“FORMULATING A NATIONAL HOUSING FRAMEWORK TO CREATE EFFICIENT AND EQUITABLE HOUSING FOR THE BENEFIT OF THE WIDER SOCIETY”

10TH ANNUAL AFFORDABLE HOUSING PROJECTS

MR. N. JAYASELAN
DIRECTOR GENERAL
NATIONAL HOUSING DEPARTMENT
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**WHAT IS HOUSING?**

**Buildings or structures** that individuals and their family may live in that **meet certain federal regulations**. Different housing situations vary for individuals and may depend on age, family, and geographic location.

Anything that covers, protects, or supports another thing

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**Source:** http://www.businessdictionary.com/definition/housing.html

**Source:** https://en.wikipedia.org/wiki/Housing
WHAT IS AFFORDABLE?

Inexpensive; reasonably priced
able to be bought or rented by people who do not earn a lot of money

“Affordable” means something different when it is used for housing instead of another object, say, a cell phone or a car. A person who cannot afford a cell phone or a car does not have one.

However, when housing is said to be unaffordable to households below an income of X, it does not mean that all households below an income of X are homeless. It only means that these households are living in housing units that are unacceptable in quality, floor area, and/or that these households are spending an unacceptably high proportion of their income on rent or mortgage payment.

Source:
https://en.oxforddictionaries.com/definition/affordable
https://dictionary.cambridge.org/dictionary/english/affordable

Affordability: Households’ Income, Regulations, and Land Supply by Alain Bertaud
Affordable housing is housing which is deemed affordable to those with a median household income or below as rated by the national government or a local government by a recognized housing affordability index.

The notion of housing affordability became widespread in the 1980s in Europe and North America. In the words of Alain Bertaud, of New York University and former principal planner at the World Bank, "It is time for planners to abandon abstract objectives and to focus their efforts on two measurable outcomes that have always mattered since the growth of large cities during the 19th century’s industrial revolution: workers’ spatial mobility and housing affordability."

Most of the literature on affordable housing refers to mortgages and number of forms that exist along a continuum – from emergency shelters, to transitional housing, to non-market rental (also known as social or subsidized housing), to formal and informal rental, indigenous housing, and ending with affordable home ownership.

Source: https://en.wikipedia.org/wiki/Affordable_housing
DEFINING HOUSING AFFORDABILITY

Cost to buy the house

1. House purchase price
   House price determined by cost of land, infrastructure, building materials, labour and profit

2. Ability to finance down payment
   Affected by down payment requirements, available savings, existing debt and loan amount

Cost to keep the house

3. Ability to financially service loans
   Interest rates and loan tenure, income and non-housing expenditure

4. House occupation cost
   Land lease, home insurance, property assessment tax, quit rent and building maintenance costs

Source: Adapted from UN-HABITAT (2011)
United Nations Human Settlement Programme (2011): defined as homes that meet the quality and location; and home buyers still have the financial capability to buy other basic needs. Based on the Multiple Median approach, a home is considered affordable if the median home price is less than \(3\) times the median household annual income.

e.g.: Median household income: \(RM5,228.00\)
Annual Median Household Income: \(RM5,000.00 \times 12 = RM62,736.00\)
3 Times Annual Median Household Income: \(RM62,736 \times 3 = RM188,208.00\)

Average market price of all homes (1\textsuperscript{st} quarter 2018): \(RM372,801.00\)
A **housing affordability index** is an index that rates housing affordability.

The **Housing Opportunity Index (HOI)** for a given area is defined as the share of homes sold in that area that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria. Therefore, there are really **two major components** -- *(income)* and *(housing cost)*.

### Housing Affordability Index (Composite)

- Measures the degree to which a typical family can **afford the monthly mortgage payments** on a typical home.

**Formula:**

\[
\text{Housing Affordability Index} = \left( \frac{\text{MEDINC}}{\text{QINC}} \right) \times 100
\]

**Key:**

- **IR** = Interest Rate
- **MEDPRICE** = Median price of existing single-family home sale
- **PMT** = Monthly payment
- **MEDINC** = Median Family Income
- **MINC** = Necessary Monthly Income
- **QINC** = Qualifying Income

**Qualifying Income** — Income necessary to qualify for a loan for the median priced home

**Formula:**

\[
\text{Qualifying Income} = \text{PMT} \times 4 \times 12
\]
The bulk of housing is, moreover, produced without direct government assistance, often by a vigorous informal sector that frequently operates in spite of government policies.

Markets, for the most part, govern housing production.

Housing suppliers in the formal and informal sectors are willing to produce a variety of housing types at all levels of affordability, often taking advantage of lax enforcement of regulations in the process.

Governments increasingly understand that the housing sector is driven by a variety of market forces.

Recognition of the pervasiveness of market forces has led to the view that even though responsible housing policy must be sufficiently differentiated.
FACTORS AFFECTING SUPPLY AND DEMAND OF HOUSING

**Demand-side**
- Interest rates
- Economic growth
- Number of households
- Affordability of housing
- Speculative demand

**Supply-side**
- Supply of housing
- Numbers selling
- New builds
- Availability of mortgages

*Source: economicshelp.org*
FACTORS AFFECTING SUPPLY AND DEMAND OF HOUSING

**Housing as an individual asset**

**Social asset:**
- a place in the settlement, an address, effective citizenship

**Job creation:**
- new income earning opportunities through housing construction or home based enterprises

**Sustainable human settlements:**
- integrated settlements with functioning local economies

**Financial asset:**
- can be traded for monetary value, can be used as security against a loan

**Economic asset:**
- part of a household’s economic strategy for income earning purposes

**Economic Growth:**
- backwards and forward linkages, impact of housing on the economy
The social and economic role of housing and called on governments to undertake enbling policies to create well-functioning land and housing markets.

Housing, together with the land under it, is the single most important asset of households in most of the world's cities.

Since housing comprises 15 to 35 percent of consumer spending in most countries, inflation in housing prices is a significant element of overall consumer price inflation. Housing loans comprise some 15 to 20 percent of the consolidated assets of the banking systems of the most industrialized countries, making the integrity of these loans crucial to the overall soundness of the financial sector.

Housing subsidies, particularly in formerly planned economies, have contributed to budgetary deficits which have aggravated inflationary pressures, and poorly planned housing policies have often led to limited residential and labor mobility.

Given the importance of the housing sector and the high cost of policy failures, it is surprising that many countries underestimate the objectives and instruments of housing policy. As a result, housing problems are often aggravated by ill-conceived or poorly executed public policies, and the performance of the sector falls beneath its potential.
## LAND USAGE

<table>
<thead>
<tr>
<th>UTILIZATION MULTIPLE</th>
<th>CATEGORY OF LAND</th>
<th>PROBLEM</th>
<th>SOURCE</th>
<th>SOLUTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>MALAY RESERVE LAND</td>
<td>• There is no uniformity of land usage in every state</td>
<td>Existing Act does not provide comprehensive protection (Act 118)</td>
<td>Amendment on Act 118</td>
<td></td>
</tr>
<tr>
<td>AGRICULTURE</td>
<td>• high premium charge for land conversion</td>
<td>Different State Government charges (no uniformity)</td>
<td>Review of premium charges and coordinated in all states</td>
<td></td>
</tr>
<tr>
<td>WAQAF</td>
<td>• Existing legislation does not cover wakaf land development</td>
<td>No specific legislation for the development of land waqaf</td>
<td>Research study on Waqaf land Development Act</td>
<td></td>
</tr>
<tr>
<td>COMMERCIAL</td>
<td>• Development approval only at state level and no uniformity between states (KM and BP)</td>
<td>No specific legislation for the commercial land development</td>
<td>Research study on Commercial Development Act</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• No regulation on Integrated Marketing (Commercial &amp; Residential)</td>
<td></td>
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<tr>
<td>LEASE LAND</td>
<td>• no standard format for sale and purchase agreements for lease development (transfer of lease)</td>
<td>Home buyers on leased land are not covered</td>
<td>Amendment of Act 118</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Leasing period under the jurisdiction of the State Government. i.e.: Medini, Khoo Kongsi</td>
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</table>
REALISING THE OPPORTUNITY

POTENTIAL LAND TO BE DEVELOPED

MALAY/BUMIPUTRA RESERVED LAND

STATE LAND

WAQF LAND

AGRICULTURE LAND

FEDERAL LAND COMMISSION

14 STATES

14 STATES

Total of waqf land in Malaysia:
30,888.89 hectare (76,328.11 acre)

(9,159,360 units house, based on 120 unit / acre)

*Jabatan Wakaf, Zakat dan Haji (JAWHAR), 2013

Total of agriculture land in Malaysia:
4,753,157 hectare (11,745,306.74 acre)

(1,409,436,720 units house based on 120 unit / acre)

*data by DOA as of 8 Apr 2019

Total undeveloped land:
8,428.654 Hectare (20,827.657 acre)

(2,499,240 units house based on 120 unit / acre)

*data by JKPTG as of 5 Apr 2019

PTG Circular Bil. 2/2007
Any undeveloped land under Ministry / Federal Agency within 5 years must return to FLC

Jabatan Dasar & Perancangan Strategik, JPN
In places like Dubai, where real estate accounts for 20% of GDP (compared to an average of 7% in most other countries), governments need to reconsider regulation of the real estate sector. This is necessary in order to ensure that the sector continues to be healthy, transparent, professional and anti-fragile, while keeping the whole economy in balance.

The Great Recession of 2007 has taught us a costly lesson of what it means for a real estate sector to be out of control. There was a financial loss of more than $14 trillion in the United States alone, and more than 20 million jobs were lost worldwide, according to the International Labour Organization.

Governments need to create and enforce high quality governance practices for the industry, while still leaving room for creativity and innovation.

One of the reasons for this is that the real estate market does not have official, and therefore credible, access to performance indices or accurate information on supply, demand, property sales prices, ownership records and other important market variables.

The industry must be held accountable, knowing that more than 800 million people do not have adequate housing, and 330 million are financially overstretched. The real estate industry has a social responsibility of solving the widening global housing affordability disaster, while discussing effective implementation of the Sustainable Development Goals.

Worldwide, governments themselves have failed miserably at solving the affordability issue, and it is now up to the 5 P's (Planet, People, Public & Private Partnership) to help find a resolution.

https://www.weforum.org/agenda/2016/04/how-should-we-regulate-the-real-estate-industry/
Social pressure will eventually force governments to “do something about housing”.

This need to “do something” pushes governments to formulate new housing policies that will provide socially acceptable housing standards at an affordable price for all.


“The need to do something tends to trump the need to understand what needs to be done. And without data, anyone who does anything is free to claim success.”

This perfectly characterizes the design of many housing policies.

For households, the price of housing $P$ depends on the value of four observable variables:

\[ P = (\text{land area} \times \text{price of land}) + (\text{floor area} \times \text{cost of construction}) \]

- The cost of construction depends on the quality of construction.
- Location
- The rent paid (will also be related to these four variables).

Source: Affordability: Households’ Income, Regulations, and Land Supply by Alain Bertaud
<table>
<thead>
<tr>
<th>Component</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PLANNING</strong></td>
<td>- House price according to affordability</td>
</tr>
<tr>
<td></td>
<td>- Appropriate location, size and design of the house</td>
</tr>
<tr>
<td></td>
<td>- Household financial information</td>
</tr>
<tr>
<td><strong>DECISION MAKING</strong></td>
<td>- Approval of housing development leads to Pocket Development (accordingly)</td>
</tr>
<tr>
<td><strong>IMPLEMENTATION</strong></td>
<td>- More transparent approval of advertising permit &amp; developer’s license</td>
</tr>
<tr>
<td><strong>MONITORING</strong></td>
<td>- On property development through expiring warranty period (DLP)</td>
</tr>
<tr>
<td></td>
<td>- Sale &amp; Purchase Agreement (S&amp;P) &amp; online complaints</td>
</tr>
<tr>
<td><strong>CONTROL</strong></td>
<td>- Enforcement</td>
</tr>
<tr>
<td></td>
<td>- Compaun</td>
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- Collecting data comprehensively and transparently to create effective policies.
- Coordinated Planning and implementation on property development.
- Avoiding overhang and abandoned project.

**INTEGRATED DATABASE SYSTEM**

- Collecting data comprehensively and transparently to create effective policies.
- Coordinated Planning and implementation on property development.
- Avoiding overhang and abandoned project.

Bahagian Dasar & Perancangan Strategik, JPN
THE ROADMAP FOR THE FUTURE OF THE REAL ESTATE MARKET SHOULD BE BASED ON:

1. Governments strengthening real estate market transparency, governance and resilience, linking it to the country's vision and future.

2. Transparency, governance and affordability needs to be looked at from competitiveness point of view, given their impact on a country's competitiveness and FDI attraction capabilities.

3. Housing affordability should be at the centre of each government's urban policies and economic strategies, in a way that capitalizes on the multiple stakeholders.

4. Continuous monitoring of the real estate market and its cycle is important for an anti-fragile real estate market that avoids crises, and cycles in a way that benefits the economy, and emerges stronger.

https://www.weforum.org/agenda/2016/04/how-should-we-regulate-the-real-estate-industry/
## Good Housing Policy

<table>
<thead>
<tr>
<th>Do’s</th>
<th>Don’ts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Build safe, healthy housing</td>
<td>Play favorites among locations</td>
</tr>
<tr>
<td>Provide clear information for housing transactions</td>
<td>Reward homeowners over renters</td>
</tr>
<tr>
<td>Mitigate environmental impacts</td>
<td>Distort families’ investment decisions</td>
</tr>
<tr>
<td>Let housing supply grow to meet demand</td>
<td></td>
</tr>
<tr>
<td>Reduce barriers to high-opportunity neighborhoods</td>
<td></td>
</tr>
<tr>
<td>Supplement incomes for poor families</td>
<td></td>
</tr>
</tbody>
</table>

[https://www.brookings.edu/blog/the-avenue/2018/05/02/nine-rules-for-better-housing-policy/](https://www.brookings.edu/blog/the-avenue/2018/05/02/nine-rules-for-better-housing-policy/)
## GOALS AND CRITIQUES OF MAJOR HOUSING POLICIES

<table>
<thead>
<tr>
<th>Policy Type</th>
<th>Goals</th>
<th>Critiques</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TAX</strong></td>
<td><strong>Taxes</strong>&lt;br&gt;Property taxes&lt;br&gt;Impact fees&lt;br&gt;Capital gains exclusion</td>
<td>Raise revenues for public services</td>
</tr>
<tr>
<td><strong>Subsidies</strong></td>
<td><strong>Mortgage interest deduction&lt;br&gt;Housing choice vouchers&lt;br&gt;LHITC</strong></td>
<td>Encourage homeownership&lt;br&gt;Supplement housing budget for poor families</td>
</tr>
<tr>
<td><strong>Regulations</strong></td>
<td><strong>Land use&lt;br&gt;Consumer protection&lt;br&gt;Rent control</strong></td>
<td>Mitigate negative impacts of new housing on neighbors&lt;br&gt;Provide clear information for housing transactions&lt;br&gt;Protect tenants from rapid rent increases</td>
</tr>
</tbody>
</table>

https://www.brookings.edu/research/under-us-housing-policies-homeowners-mostly-win-while-renters-mostly-lose/
The three demand-side instruments are:

a. **Developing property rights**: ensuring that rights to own and freely exchange housing are established by law and enforced and administering programs of land and house registration and regularization of insecure tenure;

b. **Developing mortgage finance**: creating healthy and competitive mortgage lending institutions, and fostering innovative arrangements for providing greater access to housing finance by the poor; and

c. **Rationalizing subsidies**: ensuring that subsidy programs are of an appropriate and affordable scale, well-targeted, measurable, and transparent, and avoid distorting housing markets.

The three supply-side instruments are:

a. **Providing infrastructure for residential land development**: coordinating the agencies responsible for provision of residential infrastructure (roads, drainage, water, sewerage, and electricity) to focus on servicing existing and undeveloped urban land for efficient residential development;

b. **Regulating land and housing development**: balancing the costs and the benefits of regulations that influence urban land and housing markets, especially land use and building, and removing regulations which unnecessarily hinder housing supply; and

c. **Organizing the building industry**: creating greater competition in the building industry, removing constraints to the development and use of local building materials, and reducing trade barriers that apply to housing inputs.

Source: Housing: Enabling Markets to Work by World Bank
a. The **housing sector** must be **seen** and **managed** as a key part of the **overall economy**. Unfortunately, in the great majority of developing countries, this **perception has yet to take hold**.

b. **Governments** often **perceive housing solely as a welfare issue**, requiring the transfer of physical or financial resources to households unable to house themselves adequately. **Available resources**, however, are **rarely adequate**.

c. **Government housing agencies limit their activities** to **providing housing to a small minority**, ignoring most of the population.

d. **Focusing on a small and limited housing agenda**, agencies **fail** to perceive or **manage the housing sector as a whole**.

Housing is an important element, it **makes between 20 to 50 percent of the reproducible wealth** in most countries. It is a major motivation for household saving and **significantly influences household consumption**. In addition, it **affects inflation, financial depth, labor mobility, and the balance of payments**, as well as **government budgets** through taxes and subsidies.

Source: Housing: Enabling Markets to Work by World Bank
A catalyst towards national housing drive capable of owned, thus reliable quality and meet the community’s elements.
NATIONAL HOUSING POLICY (2018 – 2025)

5 FOCUS, 16 STRATEGIES, 57 ACTION PLANS

FOCUS 1
- STRATEGY 5
- ENSURING GOOD QUALITY HOUSING FOR ALL

FOCUS 2
- STRATEGY 4
- IMPROVING ACCESSIBILITY AND AFFORDABILITY OF HOUSING

FOCUS 3
- STRATEGY 2
- ENSURING QUALITY AND COHESIVE NEIGHBOURHOODS

FOCUS 4
- STRATEGY 2
- IMPROVING HOUSING AND TRANSPORTATION COORDINATION FOR BETTER QUALITY OF LIFE

FOCUS 5
- STRATEGY 3
- STRENGTHENING INSTITUTIONAL CAPABILITIES TO DELIVER NHP (2018 – 2025)
NATIONAL HOUSING POLICY (2018 – 2025)

CLUSTER OF DRN (2018 – 2025)

CLUSTER 1
Policy and Legislation

CLUSTER 2
Standard of Procedure (SOP) and Guidelines

CLUSTER 3
Studies And Research

CLUSTER 4
Maintenance

CLUSTER 5
Monitoring and Governance

CLUSTER 6
Construction Technology

CLUSTER 7
Community Development

CLUSTER 8
System and Digitilisation of Data
Law is Like a Jigsaw Cube

Turn the Pieces Over

What’s Your Game?

Finish It Off

Corners and the Edges – Create the Frame
We need to frame up our legal problem and consider its scope. We need to know how big the problem is, and how much space and time we’re going to need to tackle it.

Check for Missing Pieces
This is a critical – you need to step back and make sure there isn’t a missing piece, or your entire effort could be for naught.
WAY FORWARD OF HOUSING

1. PLANNING
   01. New Single Entity
   02. Land Management
      - FLC
      - State Government
      - Individual
   03. Integrated Database System
   04. AH and PH Mapping

2. DEVELOPMENT
   01. Development Coordination of 1 Mil. AH
      - Federal
      - State
      - Private
   02. Housing Development
      - AH
      - Public
   03. Cost Effective, ‘JIT’ and Quality:
      - Construction Cost
      - Standard Design Technology
      - Compliance Cost / Utility Charge

3. OWNERSHIP/RENTAL
   01. Financing Scheme (Ownership):
      - Depositku
      - Flexi Financing Scheme
      - Subsidy Scheme
      - Cagamas Berhad Guarantee
      - Top-up Fund
      - Fundmyhome (Crowdfunding)
   02. Rent-To-Own (Ijarah)
   03. Rental (Residential Tenancy Act)
   04. Built-To-Rent

4. HOUSING CYCLE
   01. Community Management
   02. Maintenance & Management
   03. Redevelopment

5. MONITORING
   01. National Affordable Housing Council (MPMMN)
   02. Monitoring & Coordination of 1 Million AH Steering Committee
   03. National Housing Policy (DRN) Monitoring Committee
   04. Cost of Living Council
      - Housing Committee Meeting

6. POST DEVELOPMENT
   01. National Housing Research
   02. Housing Outcome Research
   03. Non-Citizen House Ownership
   04. WAKAF LAND DEVELOPMENT ACT
   05. RESIDENTIAL TENANCY ACT
   06. COMMERCIAL DEVELOPMENT ACT

CONTROL AND ENFORCEMENT

01. NATIONAL LAND CODE (ACT 56)
02. ACT 118
03. ACT 133
04. ACT 172
05. ACT 318
06. ACT 757
07. ACT 739 (PR1MA ACT)
08. ACT 3P
09. WAKAF LAND DEVELOPMENT ACT
10. RESIDENTIAL TENANCY ACT
11. COMMERCIAL DEVELOPMENT ACT
1. POLICY DIRECTION
   Trending, Analysis and Application

2. ENHANCEMENT
   - Housing Development Act 1966 (Act 118)
   - Regulation for the Housing Industry under Act 118

3. BUSINESS MODEL
   - Function Analysis
   - Conditioning the industry – cost or methodology?

4. REALITY CHECK
   What’s real and what’s myth

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“The sustainable city is built upon a sound legal foundation. We have to see how we guarantee the right to a sustainable city.”

Ricardo Jordán
Human Settlements Unit, U. N. ECLAC
thank you!