

# Malaysia's affordable housing conundrum



**MALAYSIA**

By Ruslena Ramli

**Affordable homeownership is a policy concern for economic growth that is inclusive and sustainable. Surging house prices rising faster than income growth remain one of the main obstacles toward affordability of homeownership. The question of 'housing affordability' is commonly measured using the median of house prices to annual household income.**

In Malaysia, the trend of house prices and household income rose slower at 3.4% on average compared with the 5.2% growth of household income between 2001 and 2019 (Chart 1). The property bubble experienced in 2011-2013 saw house prices rising by 11.8% against household income's 9.9% growth for the

same period, adding to the imbalance to Malaysia's current property industry.

To address the imbalance, the government instituted several measures to address the demand and supply of houses. Among them include the establishment of Syarikat Perumahan Negara (SPNB) — a wholly-owned subsidiary of the Ministry of Finance to provide quality affordable homes for Malaysian families. To date, SPNB's initiatives include the Rumah Mampu Milik Programme and Rumah Mesra Rakyat that offer a special low-cost housing scheme.

Between 2011 and 2013, further initiatives were introduced, including the setting-up of the 1Malaysia People's Housing Programme (PR1MA) and the 1Malaysia Civil Servants Housing Programme,

as well as budget allocations for My First Home and MyHome programs to increase the supply of affordable houses and boost the homeownership rate. Importantly, the success of these new strategies required the involvement of the private sector, as well as an integrated approach between government ministries.

**“ To address the imbalance, the government instituted several measures to address the demand and supply of houses ”**

Since then, there has been some measures of success with home affordability generally improving in recent years as evidenced by the median of house prices falling 1% annually on average from RM298,000 (US\$73,206.4) in 2016 to RM289,646 (US\$71,154.1) in 2019 (Table 2).

**Table 1: Housing affordability median multiple score**

Score	Description
3 or less	Affordable
3.1 – 4	Moderately unaffordable
4.1 – 5	Seriously unaffordable
5.1 and above	Seriously unaffordable

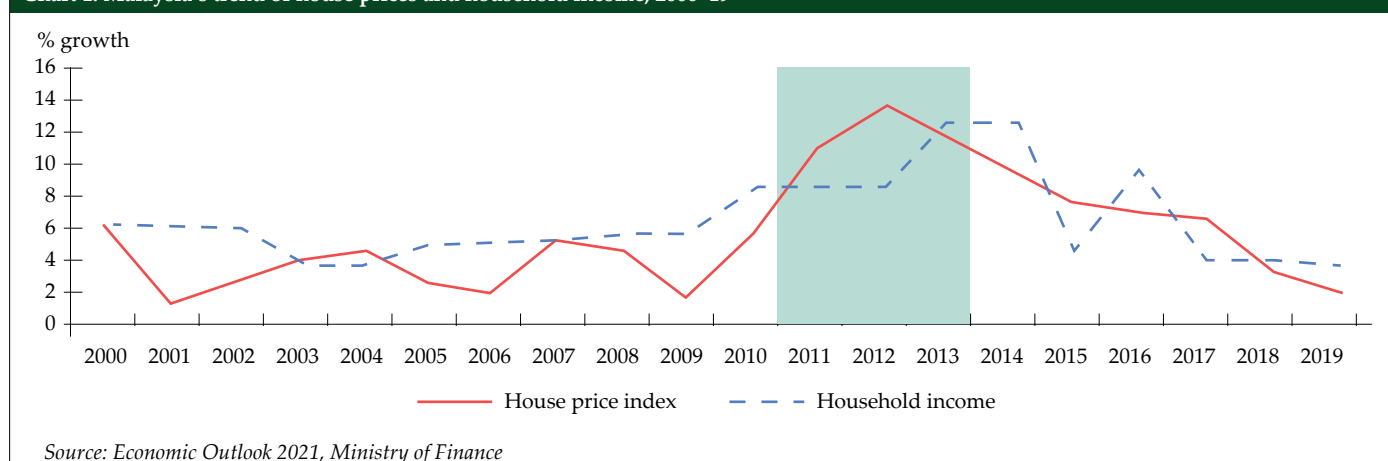
*Note: Median multiple score = Median price of houses/Median annual household incomes*  
*Source: Global Platform for Sustainable Cities, World Bank, 2019*

**Table 2: Malaysia's housing median, 2016 and 2019**

	Median house price (RM)		Median income (RM)		Median multiple score		Level of affordability 2019
	2016	2019	2016	2019	2016	2019	
Malaysia	298,000	289,646	62,736	70,476	4.8	4.1	Seriously unaffordable

*Note: Annual median household income is calculated based on monthly median household income multiplied by 12 months based on data from the Department of Statistics Malaysia, 2019.*  
*Source: Economic Outlook 2021, Ministry of Finance*

**Chart 1: Malaysia's trend of house prices and household income, 2000–19**





Within the same period, the annual median household income rose 4% year-on-year from RM62,736 (US\$ 15,411.7) in 2016 to RM70,476 (US\$17,313.1) in 2019. This resulted in a drop in the median multiple score to 4.1 in 2019 from 4.8 in 2016.

Nevertheless, despite these successes, Table 1 shows that Malaysia still falls

within the seriously unaffordable range according to the World Bank's housing affordability benchmark.

In the spirit of Maqasid Shariah which Islamic banks adhere to, Maybank Islamic pioneered the country's first new rent-to-own (RTO) scheme in November 2017 – HouzKey, which allows potential homeowners to rent a property for 12

months before exercising the option to purchase. Targeted at the demographic pool of 25- to 34-year-olds, the scheme promotes financial inclusion by offering an alternative path to homeownership, and a way of supporting Malaysia's national agenda on homeownership (ie no downpayment is required under RTO).

The Malaysian government's commitment to address the affordability issue was underscored in Budget 2021 when it announced its intention to collaborate with selected financial institutions to provide RTO schemes. The program is expected to be implemented until 2022 involving 5,000 PR1MA homes with a total value of more than RM1 billion (US\$245.66 million), targeted at first-time buyers.

These initiatives echo the need for all parties, from the federal and state governments and property developers to financial institutions, to act in a concerted manner to improve Malaysia's level of house affordability. In light of this, true affordability is not only about being able to afford to buy a house, but also being able to afford to live in it. ☺

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