



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

**10<sup>TH</sup> ANNUAL AFFORDABLE HOUSING PROJECTS**

**MR. N. JAYASELAN**

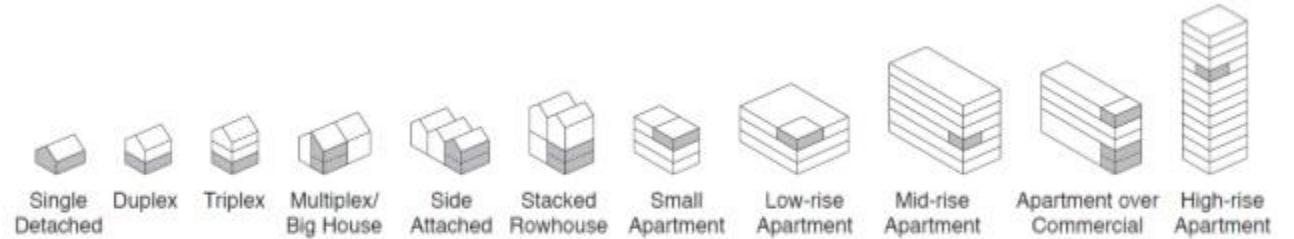
**DIRECTOR GENERAL  
NATIONAL HOUSING DEPARTMENT  
9-12 APRIL 2019 | KUALA LUMPUR**

# 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**

## GENERAL TYPES OF HOUSING



### Examples



Housing, or more generally living spaces



refers to the construction and assigned usage of houses or buildings collectively



for the purpose of sheltering people



the planning or provision delivered by an authority



a home in which to live, whether this is a house, or some other kind of dwelling, lodging, or shelter

# 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



# WHAT IS AFFORDABLE HOUSING?



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**."

**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**.

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.

# 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

### 4 House occupation cost

Land lease, home insurance, property assessment tax, quit rent and building maintenance costs

### 3 Ability to financially service loans

Interest rates and loan tenure, income and non-housing expenditure



Source: Adapted from UN-HABITAT (2011)



# WHAT IS AFFORDABLE HOUSE?



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<sup>st</sup> quarter 2018) : **RM372, 801.00**

# HOUSING AFFORDABILITY INDEX

- 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:  $(\text{MEDINC}/\text{QINC}) * 100$

**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

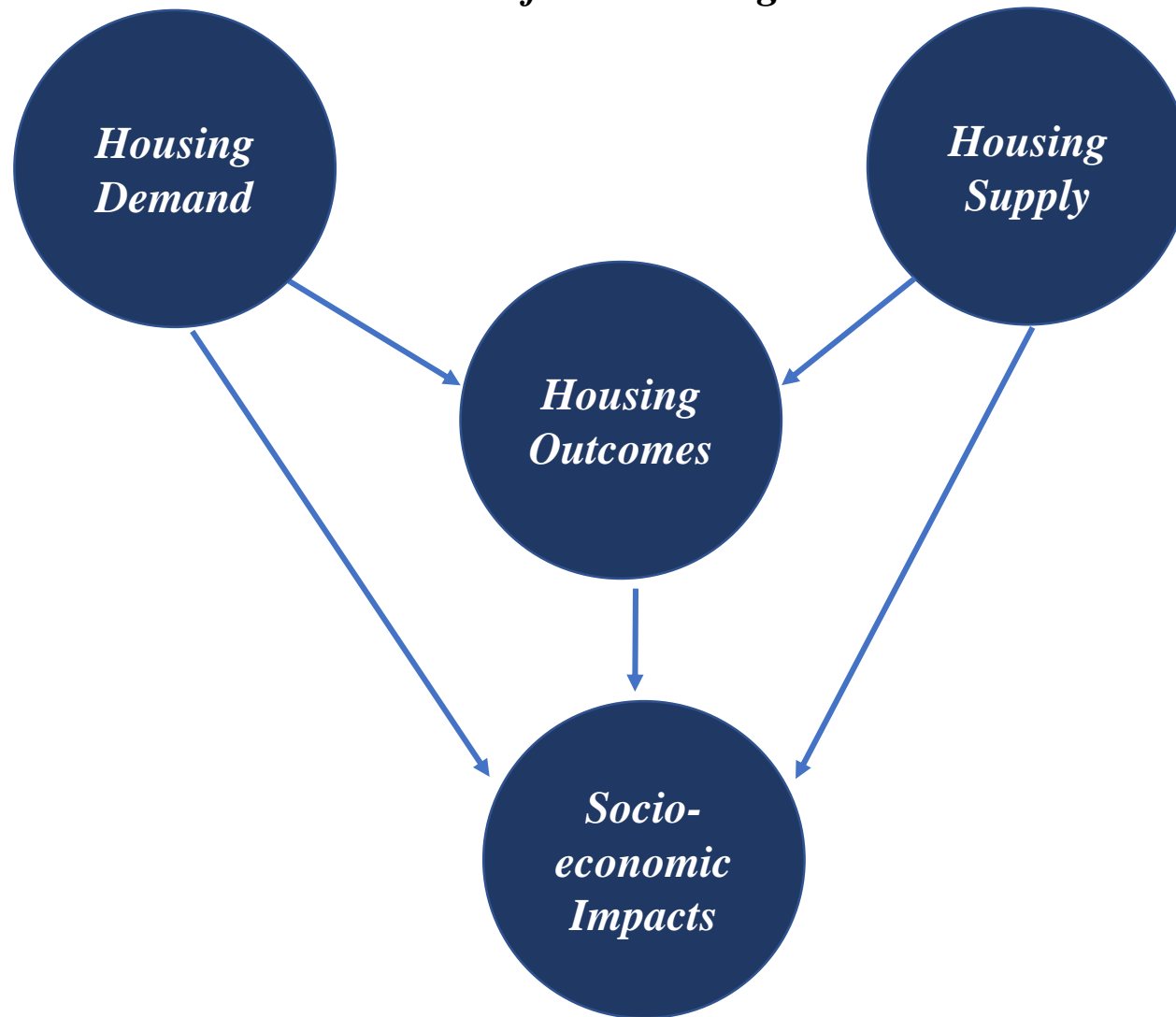


*Qualifying Income* – Income necessary to qualify for a loan for the median priced home

Formula:  $\text{PMT} * 4 * 12$

# FACTORS AFFECTING SUPPLY AND DEMAND OF HOUSING

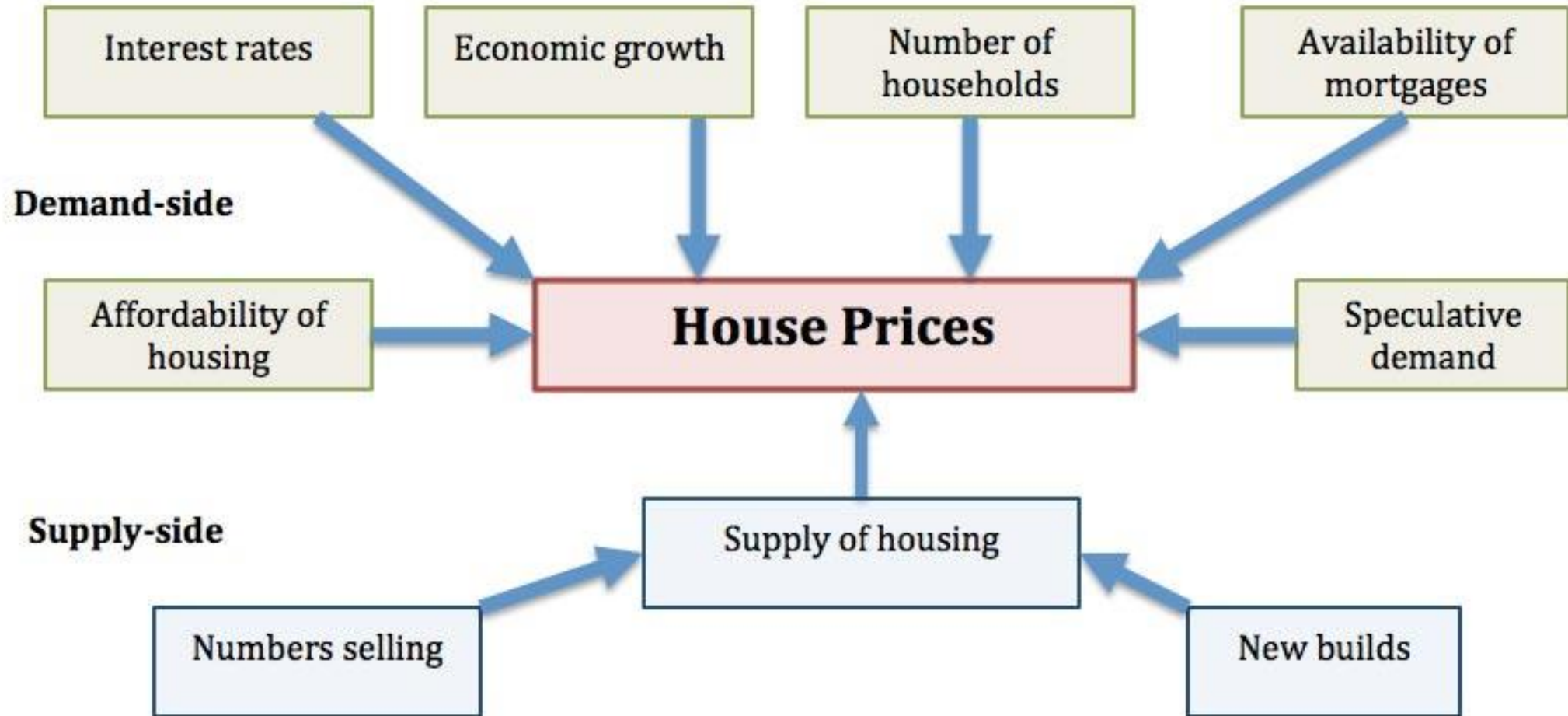
## *A Model of the Housing Sector*



- 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



Source: [economicshelp.org](http://economicshelp.org)

# FACTORS AFFECTING SUPPLY AND DEMAND OF HOUSING

Housing as an individual asset

Housing as a public 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

**HOUSING ASSET**

**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

## EFFECTS OF LAND AND HOUSING POLICIES ON MARKET PERFORMANCE

- The social and economic role of housing and called on governments to undertake enabling 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

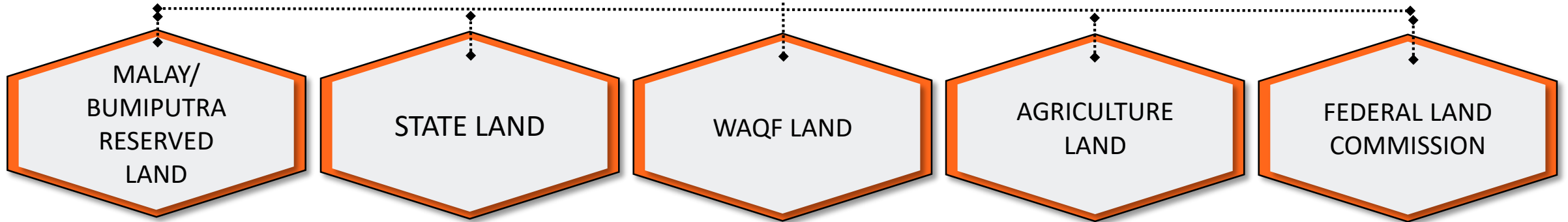


**UTILIZATION MULTIPLE  
CATEGORY OF LAND**

PROBLEM	SOURCE	SOLUTION
<b>MALAY RESERVE LAND</b> <ul style="list-style-type: none"> <li>• There is no uniformity of land usage in every state</li> </ul>	Existing Act does not provide comprehensive protection (Act 118)	Amendment on Act 118 <b>01</b>
<b>AGRICULTURE</b> <ul style="list-style-type: none"> <li>• high premium charge for land conversion</li> </ul>	Different State Government charges (no uniformity)	<ul style="list-style-type: none"> <li>▪ Review of premium charges and coordinated in all states</li> <li>▪ National Local Government Council approval (MNKT)</li> </ul> <b>02</b>
<b>WAQAF</b> <ul style="list-style-type: none"> <li>• Existing legislation does not cover wakaf land development</li> <li>• Involving syariah procedure</li> <li>• MAIN restricted financial allocation</li> </ul>	No specific legislation for the development of land waqaf	Research study on Waqaf land Development Act <b>03</b>
<b>COMMERCIAL</b> <ul style="list-style-type: none"> <li>• Development approval only at state level and no uniformity between states (KM and BP)</li> <li>• No regulation on <i>Integrated Marketing</i> (Commercial &amp; Residential)</li> </ul>	no specific legislation for the commercial land development	Research study on Commercial Development Act <b>04</b>
<b>LEASE LAND</b> <ul style="list-style-type: none"> <li>• no standard format for sale and purchase agreements for lease development (<i>transfer of lease</i>)</li> <li>• Leasing period under the jurisdiction of the State Government. i.e.: Medini, Khoo Kongsi</li> </ul>	Home buyers on leased land are not covered	Amendment of Act 118 <b>05</b>

# LAND USAGE

## POTENTIAL LAND TO BE DEVELOPED



## REALISING THE OPPORTUNITY

**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

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

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



# HOW SHOULD WE REGULATE THE REAL ESTATE INDUSTRY?

- 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.

# HOUSING INTEGRATED DATABASE SYSTEM

- 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.

Angus Deaton, in his book, “The Great Escape” writes

*“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:

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

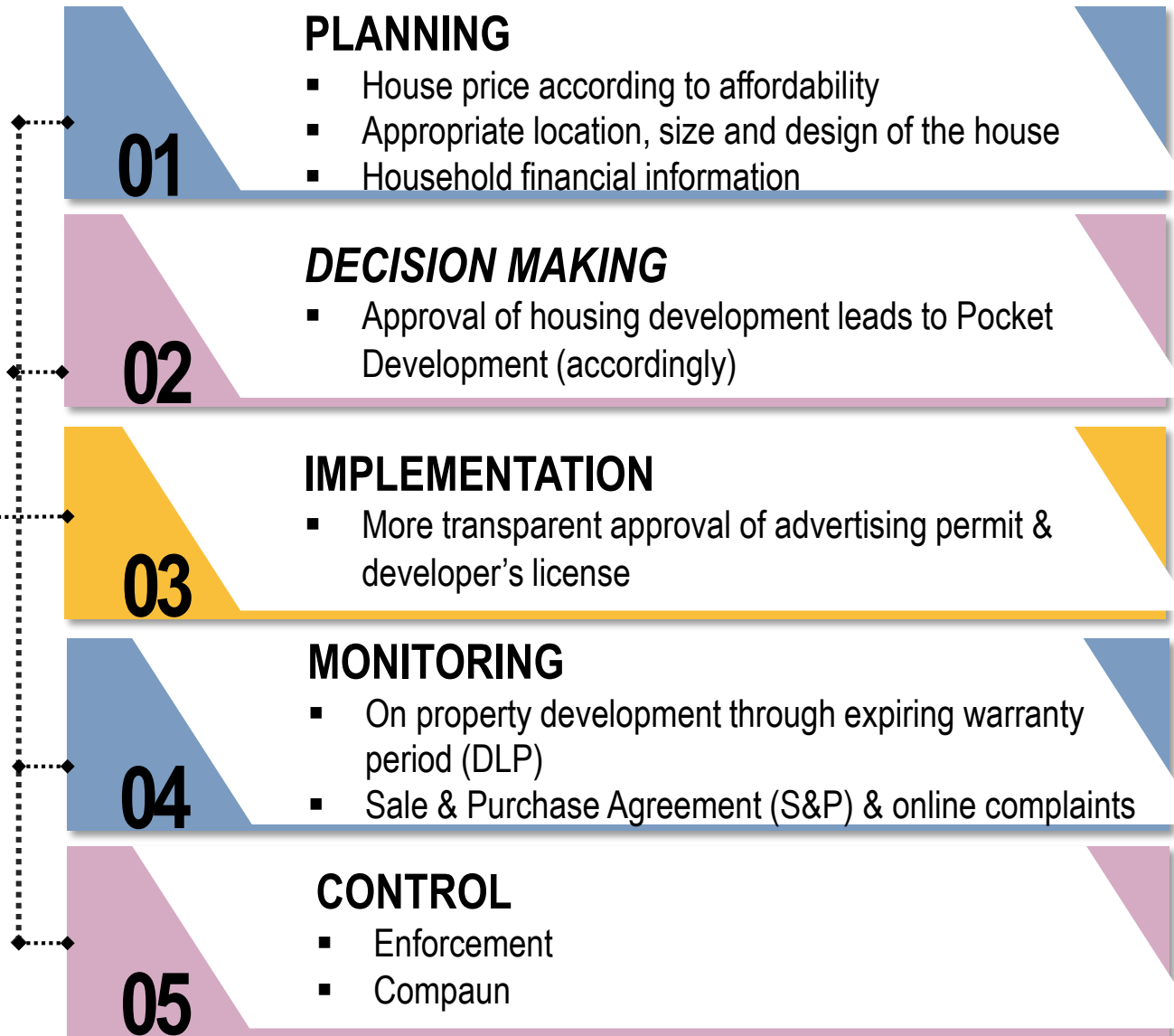
- The cost of construction depends on the quality of construction.
- Location
- The rent paid (will also be related to these four variables).

# HOUSING INTEGRATED DATABASE SYSTEM



## INTEGRATED DATABASE SYSTEM

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





# HOUSING POLICIES

# ROADMAP TO NATIONAL HOUSING POLICY

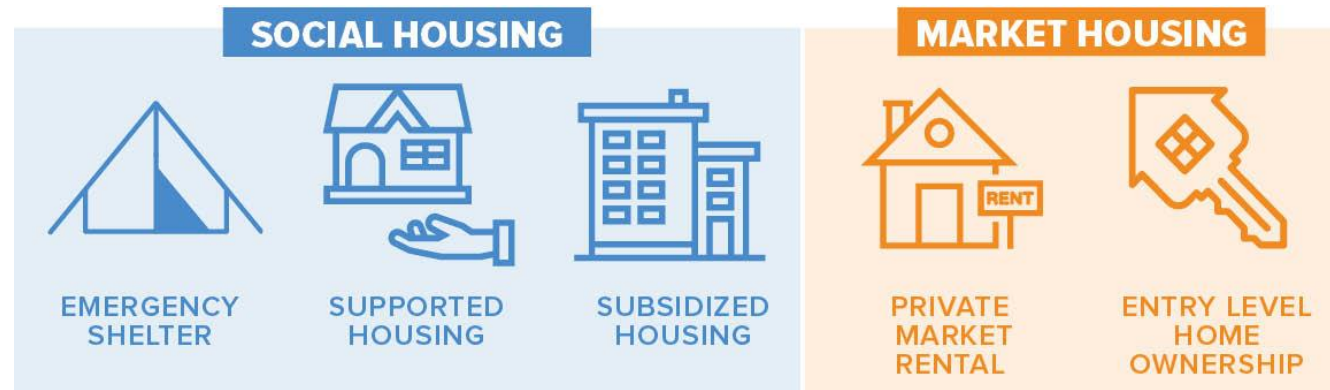
## THE ROADMAP FOR THE FUTURE OF THE REAL ESTATE MARKET SHOULD BE BASED ON:

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.







# GOALS AND CRITIQUES OF MAJOR HOUSING POLICIES

## Policy Type

## Goals

## Critiques



### Taxes

*Property taxes  
Impact fees  
Capital gains exclusion*

Raise revenues for public services

Rewards homeowners over renters

Distort families' investment decisions



### Subsidies

*Mortgage interest deduction  
Housing choice vouchers  
LIHTC*

Encourage homeownership

Supplement housing budget for poor families

Larger subsidies for wealthy homeowners than low-income renters



### Regulations

*Land use  
Consumer protection  
Rent control*

Mitigate negative impacts of new housing on neighbors

Provide clear information for housing transactions

Protect tenants from rapid rent increases

Block housing supply from growing to meet demand

Creates barriers for apartments relative to single-family homes

May increase costs and reduce access to mortgages

Reduces housing supply

Discourages maintaining safe, healthy housing



## THE INSTRUMENTS OF AN ENABLING HOUSING POLICY

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.

## HOUSING AS AN ECONOMIC SECTOR

- 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.

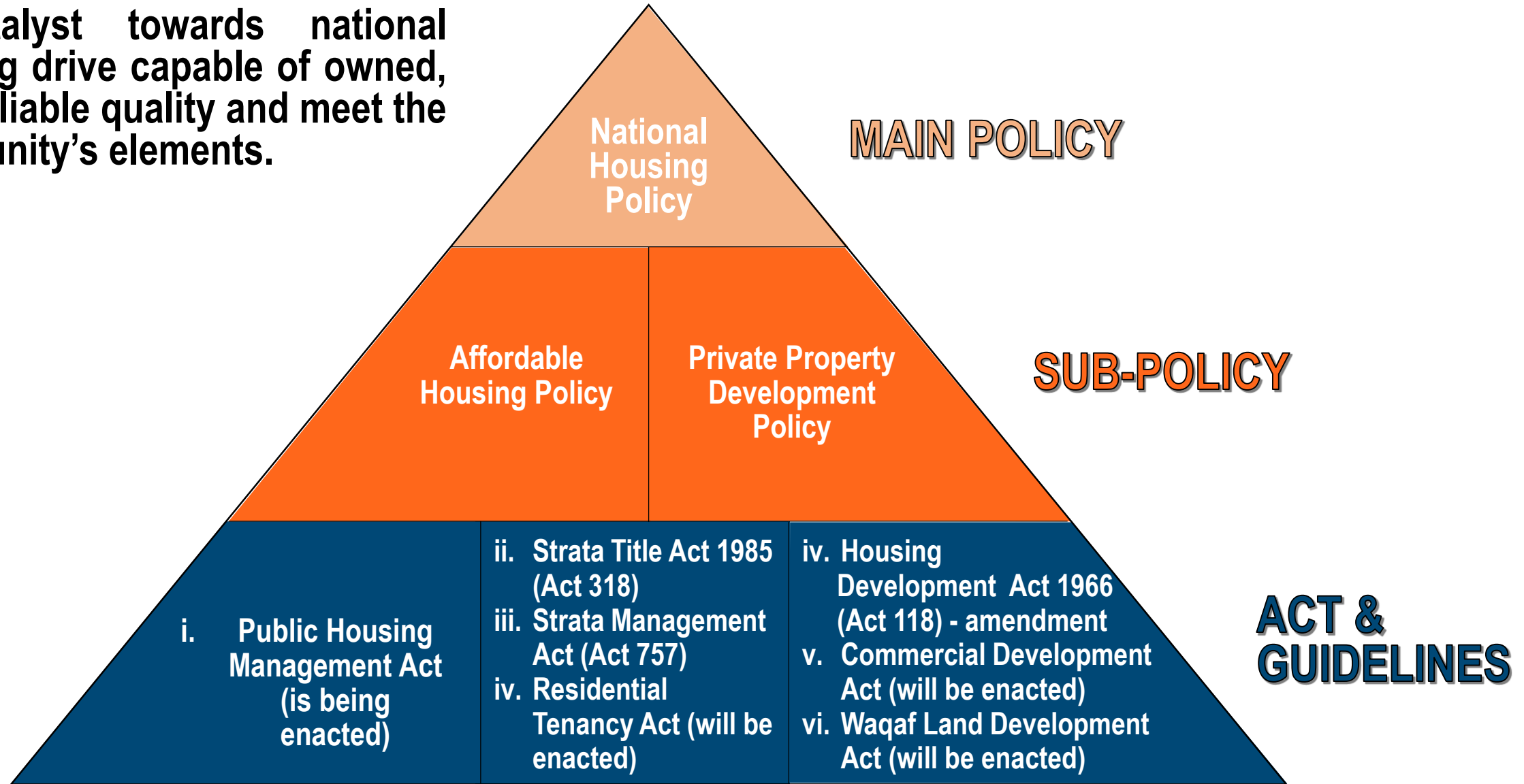


*Housing is an important element, it makes between 20 to 50 percent of the reproducible wealth in most countries. It is a major motivation for household saving and significantly influences household consumption. In addition, it affects inflation, financial depth, labor mobility, and the balance of payments,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



# NATIONAL HOUSING POLICY (2018 – 2025)

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

IMPROVING  
ACCESSIBILITY AND  
AFFORDABILITY OF  
HOUSING



IMPROVING  
HOUSING AND  
TRANSPORTATION  
COORDINATION  
FOR BETTER  
QUALITY OF LIFE



FOCUS 1

FOCUS 2

FOCUS 3

FOCUS 4

FOCUS 5

STRATEGY



ENSURING GOOD  
QUALITY HOUSING  
FOR ALL

STRATEGY



ENSURING QUALITY  
AND COHESIVE  
NEIGHBOURHOODS

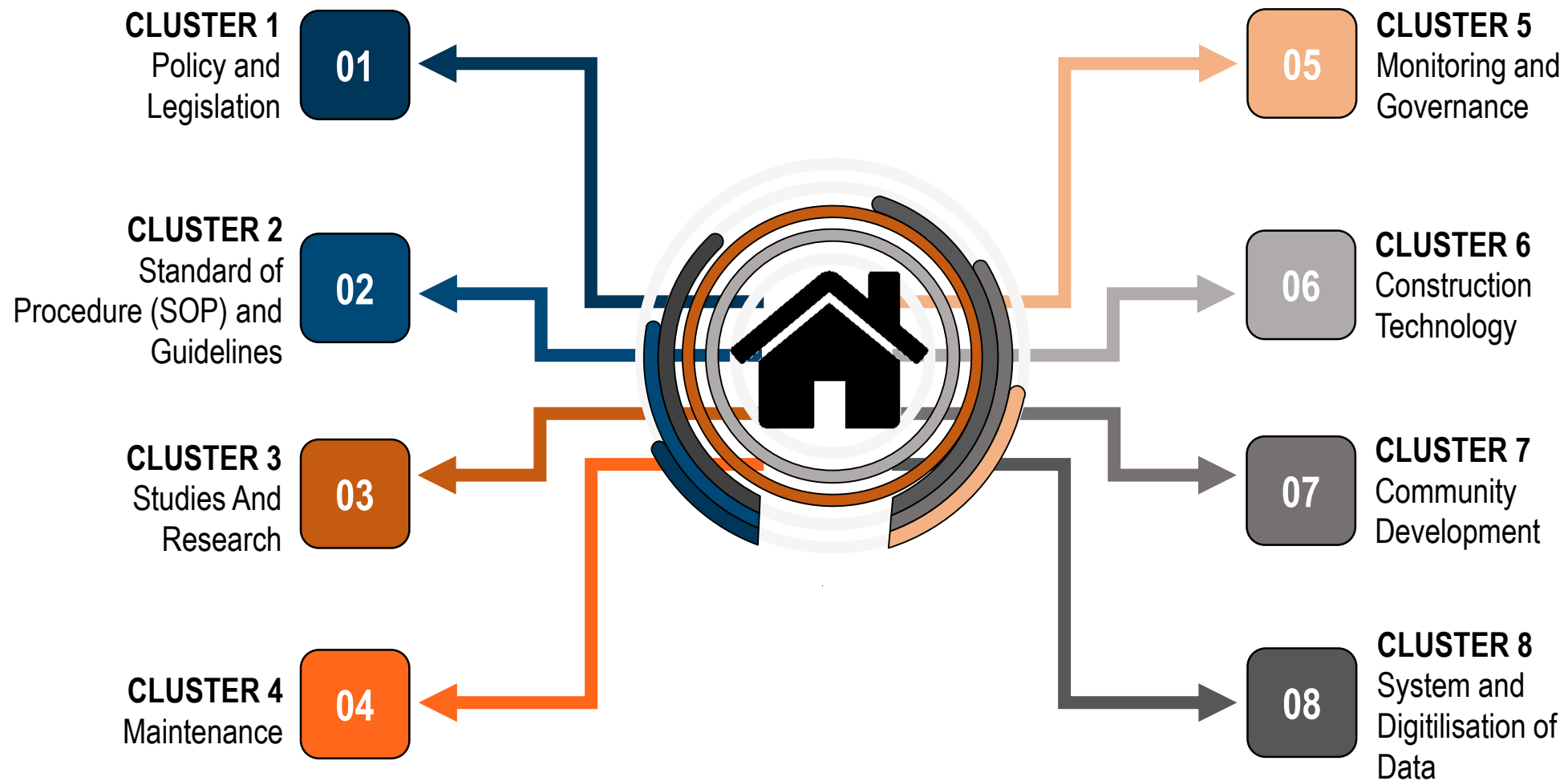
STRATEGY



STRENGTHENING  
INSTITUTIONAL  
CAPABILITIES TO  
DELIVER NHP  
(2018 – 2025)

# NATIONAL HOUSING POLICY (2018 – 2025)

## CLUSTER OF DRN (2018 – 2025)



# *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.

# RESIDENTIAL TENANCY ACT (RTA)

Social Housing

Private Housing

## ISSUES

01

No protection for tenant and landlord

02

Rising rental rates

03

Rising number of tenants

04

Rent by non-citizen

05

Social problems & issues

## CHALLENGES IN THE IMPLEMENTATION OF RESIDENTIAL TENANCY

1

Data Collection

2

Suitable method for determining rent for a home

3

Enforcement

## RESIDENTIAL TENANCY ACT (KEY COMPONENTS)

01

Application of Act

02

Residential Tenancy Agreement

03

Right & Obligations of landlord and tenants

04

Change of landlord and tenants

05

Termination of residential tenancy agreement

06

Recovery of possession of premises

07

Social housing tenancy agreement

08

Rental bond

09

Tribunal/ Dispute resolution

10

Enforcement

11

Residential tenancy databases

## IMPLEMENTATION MECHANISM

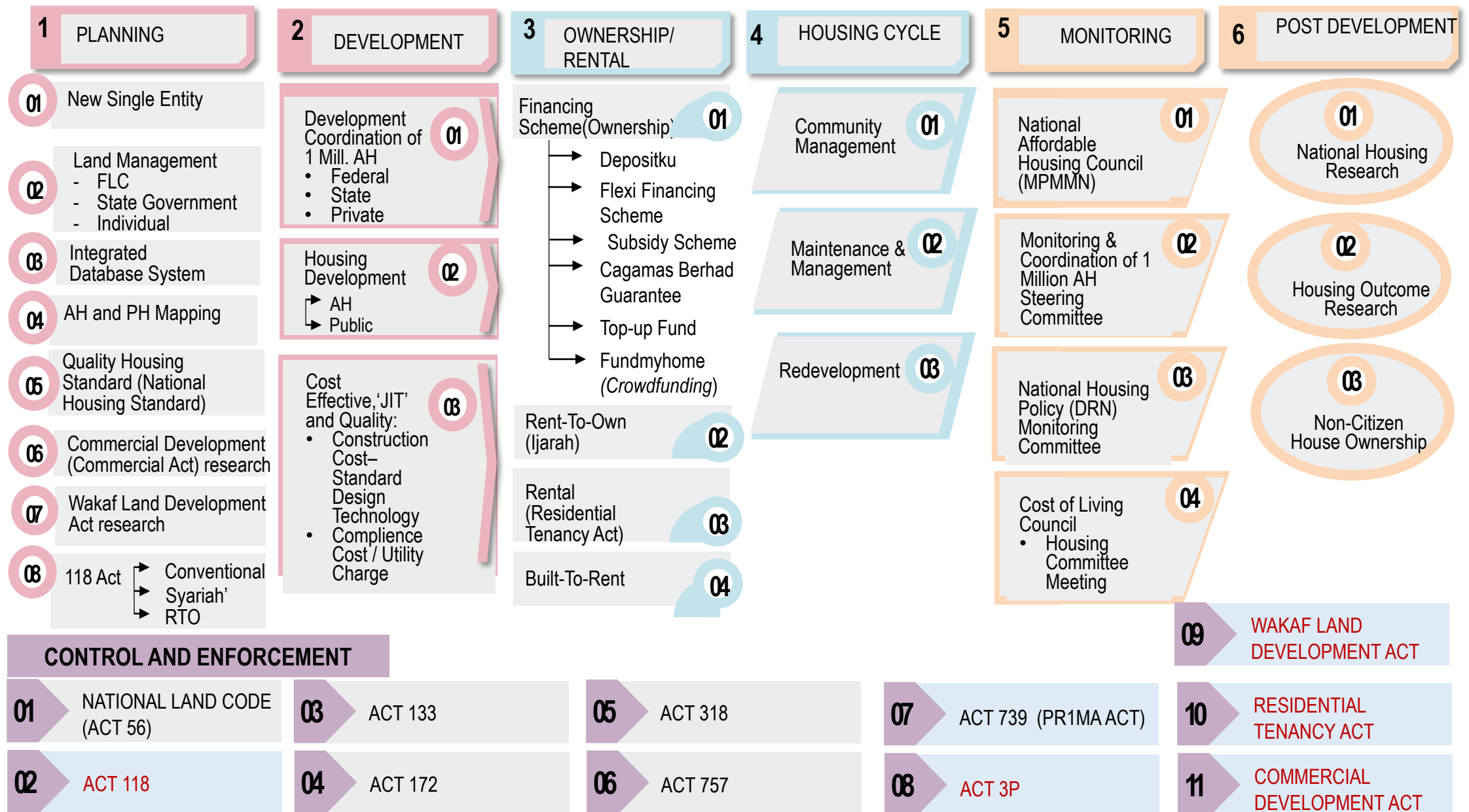
01

Government (Agency) to regulate (regulator) residential tenancy market

02

Registration system of tenants and landlords (online)

# WAY FORWARD OF HOUSING



# PROGRESS AND CHALLENGES

## 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

“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!