Urbanisation, Internationalisation and Access to Housing In Iskandar Malaysia

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Introduction

- An extension of previous research entitled "Unraveling the Inflated House Price in the New Housing Supply"
- Access to housing for the mass workers has always been a critical issue in any rapidly urbanising area
- Problem in Iskandar Malaysia is magnified
  - Internationalisation strategy- massive inflow of foreign funds
  - Laxed foreign ownership policy
  - Ready market from land scarce but cash rich neighbour

The Issue

- Establishment of Iskandar Malaysia is largely aimed at promoting economic growth
- Social agenda appears not to be in tandem
- Raises the issue of access to housing for the local households.
- To what extent are the local households earning median income and less being squeezed out of the primary housing market?

Methodology

- Examine the market evidence
  - response by the property developers in the light of the influx of foreign funds
    - business decisions
    - development trends
  - Demand side
    - residential property transactions according to types
    - purchasers' profile

cont.

Methodology

- Supply side
  - Types of newly launched Houses
  - Types of new planned supply
  - Supply situation of affordable housing

Data Source

- Demand Side
  - Valuation and Property Services Department
- Supply Side
  - National Property Information Centre
- Development Trends
  - National Property Information Centre

Definition

- Access to Housing
  - Affordability
    - Rent
      25% of monthly income
    - Buy
      3 times annual income or less
  - Mobility
    - Time taken to travel to work

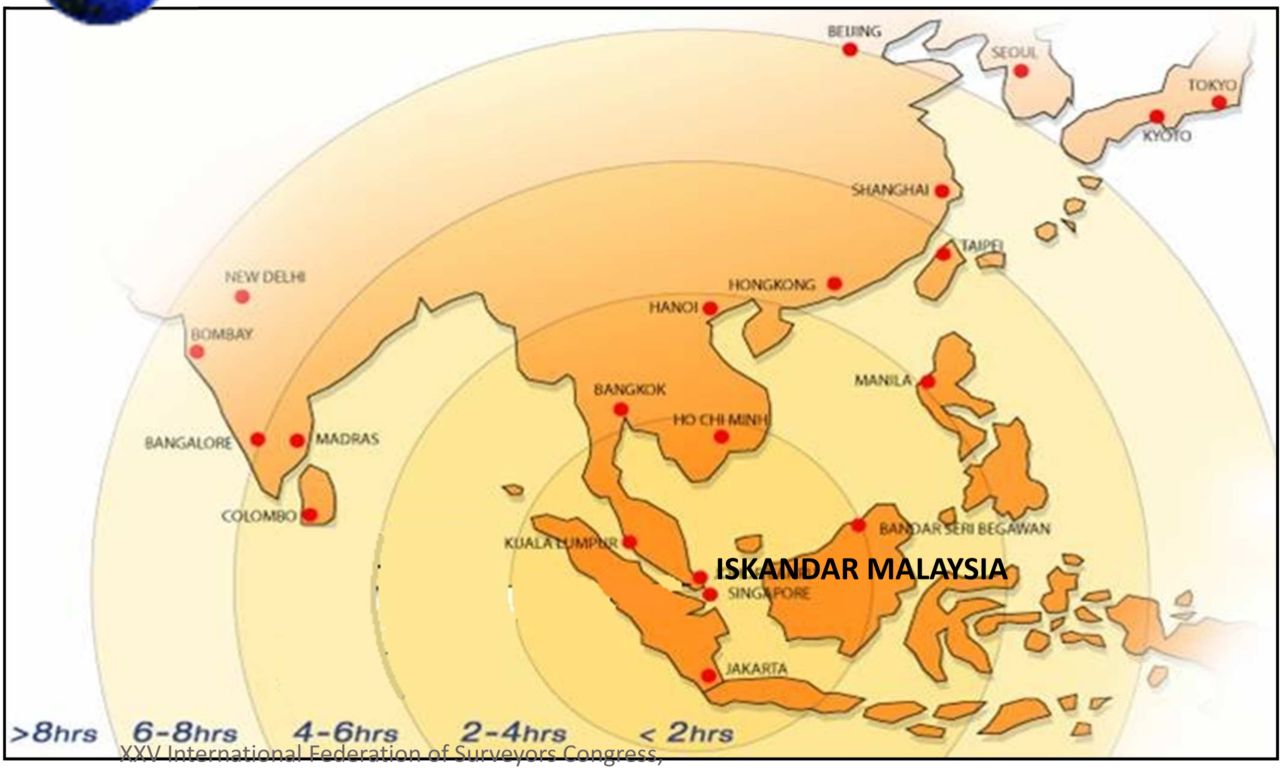
Scope

- **Place of Study**
  - Iskandar Malaysia
- **Subject of Study**
  - Access to housing by locals households earning median Income and below
  - Primary Housing Market
- **Period of Study**
  - 10 years period
  - From 2003 to 2013

About Iskandar Malaysia

- Strategically located at the southern-tip of Peninsular Malaysia, along the busiest eat-west shipping routes
- Within the Indonesia, Malaysia and Singapore Growth Triangle.
- Readily accessible by road, sea and air
- Three world class seaport and an international airport
- Strategic location and accessibility are key success factors

LOCATION OF ISKANDAR MALAYSIA



About Iskandar Malaysia

- Fastest growing economic corridor in Malaysia
- Top destination for foreign direct investment in Malaysia . After 7 years of establishment, accumulated RM 131.64 billion investment from FDI
- Abundance of opportunities in terms of employment, businesses, developments or investments
- Increased in inward migration, increased demand for real estate, rising land prices and shortage of development land in the centers.

Basic Facts on Iskandar Malaysia And Singapore

	Iskandar Malaysia	Singapore
Population	1.7 million	5.3 million
No. of Households	329,268	1.5 million
Average Household size	4.10	3.5
Median Household Income	USD 1131.5 (RM3650)	USD 6296 (SGD 7870)
Land Area	2,217 km^2	710 km^2
Density	766 persons/ km^2	7464 persons/km^2
Currency	Malaysian Ringgit (MYR)	Singapore Dollar (SGD)
Exchange rate	1 MYR= 0.31 USD	1 SGD=0.80 USD

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Internationalisation of Iskandar Malaysia

Positioned itself as an international metropolis :

-reducing trade barriers,

-increasing human mobility as, well as

-reducing restrictions on property ownerships.

Iskandar Malaysia has been successful in attracting foreign investments.

- top destination for FDI destination in Malaysia
- mostly in manufacturing, services and real estate

Johor Housing Policy

- Previously, all housing developments must have 40% low cost housing component
- Priced at RM 42,000.00
- Over 40,000 units required to be built remains unbuilt.
- Led to the revision of the state housing policy

Revised Policy

No	House Type	%	Minimum Area (sf)	Maximum Price (RM)	Options
1	JCH Type A	10%	720	42,000	Option 1 Change this component to affordable homes and contribute RM40,000 for each unit waived Option 2 To surrender land and contribute RM40,000 for each unit waved
2	JCH Type B	15%	850	80,000	
3	Affordable Homes	10%	1,000	140,000	Mandatory
4	Medium Cost Shops	5%	1,200	150,000	Mandatory

Effective from 1 April 2012

Foreign Ownership Policy

- Prior to 1985, Malaysia adopted a liberal policy with regards to foreign ownership of property.
- In 1985 hot money from abroad impacted the property market
- Necessary to protect the citizens and to enable them to purchase land
- The law to impose restrictions on foreign ownership of properties was first introduced in 1985,

FOREIGN OWNERSHIP POLICY

Category (Land Use)	Property Types	Foreign quota	Minimum Price
Residential Building	1.Double storey terrace & above 2.Double storey cluster & above 3.Semidetached double storey & above 4.Double storey bungalow & above 5.Vacant lot for bungalow 6.Apartment/Service apartment/holiday home	20% 20% 30% 30% 30% 50%	RM 1,000,000
Commercial Building	1.3stories & above shop lot 2.3 stories & above shop/office 3.Office / shop lot in shopping complex	10% 10% 20%	RM 1,000,000

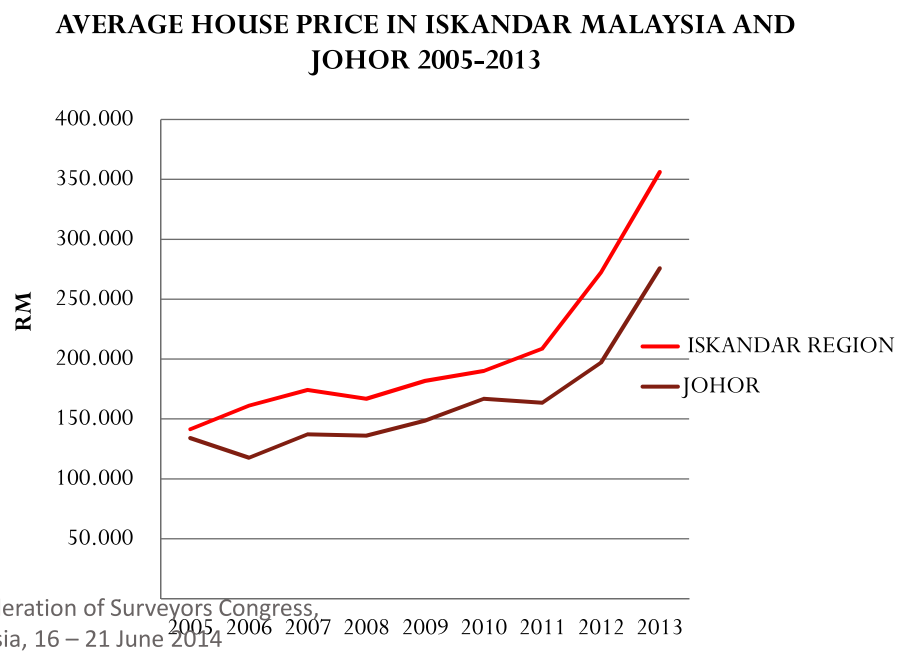
FOREIGN OWNERSHIP POLICY

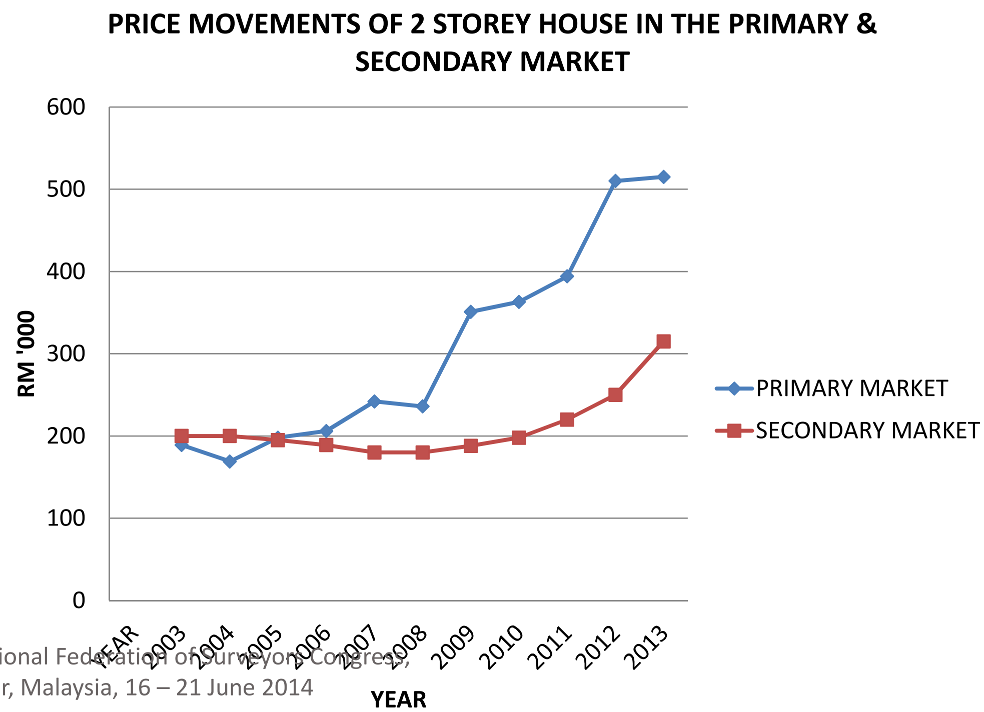
Category (Land Use)	Condition	Foreign quota	Minimum Price
Industrial Building	Foreigners are allowed to have an ownership for the land in industrial category without consent from State Authority.	No limit	RM 1,000,000

Note:
No restrictions for Medini
Developers may seek to waive this restrictions by paying a certain percentage of the GDV of the units they applied for release.
Developers prefer to build condominium and service apartments to capitalise on this policy.

Findings : The Market Evidence

Demand Side





Transactions of Affordable housing

Price Segments	2005	2006	2007	2008	2009	2010	2011	2012	2013	TOTAL
< RM99,999	1834	1391	1011	488	574	530	245	224	99	6396
RM 100,000 – RM 199,999	2382	2059	2021	747	1313	997	432	543	396	10890
RM200,000 – RM 299,999	851	778	1202	467	1119	915	338	538	310	6518
Total	5067	4228	4234	1702	3006	2442	1015	1305	805	23804

Purchasers in the Primary Market

YEAR	AGE 20-29	AGE 30-39	AGE 40-49	AGE 50-59	AGE 60-69	AGE 70-79	AGE 80-89	TOTAL
2005	70	2407	2053	692	160	22	6	5410
2006	108	2114	1554	567	134	23	5	4505
2007	133	2304	1390	586	157	33	-	4603
2008	119	992	476	204	78	22	1	1892
2009	257	1920	1006	438	120	24	3	3768
2010	384	1784	852	343	93	21	-	3477
2011	279	857	371	159	65	3	2	1736
2012	615	1203	483	231	71	18	1	2622
2013	640	1064	429	178	56	6	2	2375
TOTAL	2605	14645	8614	3398	934	172	20	30388
PERCENTAGE	9%	48%	28%	11%	3%	1%	0%	100%

Transaction of New Housing According to Price Segments

Year	No of Units and Price (RM)Segments					Total
	< 100,000	100,000-199,000	200,000 - 299,999	300,000 - 399,999	>RM399,999	
2005	833	1159	336	51	28	2407
2006	664	1062	331	38	19	2114
2007	516	1128	561	66	33	2304
2008	228	442	261	47	14	992
2009	235	718	656	226	85	1920
2010	209	560	511	356	148	1784
2011	77	216	204	207	153	857
2012	68	246	268	246	375	1203
2013	40	178	127	227	492	1064

SUPPLY SIDE

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Price Range of Newly Launched Houses 2005-2013

PRICE RANGE			2005	2006	2007	2008	2009	2010	2011	2012	2013
0		25,000	0	0	0	0	0	0	0	0	0
25,001	-	50,000	37	637	1,125	624	0	593	320	184	67
50,001	-	75,000	148	147	1,059	0	0	0	0	0	0
75,001	-	100,000	3,160	1,581	1,703	192	165	201	63	0	0
100,001	-	150,000	3,612	2,405	1,592	1,525	1,621	320	1,485	84	0
150,001	-	200,000	4,082	1,976	1,734	1,120	1,130	1,071	1,081	810	528
200,001	-	250,000	3,010	1,964	1,188	953	956	937	954	2,293	10
250,001	-	500,000	2,121	1,343	3,108	1,877	3,814	2,602	6,053	3,775	3,785
500,001	-	1,000,000	184	247	350	496	697	693	2,653	5,078	2,186
1,000,001	-	above	0	0	115	87	10	109	388	2,129	1,089
TOTAL			16,354	10300	11974	6874	8393	6526	12997	14353	7665

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New Planned Supply

Classification	House Types	2005	2006	2007	2008	2009	2010	2011	2012	2013
Lower-end	Low-Cost House	0	0	0	0	0	0	0	0	102
	Low-Cost Flat	268	0	120	710	0	0	0	0	0
	Flat	0	0	488	0	0	0	0	178	0
	Single-storey Terrace House	1928	567	894	387	784	340	168	93	60
	Total	2,196	567	1,502	1,097	784	340	168	271	162
Medium-End	2-3 Storey Terrace House	2,609	4,127	1,945	408	556	1,029	613	1,403	1,805
	Single-storey Semi-Detached House	0	22	0	118	18	4	0	0	60
	Total	4,805	4,694	3,447	1,505	1,340	1,369	781	1,674	1,967

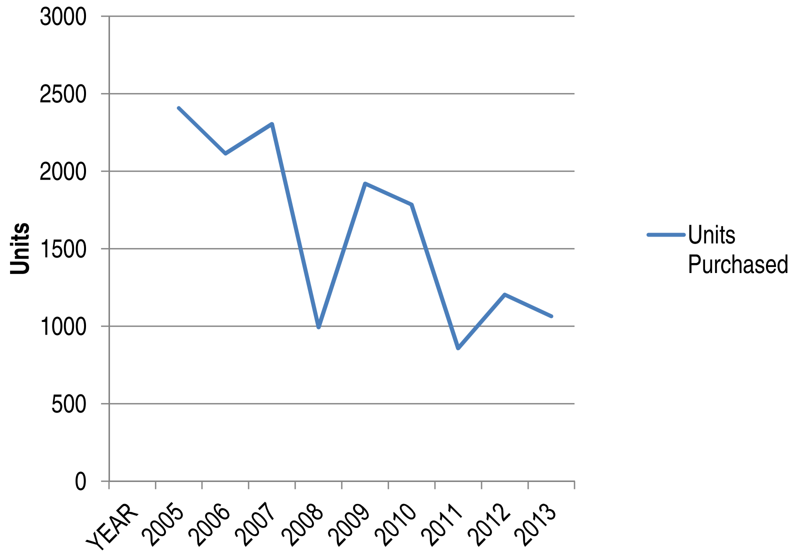
New Planned Supply

Classification	House Types	2005	2006	2007	2008	2009	2010	2011	2012	2013
High-end	2-3 Storey Semi-Detached House	106	208	302	302	1	562	108	52	306
	Detached House	79	0	3	117	10	80	23	3	12
	Townhouse	0	0	0	0	23	0	0	0	0
	Cluster House	0	120	60	124	48	244	0	260	884
	Serviced Apartment	0	0	0	2,636	891	440	554	1,510	3,086
	Condominium/Apart	140	60	180	0	0	1,230	0	336	1,634
	Total	325	388	545	3,179	973	2,556	685	2,161	5,922

Development Trends

- Business Decisions
  - Targeting the middle and upper income
- Development Trends
  - High quality lifestyle
  - Adapting foreign designs, architecture and concepts
  - Imported building materials
  - High security –gated and guarded
  - High-rise developments

Access to Housing For First Time Buyers



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Access To Housing For Households Earning Median Income and Less

Income class (RM)	Percentage distribution of Income Class (%)	Affordable House Price According to Income Class (RM)	Market Supply of New Housing According to Income Class 2013 (units)
999 and below	3.00	<36,000	0
1,000 - 1,999	13.0	36,000-72,000	67
2,000 - 2,999	15.9	72,001- 108,000	0
3,000 - 3,999	19.1	100,001-150,000	0
4,000 - 4,999	13.0	150,001-200,000	528

Conclusion

- New residential developments are tailored to the needs of groups linked directly or indirectly to global capital.
- New affordable housing in the primary market is limited
- Located in areas where time taken to travel to work is not reasonable
- Households earning median income and less are squeezed out the primary housing market.
- Housing policy fails to address issue of access to housing by those households earning median income and less

Conclusion

- Recent government initiatives
  - PR1MA, an agency given the task to build affordable housing was formed and are actively acquiring land in Iskandar Malaysia
  - The Johor Housing and Property Board was recently passed by State Assembly
- To be effective, monitoring and enforcement must be a continuous effort.

Thank you