HOMEOWNERSHIP INTENTIONS: THE INFLUENCE OF PHYSICAL AND SOCIAL ENVIRONMENT, ATTITUDINAL FACTORS, PLACE ATTACHMENT, AND INCOME DIFFERENTIALS

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HOMEOWNERSHIP INTENTIONS: THE INFLUENCE OF PHYSICAL AND SOCIAL ENVIRONMENT, ATTITUDINAL FACTORS, PLACE ATTACHMENT, AND INCOME DIFFERENTIALS

by

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As taught by the Lord Tathagata, "...*first teachers* is a term for your parents. *Worthy of offerings dedicated to the gods* is a term for your parents. Why is that? Parents are very helpful to their children, they raise them, nurture them, and show them the world". Thus to my beloved parents and family, I offer my greatest love, adoration, and thanks, from now until the day we attain Nibbana.

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LIST OF ABBREVIATIONS

BNM	*Bank Negara Malaysia* (Central Bank of Malaysia)
DOSM	Department of Statistics Malaysia
EPU	Economic Planning Unit, Prime Minister's Department Malaysia
HBA	House Buyers' Association
HOC	Home Ownership Campaign
JPBD	*Jabatan Pembangunan Bandar dan Desa* (Department of Town and Country Planning)
JPPH	*Jabatan Penilaian dan Perkhidmatan Hartanah* (Department of Valuation and Property Services)
KPKT	*Kementerian Perumahan dan Kerajaan Tempatan* (Ministry of Housing and Local Government Malaysia)
MP	Malaysia Plan
MR Model	Mehrabian-Russell Model
NPP	National Physical Plan
REHDA	Real Estate and Housing Developers' Association Malaysia
TPB	Theory of Planned Behaviour
TRA	Theory of Reasoned Action

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KEINGINAN PEMILIKAN RUMAH:

PENGARUH PERSEKITARAN FIZIKAL DAN SOSIAL, FAKTOR SIKAP, KETERIKATAN TEMPAT KEDIAMAN DAN PERBEZAAN PENDAPATAN

ABSTRAK

Keinginan memiliki rumah yang rendah merupakan suatu masalah yang semakin meruncing di kalangan golongan berpendapatan sederhana dan rendah. Walaupun permasalahan ini sering dikaitkan dengan ketidakmampuan, namun terdapat juga sebab-sebab lain yang mendorong kepada isu ini. Maka kajian ini bertujuan untuk meneliti impak persekitaran kediaman, unsur sikap, dan keinginan pemilikan rumah melalui pengantaraan oleh keterikatan tempat kediaman dan moderasi oleh perbezaan pendapatan antara golongan berpendapatan sederhana dan rendah. Maka suatu kerangka kajian telah dibangunkan berdasarkan *Mehrabian-Russell Model* dan *Theory of Planned Behaviour*. Kemudian suatu kaji selidik melibatkan individu bukan pemilik rumah telah dilakukan di Selangor, Kuala Lumpur, Perak, Pulau Pinang, Johor, dan Melaka antara bulan Febuari hingga Julai 2020. Data dianalisis menggunakan PLS-SEM. Kajian mendapati bahawa faktor-faktor sosial seperti keramahan dan kepekertian, sikap terhadap pemilikan rumah, kepengaruhan sosial, persepsi jaminan kewangan masa hadapan, mempunyai impak signifikan ke atas keterikatan tempat kediaman dan dorongan untuk memiliki rumah. Kajian juga mendapati bahawa kedua-dua golongan berpendapatan sederhana dan rendah mempunyai persepsi dan kecenderungan pemilikan rumah yang serupa, kecuali dalam persepsi jaminan kewangan. Terdapat beberapa implikasi yang dapat

dibuat daripada kajian ini. Sebagai contoh, kajian telah membuktikan keadaptasian teori MR Model dan memperkenalkan semula kajian perumahan ke dalam bidang psikologi persekitaran. Ia juga mencadangkan penelitian dasar-dasar kerajaan berkenaan dengan kemampuan pemilikan rumah, keutamaan pembangunan, dan kajian semula sistem penyampaian perumahan yang diamalkan dalam industri pembangunan perumahan di Malaysia.

HOMEOWNERSHIP INTENTIONS:

THE INFLUENCE OF PHYSICAL AND SOCIAL ENVIRONMENT, ATTITUDINAL FACTORS, PLACE ATTACHMENT, AND INCOME DIFFERENTIALS

ABSTRACT

Declining homeownership intentions is a problem that is escalating among middle and low-income group. While affordability is commonly assumed to be the reason for deferring homeownership tendencies, there are many other factors at play. Thus this research investigates the impact of residential environment, attitudinal factors on homeownership intentions through the mediation of place attachment and moderation of income differentials between the middle and lower-income groups. A framework was then devised based on the Mehrabian-Russell Model and complemented with the Theory of Planned Behaviour, and a survey on non-homeowners in Selangor, Kuala Lumpur, Perak, Pulau Pinang, Johor, and Melaka was subsequently conducted between February to July 2020. Data was analysed using PLS-SEM. The research found that the social factors such as the residents' sociability and civility, as well as individuals' attitude towards homeownership. social influences, and perceptions of their future financial security, have significant impact on their attachment towards their place of residence, and this feeling drives their intention to own a home. The research also found both income groups to be indifferent in their perceptions and homeownership sentiments, except in their perceptions of future financial security. This research has several implications. For instance, the findings affirmed the adaptability of the MR Model and reintroduces

homeownership studies into the field of environmental psychology. It also proposes the relooking into governmental policies on housing affordability and development priorities, and the housing delivery system currently practiced in the Malaysian housing development industry.

CHAPTER 1

INTRODUCTION

1.1 Introduction

This Chapter presents an overview of the disposition and direction of this research, which is an investigation into the homeownership intentions among non-homeowning middle-income and lower-income Malaysians at their current area of residence. The Chapter provides a background to the research, circumstantiates the understanding of the problem and conditions through a preliminary study by interviews with potential homeowners as well as discussion with property developers. It also expounds the problem statement, whence the research questions and objectives are derived, highlights the significance of this research to theory, policy and practice. It further clarifies the operational definitions used, explains how this thesis is structured and organized, and construes the scope and delimitations of scope in this research.

1.2 Background of the Research

The following sub-sections explains the role of homeownership to sustainable urban development, its importance to the Malaysia's economy and society, presents a historical review of homeownership according to Malaysia's five-year development plans, explores the linkages between affordability and homeownership intentions, the shifting paradigm of housing tenure choice in Malaysia, and the function of homeownership intentions in resolving the homeownership quandary in the nation.

1.2.1 The Role of Homeownership in Sustainable Development

Homeownership has long been seen as a symbol of economic opportunity, a force of social good with far-reaching benefits for both the individual and society. The promotion of homeownership is in line with Goal No.11 of the United Nations' Sustainable Development Goals [SDG] 2030, which pledges to "make cities and human settlements inclusive, safe, resilient and sustainable". Target 11.1 of said goal has also explicitly emphasised the need to "ensure access for all to adequate, safe and affordable housing and basic services" (United Nations Statistical Commission [UNSC], 2018, March, p.11). The resolution which established and distributed these indicators, was formally adopted through the United Nations' 71st general assembly A/RES/71/313, (see UNSC, 2018), which explains why homeownership has now been made a cornerstone of many nations' development priorities.

Sustainable development was historically a concept used by urban planners and policymakers to minimise the impacts of development on the natural environment. However today, sustainability is no longer solely an ecological issue, but also embodies various aspects of the economy and society, bringing together fields like economics, geography, urban planning and environmental studies (Foot & Ross, 2017; Kauko, 2018; Maranghi et al., 2020; Roggema, 2020). In an urban community, sustainability has come to be known as a living condition whereby people have the ability to continue living their lives in a manner that is free from the troubles of the society (Kauko, 2018; Roggema, 2020).

The growing need to resolve social problems and ensure sustainability in the urban framework have given rise to urban social sustainability as the epitome of sustainability in today's urban world. The concept of urban social sustainability is rooted in its reflection of the social element in the sustainable development discourse

(Shirazi & Keivani, 2019) and is loosely translated as places where people live happy and pleasant lives by their ability establish meaningful connection and long-lasting social relationship to meet the needs of both existing and future generations (Davidson, 2019, p.30; Tunstrom, 2019, p.42). In this regard, the home, the neighbourhood and the immediate urban environment are considered important contributors to sustainability as they directly influences an individual's sense of safety, wellbeing, and quality of life (Lang, 2019; Shirazi & Keivani, 2019).

Homeownership has been regarded as an important contributor to urban social sustainability through its ability to foster "bonding, bridging, and linking social capital" between people and place (Lang, 2019, p.194). A sustainable residential community should therefore "[provide] residents with equitable access to facilities, services, and affordable housing; [create] a viable and safe environment for interaction and participation in community activities; and [promote] a sense of satisfaction and pride in the neighbourhood in a way that people would like to live there now and in the future" (Larimian, Freeman, Palaiologou & Sadeghi, 2020, p.749). Communities which recorded higher levels of homeownership have also been found to exhibit more discernable indicators of social sustainability (Neilagh & Ghafourian, 2018) while housing deprivation and unfavourable living environments have demonstrated greater challenges in checking the social sustainability indicators boxes (Tunstrom, 2019; Winston, Kennedy & Carlow, 2019).

Whilst many homeownership efforts were initiated by national governments, these projects were often focused on the economic implications but discounted the social aspects of sustainability. This was why the initiatives often failed to achieve their true purpose, which is to promote wellbeing and quality of life (Kohon, 2018; Lang, 2019; Tunstrom, 2019; Winston et al., 2019; Yıldız, Kıvrak, Gültekin &

Arslan, 2020). In urban regeneration initiatives, "the standard approach, which considers urban renewal as merely the physical renewal of houses" may have even worsened the conditions by the creation of residential layouts that were not conducive for living, against the spirit of sustainability (Yıldız et al., 2020, p.7).

At present, Malaysia still falls behind in achieving Goal 11 of the SDG. The Department of Statistics Malaysia [DOSM], was appointed to monitor the progress, collection and dissemination of SDG data. The position of Target 11.1, which relates to housing, was last reported to be still in progress. For instance, the status for the alleviation of "proportion of urban population living in slums, informal settlements or inadequate housing" to date was still "partially available [and] need further development", citing the need for action plans by the Ministry of Housing and Local Government, National Housing Department, and the Department of Town and Country Planning (DOSM, 2020, November). This indicates that homeownership in Malaysia has yet to meet the desired sustainability levels.

In Malaysia, there were also concerns that homeownership initiatives were not providing circumspective attention to all aspects of sustainability, focussing on economic at the expense of social and environmental aspects, when sustainability requires housing to be socially acceptable to Malaysians just as much as it should be economically viable to acquire (see Rashid et al., 2021; Burhan, Teo & Achu, 2018; Jamaludin, Mahayuddin & Hamid, 2018; Olanrewaju & Wong, 2020). Therefore, to ensure that the homeownership initiatives in Malaysia are executed in accordance to the principles of social sustainability and ameliorate the lives of Malaysians, all policy deliberations should be made with foresight and clear understanding of the determinants, supported by a scientific investigation.

1.2.2 The Role of Homeownership to the Malaysian Economy and Society

In Asian economies, macroeconomic performance has often been linked to homeownership. Homeownership has been credited for serving the economy in various ways. On average, homeowners spend about one-third of their income on housing (Florida & Pedigo, 2019, p.11). The economy has become so reliant on the property market that it has morphed into a risk, particularly because the market model for housing provision is often unstable and difficult to predict (Knight, 2019).

In Malaysia, the housing expenditure, or "the cost of occupying a house including the rent and costs associated with the maintenance of the house" averages 23.6 percent, which is approximately a quarter of an average Malaysian household's income (DOSM, 2020a, p.109). It should be noted that this figure has yet to factor in the multiplier impact homeownership has on other household spending such as food, health, clothing, transportation, leisure, and children education. Homeownership, by ensuring familial stability, has been found to exert significant positive impact on birth rates (Kuo, 2019; Yin & Su, 2021). Using this rationale, households with increased birth rates are expected to consume more goods and services due to their larger household sizes. In Malaysia, while the shared expenditure on housing is reduced for every extra family member, the consumption for other goods and services increased dramatically from RM2,584 for single-person households to over RM5,000 for families with at least four members (DOSM, 2020a, p.109).

It was reported that homeowners rather than renters, are the ones making significant economic contributions through 'user costs' such as property taxes, mortgage interests, and insurance payments (Neal, Choi & Walsh, 2020; Kuroki, 2019; Levinson, 2021). They are also the largest source of tax revenues (Young, 2020). The importance of homeowners to national economies was demonstrated in

the 2008-2009 Global Financial Crisis, where mortgage payments defaults plunged many financial institutions into banking emergencies (Adelino, Schoar & Severino, 2018). The importance of homeownership was also noted during the 1997-1998 Asian Financial Crisis. During the first half of 1998, the construction sector, which is partly supported by housing demand, contracted by 21 percent, effectively putting the Malaysian financial market to a halt. This forced the Government to relax lending limits to spur the economy (Bank Negara Malaysia [BNM] 1998, September 7). During the recent Covid-19 health pandemic, mortgage defaults have also contributed to the global economic decline although the conditions were "not as obviously overheated" (Spatt, 2020, p.772). As lockdowns eased and people began to re-enter the workforce, the mortgage market eventually recovered (Lea, 2021). For Malaysia, residential mortgages have always been a primary source of commercial bank revenues (Dhesi, 2019). Hence homeownership is indispensable to its economy.

In terms of societal contributions, homeownership encourages neighbourhood stability. For middle and lower-income families, the stability from homeownership encourages wealth creation, which provides them with better chances at life (Spader & Herbert, 2017). The rootedness of homeowners also drives them to maintain their neighbourhoods, and encourages them to put their best efforts to socialise and maintain good social relationships with the local community (Hwang, 2019; Levitin & Wachter, 2020). In Malaysia, homeownership has been found to increase the homeowners' and other residents quality of life, by encouraging them to spend more onto improving their living conditions and environmental ambience (Yap, Yong & Skitmore, 2019). Malaysian homeowners were also more willing to participate in community projects (Sulaiman et al., 2014) and their housing status have also allowed them to provide companionship to their ageing parents (Tan & Lee, 2018).

1.2.3 Historical Account of Homeownership in Malaysia according to the Five-year National Development Plans

The Malaysian government's full involvement in bolstering homeownership began around 1966, when the British began to withdraw their economic interest from Malaysia. During this time, the first of Malaysia's five-year economic plans, the First Malaysia Plan, was rolled out. From the First Malaysia Plan (Economic Planning Unit [EPU], 1966) up to the present Twelfth Malaysia Plan (EPU, 2021), homeownership has been continuously highlighted as a national priority. Throughout the different periods of the Malaysia Plans, different strategic directions have been employed to address the issue of homeownership.

The following presents the historical account of homeownership in Malaysia, the challenges encountered and corrective actions taken by the Malaysian government, as well as the performance of these initiatives. From the periods between the First Malaysia Plan and the Fourth Malaysia Plan (1966-1985), Malaysia was stricken with poverty and many were unable to own a home and lived without basic amenities. Even by the end of the Fourth Malaysia Plan period, many still did not own proper homes; only 43.7 percent had homes with electricity, 47.5 percent with piped water, 18.6 percent with flush toilets and 61.3 percent with other sanitation facilities (EPU 1981, p.359). Thus the government has initiated low-cost housing for the hardcore poor, termed as *golongan miskin tegar* in the plans. All these projects were managed entirely by the Government (EPU, 1966, pp.182-183; EPU, 1971, pp.287-289; EPU, 1976, pp.330-341; EPU 1981, p.359).

In the period between the Fourth Malaysia Plan and the Fifth Malaysia Plan (1981-1990), the government acknowledged their inability in solving the problems of homeownership alone, and began enlisting the help of private developers (EPU 1981,

p.359). Thus on 15 August 1982, private developers were required to allocate 30 percent of their housing projects for low-cost units as a social obligation (Ministry of Housing and Local Government, *Kementerian Perumahan dan Kerajaan Tempatan* [KPKT] 2012). This requirement resulted in an unexpected consequence; developers began providing more low-cost homes at the expense of medium-cost homes. While the homeownership for the poor remained unsolved, the middle-income group were now facing ownership difficulties as well (EPU, 1986, p.521; EPU, 1991, p.367).

In the period between the Sixth and Eighth Malaysia Plan (1991-2005), the homeownership woes of the middle-income group were formally recognised by the Malaysian government. The Seventh Malaysia Plan to Eighth Malaysia Plan have outlined the continuation of all previous period initiatives to bolster homeownership among the lower-income group, but it has also accommodated the middle-income group as well (EPU, 1991, p.367; EPU, 1996, p.363; EPU, 2001, p.501; EPU, 2006, p.440; EPU, 2011, p.160; EPU, 2016, p.4:6).

From the Ninth Malaysia Plan until the present Twelfth Malaysia Plan period (2006-2025), the Government took a different strategic direction. Homeownership has been linked to urban wellbeing and sustainable development, and not merely as a shelter (EPU, 2006; EPU, 2011; EPU, 2016; EPU, 2021). Thus, in line with the Malaysia Plans, three National Physical Plans (NPP) were concurrently drawn to serve as guidelines for physical developments, including housing (Department of Town and Country Planning, *Jabatan Pembangunan Bandar dan Desa* [JPBD], 2005; JPBD, 2010; JBPD, 2016). To date, there are three NPPs namely the First National Physical Plan [NPP1] from 2006 to 2010, the Second National Physical Plan [NPP2] from 2011 to 2015, and the Third National Physical Plan [NPP3] for 2016 to 2020. All three NPPs have affirmed residential development projects to be

directed only to economically viable regions as these locations provide the greatest convenience to their inhabitants in terms of facilities and socialisation.

In brief, the Malaysia Plans have indicated that increasing homeownership among the citizens has long been a development priority in Malaysia. The chronology of agendas in these plans have also revealed how homeownership woes have pushed past the lower-income group and proliferated their middle-income counterparts in recent decades. More recently, with the advent of the sustainable development movement, the importance of homeownership has become even more pronounced. This suggests homeownership to be an issue worthy of investigation.

1.2.4 The Conditions of Homeownership in Malaysia

The homeownership rate in Malaysia has generally fallen since three decades ago. As shown in Table 1.1, the homeownership rates in Malaysia has generally dropped from 85.0 percent in 1991 to 76.9 percent in 2019. Although the rates may seem high despite the drop, there were concerns that the rates may be overstated and do not reflect the true situation in Malaysia, because the data also included informal, illegally-built, even squatter homes (Suraya, 2019; Najah & Ainul 2021). Rethinking the homeownership situation in Malaysia, the ownership of homes with unsecured property implies a lower actual homeownership rate and erroneously depict Malaysians as tolerable towards sub-standard living environments (Suraya, 2019, p.69). In 2017, when the official homeownership rate was 76.3 percent, the true rate was estimated to be only 43.5 percent (Radzi, 2017). Hence a similarly low rate is believed to characterise the present homeownership situation in Malaysia.

Table 1.1: Homeownership Rates in Malaysia

Year	Homeownership Rate (%)	Source	Survey Type
1991	85.0	DOSM (2001, p.12)	National Population and Housing Census 2000
2000	77.2	DOSM (2001, p.12)	National Population and Housing Census 2000
2010	79.6	DOSM (2011a, p.5)	National Population and Housing Census 2010
2012	74.5	DOSM (2013, p.41)	Household Income and Basic Amenities Survey 2012
2014	76.1	DOSM (2015a, p.40)	Household Income and Basic Amenities Survey 2014
2016	76.3	DOSM (2017a,p.91)	Household Income and Basic Amenities Survey 2016
2019	76.9	DOSM (2020a, p.119)	Household Income, Expenditure and Basic Amenities Survey 2019

1.2.5 The Role of Homeownership Intentions versus Actual Homeownership in Explaining Homeownership Attainments

The decline of homeownership in Malaysia can best be explained through a study of homeownership intentions. The appropriateness of whether to investigate behavioural intention or actual behaviour is a common point of contention among scholars (e.g. Parker, 2018). The study of actual behaviour is only recommended if a given problem has been resolved before, which gives a person an opportunity to investigate determinants to its success. In Malaysia, the problem of homeownership has been persistent, and yet to be resolved since the nation obtained its independence (see sub-section 1.2.3 earlier this Chapter), hence studying actual homeownership would only take into account those who have attained homeownership and ignore a large section of the society who have yet to progress to homeownership, defeating the purpose of this research, which is to resolve the woes of non-homeowners. Therefore, the direction of this research should be in the perspective of homeownership intentions rather than actual homeownership.

In line with this direction, the following sub-sections present a case to study homeownership intentions in Malaysia. The persistence of weakening intentions may be exemplified by understanding the level of affordability, performance of affordable housing in Malaysia, trending preference for renting among new households.

1.2.5(a) Exemplifying Homeownership Intentions from the Perspectives of Affordability and Performance of the Affordable Housing Market

Affordability is a common control mechanism to gauge homeownership tendencies. By assessing affordability, as well as performance of affordable housing initiatives by the government, a sketch of the problem may be drawn. Logically speaking, low affordability should see a high performance in affordable housing market. Otherwise, it would portend that the main problem may not be because of affordability, but possibly poor intentions. In that case, it would strengthen the argument for investigating homeownership intentions by looking into the determinants that prevented or encouraged them to progress into homeownership.

In Malaysia, the Median Multiple is one of the official approaches used to measure housing affordability. It is a variation of the price-to-income ratio where the median multiple is obtained by dividing the median house price by the median annual household income. Housing is deemed affordable if the Median Multiple is lower than three, because the median price of the housing market would be no more than three times the annual median income of the household (Cox & Pavletich, 2021, p.6). Based on house pricing data obtained from the Department of Valuation and Property Services, *Jabatan Penilaian dan Perkhidmatan Harta* [JPPH] (2022b) and household income data from DOSM (2013, p.32; 2015a, p.50; 2017a, p.75; 2020a, p.121), the Median Multiple ratios are calculated and presented in Table 1.2.

Table 1.2: Assessment of Housing Affordability by Median Multiple Indicator

Year	House Price (RM)	Median House Price (RM) [*a*]	Median Income (RM) [*b*]	Annual Med. Inc. (RM) [*c*]=[*b*]*12	Median Multiple [*d*]=[*a*]/[*c*]	Remark
2010	217,857	158,000	-	-	-	-
2011	239,295	165,000	-	-	-	-
2012	271,384	170,000	3,626	43,512	3.91	Seriously unaffordable
2013	301,964	250,000	-	-	-	-
2014	330,428	270,000	4,585	55,020	4.91	Seriously unaffordable
2015	354,741	295,402	-	-	-	-
2016	379,843	298,000	5,228	62,736	4.75	Seriously unaffordable
2017	404,643	303,000	-	-	-	-
2018	417,974	296,994	-	-	-	-
2019	427,165	289,646	5,873	70,476	4.11	Seriously unaffordable
2020	432,111	295,000	-	-	-	-
2021	433,073	306,667	-	-	-	-

Sources: JPPH (2022a); JPPH, (2022b); DOSM (2013, p.32); DOSM (2015a, p.50); DOSM (2017a, p.75); DOSM (2020a, p.121).

Based on Cox and Pavletich's (2021) thresholds, the Malaysian housing market is deemed to be seriously unaffordable for the past decade, with ratios straddling between 4.1 and 5.0. Nonetheless, it is worth noting that between 2014 to 2019, the ratios have gradually improved, moving towards a lower threshold (3.1 to 4.0) suggesting that affordability is generally improving in Malaysia, as the nation moves towards a moderately unaffordable market (Cox & Pavletich, 2021, p.6).

Although the Median Multiple method suggests the housing market to be unaffordable, it was not considered to be an absolute gauge for housing affordability. Among the concerns were the setting of thresholds, which was based on historical trends in selected developed countries i.e. United States, Canada, United Kingdom, Ireland, Australia and New Zealand) up to the 1980s and 1990s (see Cox & Pavletich, 2021; Muzafar & Kunasekaran, 2021). This historical trends renders the thresholds dated, while the use of developed countries as a benchmark in developing

the thresholds poses complications with generalisation to under-industrialised and newly-industrialised nations like Malaysia (see Foo, 2022, January 6; Suraya, 2019). As shown in Table 1.2, the Median Multiple ratios has worsened between 2014 and 2016 (from 3.91 to 4.91) but surprisingly the homeownership rate improved during this period (from 74.5 to 76.1 percent), illustrating Foo's contention that this method may be disconnected from the actual situation in Malaysia.

Another tool for assessing housing affordability is the Housing Cost Burden approach, which expresses housing cost in terms of household income. Housing is deemed affordable when no more than 30 percent of the households' monthly income is spent on housing (Cheah, Almeida & Ho, 2017). Under this approach, *Bank Negara Malaysia* [BNM], the Malaysian central bank, estimated that homes should be priced below RM282,000 to be considered affordable (see Cheah et al., 2017, p.19). This was the basis of the RM300,000 threshold which is commonly used to classify affordable homes today. A comparison of the median house prices in Table 1.2 with this threshold show that most houses offered in the market is unaffordable.

Based on data obtained from DOSM (2015b; 2017b; 2020b), the housing cost as a percentage of income in Malaysia was reported at 23.9 percent in 2014 (DOSM, 2015b), 24.0 percent in 2016 (DOSM, 2017b, p.102), and 23.6 percent in 2019 (DOSM, 2020b, p.23). On the outset, these figures seem acceptable as they were below 30 percent. However upon scrutiny, a notable 7.7 percent of households have housing costs exceeding 30 percent, a condition known as housing stress (DOSM, 2020b, p.115). As shown in Table 1.3, the housing stress was most severely felt by among lower-income households (15.5 percent), followed by middle-income households (3.0 percent), and least by upper-income households (1.4 percent).

The assessment of housing affordability using both the Median Multiple and

Housing Cost Burden approach suggests that the Malaysian housing market is unaffordable. Therefore, affordable housing initiatives is regarded as a reasonable mechanism to resolve the homeownership problem afflicting the Malaysian society.

Table 1.3: Housing Costs among Households

Year	All ('000)		B40 ('000)		M40 ('000)		T20 ('000)	
	H.Cost <30%	H.Cost ≥30%	H.Cost <30%	H.Cost ≥30%	H.Cost <30%	H.Cost ≥30%	H.Cost <30%	H.Cost ≥30%
2016	6,363.5 (91.3%)	608.7 (8.7%)	2,367.4 (84.1%)	446.0 (15.9%)	2,677.8 (95.5%)	126.5 (4.5%)	1,318.3 (97.3%)	36.2 (2.7%)
2019	6,717.7 (92.3%)	558.7 (7.7%)	2,446.6 (84.5%)	449.6 (15.5%)	2,854.8 (97.0%)	88.7 (3.0%)	1,416.3 (98.6%)	20.3 (1.4%)

Source: DOSM (2020a, p.115)

In the past decade the Malaysian government has introduced various affordable housing initiatives to encourage homeownership among both the lower and middle-income groups. The initiatives usually fall within these categories i.e. social housing (e.g. *Projek Perumahan Rakyat*), government-assisted housing for civil servants (e.g. *Program Perumahan Penjawat Awam*), general low-cost and low-to-medium-cost housing, public-private collaborative housing, and promotions through homeownership campaigns and property exhibitions (e.g. Home Ownership Campaigns). For 2023, many of these initiatives are to be continued, accompanied by a sizeable budget allocation (see Ministry of Finance Malaysia, 2022, pp.29-92).

While the Malaysian government offers various schemes and interventions, the homeownership rates for the past several decades has not been improving, raising questions whether these initiatives are truly effective in spurring homeownership. For instance, The CEO of one of PR1MA, one of the affordable housing initiatives, estimated 400,000 households to be created annually but lamented that "while that

implies there is a need to build more houses, a sizeable number of completed and residential units under construction currently do not have takers" (Yeap, 2017, March 13). In another instance, the Home Ownership Campaign in 2019 has attracted 61 percent of property investors rather than aspiring homeowners (Kathy, 2019, March 28, p.33) defeating the originally intended purpose of the campaign.

To gain a clearer picture about the performance of affordable housing initiatives on homeownership, an assessment of affordable housing turnover was performed using data provided by JPPH. From JPPH reports, the data on residential launches, transactions and overhang statistics for units priced RM300,000 and below were extracted for the periods between 2016 to 2021. Data for years prior to 2016 was omitted because prior to 2016, the threshold for affordability was RM250,000. The new threshold was only introduced after BNM re-estimated the affordability threshold in 2017, based on 2016 data (see Cheah et al., 2017). The omission of data prior to 2016 was thus necessary to maintain consistency in interpretation.

Data has suggested that the affordable home offerings may not be directly linked to their ownership status, suggesting that a weak demand, or a poor intention to own a home, is the true reason for low ownership. First, as shown in Table 1.4 and illustrated in Figure 1.1, despite a 51.10 percent increase in affordable home launches from the first quartile of 2016 to the third quartile of 2021, the number of affordable home transactions appeared to be on a downward trend. There was a sharp dip-and-rebound in between the second and fourth quarter of 2020, presumably due to the Covid lockdown in Malaysia followed by easements at the end of the year. Nonetheless, after the economy has reopened, the transactions continued to decline

Table 1.4: Performance of Homeownership Initiatives by Affordable Housing

Year	Months	Affordable units transaction	Source	Affordable units launched to date	Affordable units overhang (≥9 mths)	Source
2016	Jan-Mar	32,803	JPPH	28,747	6,216	JPPH (2016a, p.5)
	Apr-Jun	34,210	(2017a, p.29)	28,574	6,095	JPPH (2016b, p.11)
	Jul-Sep	32,262		28,303	5,962	JPPH (2017b, p.11)
	Oct-Dec	32,628		26,176	5,830	JPPH (2017c, p.11)
2017	Jan-Mar	30,186	JPPH	28,123	7,882	JPPH (2017d, p.11)
	Apr-Jun	30,581	(2018a, p.32)	26,080	7,545	JPPH (2017e, p.11)
	Jul-Sep	29,466		25,011	6,538	JPPH (2018b, p.11)
	Oct-Dec	32,030		27,639	8,529	JPPH (2018c, p.11)
2018	Jan-Mar	30,413	JPPH	28,791	7,931	JPPH (2018d, p.11)
	Apr-Jun	29,528	(2019a, p.20)	34,612	10,384	JPPH (2018e, p.11)
	Jul-Sep	30,751		36,611	10,410	JPPH (2019b, p.11)
	Oct-Dec	33,032		39,989	12,258	JPPH (2019c, p.23)
2019	Jan-Mar	32,488	JPPH	40,180	12,073	JPPH (2019d, p.23)
	Apr-Jun	29,299	(2020a, p.34)	39,747	11,511	JPPH (2019e, p.23)
	Jul-Sep	32,879		41,485	11,012	JPPH (2020b, p.23)
	Oct-Dec	34,495		41,481	10,253	JPPH (2020c)
2020	Jan-Mar	29,399	JPPH	42,108	9,711	JPPH (2020d)
	Apr-Jun	17,255	(2021a, p.34)	45,719	10,032	JPPH (2020e)
	Jul-Sep	34,712		46,498	9,127	JPPH (2021b)
	Oct-Dec	36,684		45,157	8,758	JPPH (2021c)
2021	Jan-Mar	34,712	JPPH	41,983	6,610	JPPH (2021d)
	Apr-Jun	22,729	(2022c)	45,238	8,439	JPPH (2021e)
	Jul-Sep	22,442		43,438	7,743	JPPH (2022d)

Note: Collation was based on the affordability threshold of RM300,000.

Second, both Table 1.4 and Figure 1.1 have also showed that the number of overhung affordable residential units has increased in tandem with the rise of affordable unit launches. Residential overhang are "residential units that have been completed and issued with a Certificate of Completion and Compliance, or Temporary Certificate of Fitness for Occupation, but remained unsold for more than nine months after it was launched for sale" (JPPH, 2021a, p.81). Despite being affordably-priced, completed and certified fit for human occupation, these houses

have remained unsold for exceedingly long periods of time. Overhang statistics are often used to diagnose the health of the property market. When the overhang is high for affordable units, it indicates weak intentions to own a home, as people who can afford, are not owning these homes as they should. JPPH (2021a) reported that as of 2020, residential launches priced RM300,000 and below accounted for about one-half of the total new residential launches in Malaysia (47.0 percent), but surprisingly the overhang makes up close to one-third of the nation's projects (29.6 percent).

As there were increasing affordably-priced homes ending up as overhang statistics, it implies that offering affordable homes alone would not be adequate to solve the weakening homeownership conditions in Malaysia. In Malaysia, studies have raised concerns about how the pressures for affordable housing have overshadowed other important determinants to homeownership (see Cheah et al., 2017, Olanrewaju & Wong, 2020; Suraya, 2019). In a report for Khazanah Research Institute (see Suraya, 2019), it was stressed that "housing affordability must be accompanied by improvements in fundamental factors" (p.45), and related to "how much housing may be in effective demand in a particular period [and] also the tenure choice that may be preferred by the population" (p.64). Simply put, offering affordable homes alone would be a waste of effort if the initiatives do not take housing demand into consideration, especially when there are people who do not have intentions to own a home, instead preferring shorter housing tenures such as renting. This indicates the importance of studying homeownership intentions in order to devise better-fitted solutions to the homeownership problem in Malaysia.

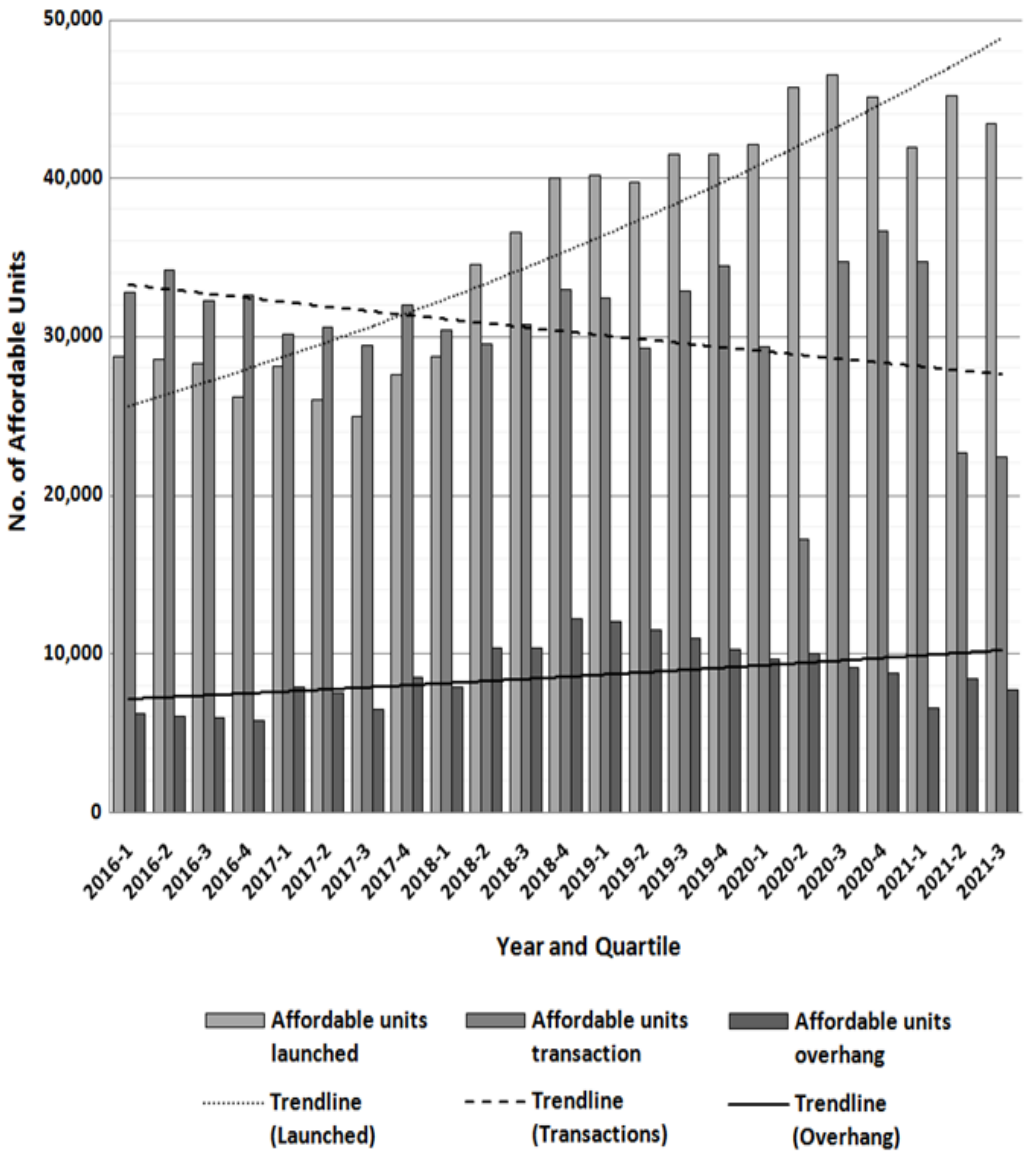

Figure 1.1: Performance Trends of Affordable Housing Initiatives

Source: Developed based on JPPH data

There are several suppositions that can be made from the discussions earlier. The housing costs for both the middle-income and lower-income groups appear to be the highest, indicating that these are the groups that are likely to have the weakest homeownership. This is in agreement with the premise of this research which

presupposes that low homeownership is caused primarily by weak homeownership intentions. It should be noted that the exhaustive discussion, which linked the low affordability with low turnover of affordable housing, was aimed at exemplifying weak homeownership intentions. While affordability is acknowledged to be an element to be investigated, it is pertinent to note that this research is not focussed on the intention on acquiring affordable housing. This is because affordability does little to produce intention. Rather, it is a social stratification category which serves more as a method to differentiate the differentiating homeownership intentions.

1.2.5(b) Exemplifying Homeownership Intentions from the Perspectives of the Rented Housing Market

Of recent, there is a plethora of homeownership-related studies (e.g. Fuster, Arundel & Susino, 2019; Hulse, Morris & Pawson, 2019; Lindblad, Han, Yu & Rohe, 2017; Rohe & Lindblad, 2014; Zheng, Cheng & Ju, 2019) including those from Malaysia (e.g. Anuar & Wahab, 2022; Chia & Wei, 2018; Leh, Mansor & Musthafa, 2016; Ismail, Manaf, Hussain, Basrah & Azian, 2021; Norazmawati & Kamaruddin, 2023; Olanrewaju & Wong, 2020) that have documented an increasing tendency of younger adults, who are plausibly the most productive segment of society, to harbour intentions to rent rather than to own their homes.

In Malaysia, current news reports (e.g. Harizah, 2021, July 1; Kathy, 2019, March 28) industry reports (e.g. Chung, 2021, February 14; Chung, 2022, January 10), and working reports (e.g. Cheah et al., 2017; Suraya, 2019) have also acknowledged this emerging trend. In a working report for Khazanah Research Institute, renting has been found to be increasingly being "promoted alongside, not in competition with, homeownership with the former not being viewed as an inferior

choice" (Suraya, 2019, p.178). An increasing preference for rented houses is determinative of weakening intentions to own a home.

It should be noted that this trend affects both individuals who cannot afford and individuals who can afford homeownership. As explained in sub-section 1.2.5(a) earlier this Chapter, stimulating homeownership is not achieved by simply improving affordability as it justifies only one-fourth of the problem. Instead it should address the function of intention which circumspectively encompass elements like satisfaction, environment, and availability where they are needed to attract potential homeowners (Olanrewaju & Wong, 2020, p.362). This also explained why the Malaysian government is being urged to "move beyond providing for core housing needs to address the wants" of households in the country (Suraya, 2019, p.80). This attributed the regressing homeownership to weak intentions among Malaysians.

The weakening intentions is also evident by the mismatch between perceived demand versus actual consumption of homes. The projected demand for housing in Malaysia is estimated to be between 166,00 to 200,000 units annually, coinciding with the estimated formation of new households in the country (Cheah et al., 2017, p.33). The number of new residential units have been on a decreasing trend, falling from 77,570 in 2017, to 66,040 in 2018, to 59,968 in 2019, and to 47,178 in 2020 (JPPH, 2021a, p.7). Despite having reduced new launches, which are approximately a quarter of the total annual demand, many of these houses remained unsold. As demonstrated in sub-section 1.2.4 earlier this Chapter, even affordable units have become overhung. The drop in launchings is a poor reflection of developer confidence. This supports this research's culmination to a conclusion that the homeownership intentions in Malaysia is weakening, calling for an investigation.

1.3 Preliminary Study

To gain a clearer understanding of Malaysians' intentions to own homes, a preliminary study was conducted using semi-structured interviews with 20 potential homeowners to uncover the problems that inhibited their intentions to own a home, as well as 11 property developers to uncover the complaints and feedback raised by their dealings with potential homeowners. It is worth noting that the preliminary study was conducted prior to the health pandemic, which may raise concerns that the actual data may not be reflective of the pre-pandemic period. This should not be cause for concern because studies have found that homeownership are long-term sentiments which are enduring, which is why they have remained largely unchanged pre-and-post pandemic periods (e.g. Czarnecki, Dacko & Dacko, 2023; Felici, 2021). The findings of the preliminary study are explained in the following sub-sections.

1.3.1 Interview with Potential Homeowners in Malaysia

In this research, semi-structured interviews were conducted with 20 non-homeowners from September to October 2018 to gain an understanding of their intentions to own a home (refer Appendix A for the interview questions). Demographically, the participants comprised of 10 males and 10 females, working adults aged between 23 to 53. The majority of participants were from the younger category between 20 to 29, single, and residing mainly in Johor, Melaka, and Kuala Lumpur. On average, their duration of residence in the area is 12.65 years. For income levels, the researcher could not obtain a balanced sample from both middle and lower-income group. 16 persons were from the lower-income category while 4 persons were from the middle-income category. The lopsided responses was not

hastily dismissed as an anomaly, rather it was taken as an early indication that non-homeowners would most likely be low-income earners.

The interview revealed that the residential environment (locational and neighbourhood-related factors) were important in determining their intentions to own a home. Among the locational factors that were crucial is accessibility. Participants generally wished for locations that are easily accessible to food, conveniences, workplace, hospitals and school; and these are often located near the town centre. One participant remarked that she has to travel to the town daily to shop for groceries and toiletries. In addition, many would choose to be located near their family members and workplaces. Another remarked how she moved away from her parents' home; citing accessibility concerns, she would only consider houses close to her parents. In total, 95 percent (19 out of 20 participants) considered accessibility and locational aspects to be a major decision changer in a homeownership consideration.

Neighbourhood factors such as relationships among the residents and crime rates were also important. Many wanted civilised neighbours who takes care of the cleanliness of the area and would not park their vehicles haphazardly in front of neighbours' homes. One participant was exceptionally critical of resident incivility that he had previously experienced. In his opinion, the city that he resided was over populated. He lamented that "more people, more trouble, more rubbish, more nonsense". Many also complained about the presence of foreigners or non-residents roaming the area, particularly at night. 95 percent (19 out of 20 participants) said they were not willing to satisfice by compromising their safety for cheaper homes.

Despite these problems, participants have a surprisingly favourable attitude towards homeownership. One participant remarked that "to me, I think a house is important as a space for us to release pressure and stress". Another participant felt

that eventually everyone should own their own homes as "parents have no duty or responsibility for our stay". Many participants believed homeownership to be important as a permanent residence, investment, as well as a hedge against financial uncertainties. It was also regarded as important for privacy and relaxation. In sum, a majority of 95 percent (19 out of 20 participants) believed that owning a home is important while only 5 percent (1 out of 20 participants) believed otherwise.

Moreover the interview also revealed that family members play an important role in influencing the participants perceptions' about homeownership but the influence is limited. Particularly for working adults, family members often strengthened their beliefs about the importance of owning a home. One participants remarked how he gets triggered whenever he observes family and friends buying their own houses. Another participants gets interested whenever the issue is being brought up by family members, while another remarked how he is always pressured by elderly family members to have a place of his own.

The participants have also claimed that perceived changes in future would affect their need for a home, and they would consider owning a home when the perceived changes are favourable to them. One participants claimed that job security would provide him with a stable income and affect his decision to own a house. Another participant also remarked that he will buy a house if the job provides him with a great and stable future. There are also many others who remarked that homeownership would depend on whether their employment terms are extended (either to a permanent position or extended contract). Approximately half of the unmarried participants will consider to owning a home when they get married or when they have children. In summary, 12 out of 20 participants (60 percent) mentioned that they would re-evaluate their tenure options when they can expect

higher incomes and career advancements, while 10 out of 20 participants (50 percent) would consider homeownership as their lifestyle requirements go higher. Currently, low expectations of socio-demographical changes have led the participants to defer their intentions to own a house until the need arises.

Emotions also played an extremely important role in one's evaluation of a place. Rootedness and attachment to their hometown and families tend to influence one's decision to stay, hence their intention to own a home. One participant in Johor remarked that he is proud to be a Johorean and tries to show it by demonstrating typical Johorean behaviour such as eating etiquette, the way he talks, and react to situations. Such levels of attachment are also high in the sense that many do not cope well with criticisms to their place. Participants have remarked that they gets triggered whenever others criticises their place. Another participant was not concerned with criticisms. She remarked: "If you love the place you live, why do you care about how people think?". A resident in Melaka stated how proud she is with her place and iterated the state slogan "Don’t mess with Melaka". Residents are also very reserved and hold their place of residence in their hearts although they do not explicitly show that they care. For instance, in response to criticism, one participant remarked "I'll just be silent but in the deep of my heart, I still think that Melaka is the best." In summary, the majority of participants felt proud of their hometown and would feel defensive when their place gets criticised. Only 15 percent of the participants felt indifferent. It also appeared that emotions are also linked to people and places. One participant said that her family had a big effect on her decision to remain at her hometown because most of her relatives are close-knit and stay close to each other.

In general, the interviews found that non-homeowners do not express the intentions to own a home in the nearest future due to many other factors that were