A Conceptual Overview of Housing Affordability in Selangor, Malaysia

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Abstract—Socioeconomic stability and development of a country, can be describe by housing affordability. It is aimed to ensure the housing provided as one of the key factors that is affordable by every income earner group whether low-income, middle income and high income group. This research carried out is to find out affordability of home ownership level for first medium cost landed-house by the middle-income group in Selangor, Malaysia. It is also hope that it could be seen as able to contribute to the knowledge and understanding on housing affordability level for the middle-income group and variables that influenced the medium income group's ability to own first medium-cost houses.

Keywords—Residential, Housing Affordability, Middle income.

I. INTRODUCTION

HOUSING affordability is one of the key factors that can describe the socioeconomic stability and development of a country. Housing affordability is aimed to ensure the housing provided is affordable by every income earner group whether low-income, middle income and high income group. Malaysian Government has identified housing as basic human needs and one of the important components in urban economy. In the 2010 Budget Speech, Datuk Seri Najib Razak, the Prime Minister and also Finance Minister of Malaysia has emphasised on the efforts to increase home ownership among the people[1]. Among them is increase in the supply of low cost house units for purchase, the recovery of abandoned housing projects, and the launch of a scheme that enables Employees Provident Fund (EPF) contributor to use the existing fund and future savings in the Second Account for financing house with higher value or buying additional house.

In the recent 10th Malaysian Plan, the government has again given its focus on the development of 78,000 affordable houses and RM500 million funds to recover housing projects [2]. While numerous guiding principles and policies held and implemented to protect the low-income group so that they could afford to own house, the ability to own houses among those middle income was not given enough attention. The rapid development in many big towns in Malaysia particularly in Kuala Lumpur and Selangor state has caused the property market price to increase drastically as shown in the statistics issued by the Ministry of Housing and Local Government of Malaysia.

This research carried out to find out affordability of home ownership level for first medium cost landed-house by the middle-income group in Selangor. Prior studies focus mainly on the low-income group and tenancy [3to 4]. Apart from that, this research is also important to study how the existence of housing policy or promotional effort by the government could influence the affordability of medium cost housing similar to the low-cost housing. This research could be seen as able to contribute to the knowledge and understanding on housing affordability level for the middle-income group and variables that influenced the medium income group's ability to own first medium-cost houses in Selangor. It is hoped that the research finding will help in the development of housing policy for the country in the future.

II. LITERITURE REVIEW

Housing affordability is not a feature of housing but a feature of housing service in relation to consumer capacity and desire to own or buy the houses [5]. In a study, housing affordability is defined as a link between housing and people [6]. Housing affordability is a selection decision function which is made by a family between housing and non-housing product expenditure. It reflects a balancing act in the household spending choice that is very subjective. Literature on housing affordability that cover measurement aspects are like [5], [7], [8], [6], and [9]; on the aspect of development and effectiveness of policies or housing programme like [10], [7], [11], [12], [13], [14] and [15].

Many studies have agreed that housing affordability measurement is complex. Reliance on index or measure which uses house price ratio to income analysis only would bring out less accurate results as discussed by [6] and [16] .In the United States, the National Association of Realtors (NAR) uses three (3) variables which influenced the house affordability; namely mortgage rate, median family income, and existing median-priced home. Studies like [5], [6] and [17] propose modified measurement index so that the income variable could be measured more precisely. Total income being used is net after taking into consideration expenditure not related to housing. A study [9] uses measures of the spatial distribution of affordability problems and implements of the mismatch between the demand and supply of housing affordable to

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identified income households.

Apart from income and house price aspects that could show someone's ability to pay house installment, housing affordability could also be seen through education level, types of occupation [18], number of households that work [19]; [20], have children [19];[20]; [21], monthly house installment [22] and housing subsidies [16]. Previous results of studies found that housing affordability index by the majority increasingly low, such as in selected cities in Australia, Canada, Republic of Ireland, New Zealand, United Kingdom, United States of America [23], China [5];[7];[8];[11];[12], Australia [14] United Kingdom [15], and United States [24].

From the previous literature review, it is clear that there is a need to study housing affordability in Malaysia presently, coinciding with policy changes and the country's economic condition.

III. RESEARCH METHODOLOGY

A. Research Scope

In this research, the research sample is first house buyer in identified housing zone. This is in accordance with the purpose of the study to measure housing affordability for landed medium cost house among first house owner. This study focuses on variables that influence medium income group ability to own landed houses in Selangor. Among variables studied are household income, household spending, types of occupation, education level, have children, household that work and total monthly housing payment.

B. Research Design

Research strategy being used is quantitative in character. Basically, this research is based on the primary and secondary data. Primary data is through field studies which cover interview process, pre-test, case study and the usage of analytical measurement.

Following that, the study revolves around the existing method being used in Malaysia, to gauge first home affordability. After that, case study and analytical measurement will be used. Finally an index model will be established suitable with the measurement necessities.

Secondary data on the other hand is from literature review carried out. Literature study includes reading materials from journals, proceedings, books, thesis / dissertation, press cutting and publications issued by government agencies and private, whether in written form or through their websites.

C. Data Collection

Classification of gathered data is basically can be divided into two, namely primary and secondary data. In research this data collection process is carried out in advance for the secondary data. This data becomes major contributor to generate theories and further to form the theoretical model framework which becomes the backbone of the research. Apart from that, it intends to review research works that have been done. This is to help to determine the research basis and direction. After these processes are done, then the field research shall be carried out to gather primary data.

Primary data collection will be undertaken through sets of questionnaires. It can be done through two method, namely by post or by interview. Questionnaire sent by post practically does not receive too high response rate although follow up reminder could be carried out [25]. This is highly possible if the questionnaire is asking for financial information, so feedback level from respondent were normally lower. Another limitation is sets of questionnaires by post must be short and easy-to-answer questions, with no two-way communication necessary. Therefore structured interview approach is considered to be more effective. This method indirectly can ensure that respondent really understand the questionnaire requirement and what most importantly, response on questionnaire can be obtained right after the interview session ends, with response rate that is usually high [26]. Indirectly, interviews can help in giving more rational description on the phenomenon in which research subject is. A main criterion in sample selection is first landed-house owner with middle income in housing zone in Selangor state within the vicinity of Kuala Lumpur.

IV. CONCLUSION

This study is hoped to give knowledge related home ownership ability earthy first to middle-income group in Selangor. Further survey results will relied to help government in regulating effort to ensure high house ownership rate among people with targeted the majority would stay in cluster middle income and on, suitable with desire becomes a developed country within the near future.

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