group which are medium-low income and middle income group. Therefore, Johor Affordable Housing Policy (JAHP) focused on the new target groups due to the lack of provision of affordable houses for medium-low and middle income groups. This study does not include other group such as young fresh graduator from higher education institution as well as those in other civil support staff which need other income projections studies.

#### **3.3 Buyer subsidies**

The existing mechanisms causing the subsidies for low-cost houses construction transferred to the purchaser of other type of properties. According to the 10th Malaysia Plan, usually government bears about 30 percent to 75 percent of subsidy from the total cost of the low cost housing construction. So that, the price gap between construction cost and selling price of low cost houses could recovered. Therefore, the current policy was to review the logical and bearable selling price for low cost houses in accordance with the current market price so that the subsidy could reduce.

#### **3.4 Pressure to the middle income group (M40)**

Most families in this group cornered as they are not eligible to buy the medium-low cost housing and more badly, they cannot afford to own a house (other than schemed houses) because the cost is higher compared to the income they earned. Through JAHP, qualification of buyers reviewed including providing Johor Affordable Housing (JAH) with controlled housing price.

#### **3.5 Circumstances which do not meet the needs of residents**

The study found that low-cost houses provided were not sensitive to the needs of the communities. Among the issues identified were the size of the house is not proportionate to the size of the family as well as unsatisfied quality of built houses and impracticable design. Therefore, state authorities proposed the current policy to make affordable housing supply more sensitive to the changing demands.

#### **3.5 The bad image of some low-cost housing area**

The lack of maintenance and care often plagued low-cost housing image. Thus, the need of low-cost houses maintenance besides a comfortable and safe environment are the several important components that is included in developing affordable houses.

### 3.6 Non-strategic location

Low-cost houses are often developed in areas far from urban or business area. This is causing the problem of accessibility to residents of low-cost houses. The residents were forced to spend more in order to access and exit from their residence. JAHP added an obligation to build affordable houses in area that offers employment opportunities and nearby to the public transport facilities.

## 4. Exploring Johor Affordability Housing Policies (Previous and Current)

In Principle 3 (Core 1) in the National Housing Policy (NHP), State Governments are given flexibility in determining the quota of low-cost houses to be built in the mixed development projects depends on the suitability of location and demand (National Housing Policy, 2012). Johor government stipulated the quota of low-cost housing and affordable housing amounted to 40 percent, slightly higher than the original quota from Federal government which is 30 percent. The adjustment of the quota provision of affordable housing taking into account the aspects of buyer's affordability, demand and the width or the number of houses in the development projects (Action Plan of National Housing Policy, 2012).

### 4.1 Previous Housing Policy (1997-2012)

The formation of the previous housing policy focused on the provision of low-cost housing and affordable housing. State government has formed a housing policy in 1997 which is applicable to housing development for more than 5 acres with the requirement of low-cost and medium houses development as much as 40% from the total development (30 percent of low-cost houses and 10 percent medium-low cost houses). This policy is formed by take into consideration the income of people of Johor at that time, where the majority of them earned below than RM3,000 for a household. However, there were other requirement for development project less than 5 acres as explain in Table 2 below:

**Table 2:** The Requirement of Low-Cost Housing Development

Requirement	Quota of Affordable Housing
Housing construction > 5 acres	40% of affordable housing
Housing construction 3 – 5 acres	20% of affordable housing
Housing construction < 3 acres	Exceptional

### 4.2 Current Housing Affordability Policy (2012 and onward)

Due to the problems occurred while implemented the previous housing policy, state government has taken the initiative to re-enact the existing housing policy in April 2012. The objective of the implementation of JAHP is to provide a comfortable, conducive and affordable housing for low and middle income, thus reducing the pressure to the group that not eligible to apply affordable housing before which is the medium income earners (M40). At the first stage of implementation, state government focused on Flagship A area which are Nusajaya and Johor Bahru. In 2015, state started to apply the policy outside than Flagship A area including rural area. Current policy does not change the quota of affordable housing development which is still 40 percent of total development. The changes were made by focusing into middle income group (M40) as explained in Table 5.

### 4.3 The Transformation of Previous and Current Johor Housing Affordability Policies

Basically, a policy changes is a result of a process of monitoring legislation, where the

policy is reviewed to see its effectiveness in short and long period. Policy changes made in accordance with the requirements of legislation and the current state. In another form, there are also policy changes occurred in the bureaucracy. Policy changes was more prevalent than the termination of policy (Hussain, 2008). There are some form of policy changes, namely: i) adding changes to existing policy (incremental changes); ii) the enactment of new statutes in some policies; or iii) the transition of public policy as a result of rebalance the elections (realigning elections). For the case of changes in affordable housing policy in Johor is made based on the requirements of current legislation the provision of housing and the current state of the middle income group who need more affordable houses compared to the low income group.

A comprehensive changes of housing policy were made such as dismantling the house branding, the quota of each type of affordable housing, the extensive of width each unit, the ceiling of house price, the eligibility of application, the target group of buyers and the quota of provision programmes as shown in the Table 5 as below:

**Table 3: The Changes of Johor Affordable Housing Policy (Previous and Current)**

Type of Changes	Johor Housing Policy (1997-2012)	Johor Affordability Housing Policy (2012 till current)
Rebrand of Housing Programmes	Low-Cost Housing (LCH)	Johor Community Housing A (JCH A)
	Medium-Low Cost Housing (MLCH)	Johor Community Housing B (JCH B)
	Medium Cost Housing (MCH)	Johor Affordable Housing (JAH)
Percentage of Quota (%)	LCH – 20%	JCH A – 5%
	MLCH – 8%	JCH B – 10%
	MCH – 8%	JAH – 20%
	Medium Cost Shop – 4%	Medium Cost Shop – 5%
Area (Width)	LCH – 680 kp	JCH A – 720 kp
	MLCH – 750 kp	JCH B – 850 kp
	MCH – 850 kp	JAH – 1,000 kp
Price (RM)	LCH – RM35,000	JCH A – RM42,000
	MLCH – RM50,000	JCH B – RM80,000
	MCH – RM80,000	JAH – RM150,000 - RM220,000
	Medium Cost Shop – RM150,000	Medium Cost Shop – RM150,000 - RM200,000
Eligibility of Application (Not Exceed Than)	LCH – RM3,000	JCH A – RM3,000
	MLCH – RM3,500	JCH B – RM4,500
	MCH – RM4,500	MCH – RM6,000
Target Group	28% - low income group 8% - middle income group	15% - low income group (B40) 20% - middle income group (M40)
Quota Provision	Low Cost and Middle Cost Housing	Low Cost and Affordable Housing

Based on the table above, JAHP to expand the percentage of affordable homes to middle income earners who are having problem not eligible to buy low-cost house before and cannot afford to buy house priced above RM250,000 per unit. Percentage of medium cost houses previously amounted to 8 percent was increased to 20 percent with the introduction of Johor Affordable Housing (JAH) targeting the middle-income group or M40.

## 5.0 Conclusion

Johor aiming for 60,000 units of affordable house (JCH A, JCH B, JAH and medium cost shops) has been built by year 2020. As in 2017, 66,482 units was registered and 5,248 units were ready for occupancy. In addition, a total of 15,139 key recipients of affordable housing has been approved. The efforts shown seriously by Johor in ensuring all residents of Johor could own a house by year 2020. Even though for the first three years of implementation Johor quite slow in catching up the timeline as planned, starting 2016 Johor committed by speeding up the construction of affordable housing with few exceptions given to government developers to cover the slow progression in the past.

In conclusion, the transformation of housing policy provide the benefits to the urban residents especially to the group M40 earners to have their own comfortable and conducive house with affordable price. The existence of affordable housing contributes geographical and geoeconomics impacts with the entry of immigrants from outside of the city which is mainly are Bumiputera. However, state government of Johor is advised to evaluate the unsold of non-affordable housing too since it was expected an occurrence of property bubble in future. New build cannot be the total solution for improving housing affordability. Therefore, it is important for policy-makers to investigate the use of the existing housing stock to alleviate affordability problems since most housing transactions relied on demand and supply of housing. An evaluation for every ten years is much needed so that housing supply is more sensitive to changing demands and affordable to own based on the current state.

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