

## Study sheds light on govt housing policies' impacts on supply, affordability

**KUALA LUMPUR:** The assessment of two government housing programmes, Residensi Wilayah (formerly Federal Territories Affordable Housing or Rumawip) and Rumah Selangorku, showed that one way that government policies affect housing affordability is in the manner that developers choose to build new housing at different price points, in part in response to these policies.

The recent World Bank's Malaysia Economic Monitor "Making Ends Meet" revealed that while the Residensi Wilayah scheme has contributed to the supply of housing units to the Kuala Lumpur market in the price range of RM300,000 and below, it also attracts higher-income households to take advantage of the scheme.

"Higher-income households with monthly income of RM15,000 can afford to purchase higher-priced homes of up to RM1 million but sometimes choose the Residensi Wilayah housing at RM300,000 due to its value-for-

money and favourable characteristics such as central location and decent home size. Households with incomes from RM6,000 to RM10,000 whose ability to pay is in line with the Residensi Wilayah home prices are often crowded out by higher-income households with stronger capacity to pay and better access to mortgage financing," the report said.

Hence, it pointed out that the Residensi Wilayah housing scheme could be more effective in addressing affordable housing needs if the eligibility criteria were adjusted to cater to those with incomes of RM10,000 or less, and if the scheme placed tighter limits on the use of Residensi Wilayah for investment purposes instead of as the recipient's primary residence.

Meanwhile, it said the Rumah Selangorku scheme exacerbates the undersupply situation in the Petaling district.

Under this scheme, 20-50 of residential units in a new development are required to be priced

at less than RM250,000 while the remaining units may be priced at market levels. This has resulted in the increasing number of high-end units compared to lower-priced units in 2019, as developers overcompensate by building high-end units first to subsidise the subsequent construction of lower-end units in the Petaling market.

"It is possible that developers will persist in building more high-end than affordable housing units or shift their developments elsewhere if they continue to feel constrained by the Rumah Selangorku policy. Hence, the scheme has created more homes in the higher income segment in Petaling district."

In addition, the Residensi Wilayah and Rumah Selangorku policies have also contributed to the residential housing market price trends. The housing oversupply in Kuala Lumpur is expected to worsen by 2023, with Residensi Wilayah contributing 17% of total incoming housing units. As a result, the housing



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oversupply (estimated total housing units compared to number of households) has already led to a stagnant and slightly declining home price trend for Kuala Lumpur.

On the other hand, the already-tight housing supply conditions in Petaling are likely exacerbated by the Rumah Selangorku policy, which has created more homes in the higher-income segment and resulted in continued increases in housing prices since 2014.