

**ISSUES AND CHALLENGES OF
AFFORDABLE HOUSING AND HOUSING
AFFORDABILITY IN MALAYSIA: A CASE
STUDY OF RESIDENSI WILAYAH (RUMAWIP)**

TENGGU ADNAN BIN TENGGU MANSOR

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HOUSING AFFORDABILITY IN MALAYSIA: A CASE
STUDY OF RESIDENSI WILAYAH (RUMAWIP)

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ABSTRACT

This study examines the factors and challenges of the development of RESIDENSI GURNEYMAS, an affordable housing scheme in Kuala Lumpur. This is a qualitative study using in-depth interview methodology. 27 informants of RESIDENSI GURNEYMAS were selected, which included developers, contractors, local assemblymen, government officials, potential buyers, and existing buyers. Based on the literature reviews, the process of building affordable homes has numerous challenges and barriers, such as location, land issue, pricing, bank loan, as well as the lifestyle of the buyers. In this study, 11 challengers and barriers faced by development growth were identified. The challenges were high urbanisation rate, price exploitation, property price, household income, demand and supply, housing loan, the unclear definition of affordable housing, pricing policy, land conversion, and housing quality. The unstructured and semi structured questions were asked to 27 informants participated in the in-depth interviews. Information gathered from the in-depth interview and observation were taken by mnemonic writing and then analysed. The results of the study were tabulated based on eight organising themes and basic themes, such as high urbanisation, price manipulation, housed hold income, definition, pricing policy, bank loan and housing schemes policy. In conclusion, this study has formulated qualitative research on RESIDENSI WILAYAH and provided contribution to socio-economic growth in Malaysia. The study also provides recommendation, implication, theoretical and practical issues to stakeholders in addressing affordable housing issues in Malaysia.

Keywords: RESIDENSI WILAYAH (RUMAHWIP), affordable housing, housing affordability, low and middle income and government policy.

APPROVAL

This is to certify that this thesis conforms to acceptable standards of scholarly presentation and is fully adequate, in quality and scope, for the fulfilment of the requirements for the degree of Doctor in Business Administration.

The student has been supervised by: **Professor Dr. Ahmad Sabri bin Yusuff.**

The thesis has been examined and endorsed by:

Professor Dr. Juhary Ali
Deputy Vice Chancellor
Asia e University
Examiner 1

Professor Dr. Khairul Anuar bin Mohd Ali
Universiti Kebangsaan Malaysia
Examiner 2

This thesis was submitted to Asia e University and is accepted as fulfilment of the requirements for the degree of Doctor in Business Administration.

Professor Dr. Noor Raihan Ab Hamid
Asia e University
Chairman, Examination Committee
22 September 2022

DECLARATION

I hereby declare that the thesis submitted in fulfilment of the Doctor in Business Administration (DBA) degree is my own work and that all contributions from any other persons or sources are properly and duly cited. I further declare that the material has not been submitted either in whole or in part, for a degree at this or any other university. In making this declaration, I understand and acknowledge any breaches in this declaration constitute academic misconduct, which may result in my expulsion from the programme and/or exclusion from the award of the degree.

Name: TENGKU ADNAN BIN TENGKU MANSOR

Signature of Candidate:

Date: 31 July 2022

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Being an active politician and businessman, I find that the journey to obtain a DBA from AeU is a very challenging one. I have to distribute my time productively and efficiently in order to cater for my social and business obligations, as well as to have a proper pace with my academic work with AeU.

I have been in business for the last 50 years and in active politics for 45 years. I have held various high positions, both in the corporate sector and the government, and not to mention the position which I am currently holding now in a political party. Presently, I am the Treasurer General of my party and Member of Parliament (MP) for Putrajaya.

The pursuit to undertake this challenge stemmed from the fact that I am a strong believer to lifelong learning, where we need to learn, unlearn and relearn the whole process of education and experience. This is similar to an old axiom, which says “experience is the best teacher”. But, at the same time, I strongly give credit to another axiom which says “theory without practice is lame and practice without theory is blind.” Hence, both these sayings inspired me to undertake this task and challenge.

Furthermore, the field of knowledge and practice is dynamic, and one needs to be well-equipped with the latest skills and ability to adapt to any changes in order to be competitive.

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LIST OF ABBREVIATION

RW	Residensi Wilayah
RG	Residensi Gurneymas
RMRplus	Rumah Mesra Rakyat Plus
RUMAHWIP	Rumah Wilayah
USD	USD Dollar
US	United States of America
MP	Malaysia Plan
NAPIC	National Property Information Centre
SPNM	Perumahan Nasional Berhad
PPR	Perumahan Rakyat
B40	B Forty
M40	M Forty
T20	T Twenty

CHAPTER 1

INTRODUCTION

1.1 Background of the Study

Since 1950, the world population has rapidly urbanized. At that time, more than two thirds (70%) of the world's population lived in rural areas (Zheng, 2016). Ever since then, the number of people living in cities has continued to increase more quickly than that of people living in rural areas. This trend was persistent until 2007, when for the first time in history, the worldwide urban population overtook the global rural population. This phenomenon is expected only continue, that by 2050, 68 percent of the world's population is anticipated to reside in urban regions (Ritchie, & Max Roser, 2019). According to a projection report by the United Nations, the gradual shift in human population from rural to urban areas combined with the overall growth of the world's population, could add another 2.5 billion people to urban areas by 2050. Out of this, close to 90% increase will take place in Asia and Africa. In addition, it was reported that the number of people living in cities increased rapidly from 751 million in 1950 to 4.2 billion in 2018 (Rithie & Max Roser, 2019). In order to accommodate to this expansion, the world needs to create new megacities. However, creating new mega cities may not be the best way to deal with this trend. According to recent critical literature, the future of building cities is currently being challenged by inequality. This is true for cities in both in the so-called urban global south and in the most developed countries (Henry George, Thomas Piketty). Recent accounts in the role of the state in the promotion of affordable housing is vital to understand how imbalance in housing opportunities has become the new normal. Historically, affordable housing policies

designed to promote more inclusive cities have been used in social engineering and as the instruments of economic policy (Mota & Gameraen, 2016).

Most low, very low, and extremely low-income renters as well as some low-income homeowners have seen a gradual decline in housing affordability over the past few decades in many nations, including the United States (McClure, 2019; Richter et al., 2019), Australia (Pawson et al., 2019), Germany, and Sweden (Hansson, 2019).

A household's budget may be impacted by housing affordability and affordable housing challenges, leaving less money available to pay for necessities like food, utilities, transportation to work, health care, and childcare. Savings for emergencies, retirement, and other opportunities like going back to studying or starting a small business may also be reduced. These difficulties can lead to fewer opportunities and a worsening of quality of life in general (Drew, 2018; Sawhill, 2018). Research showed that generally, there was an increase in awareness about affordable housing and housing affordability around the globe. In the general elections of 2015 (Kelly, 2015) and 2018, major political parties in the United Kingdom, for instance, focused on housing affordability and affordable housing issues. In recent addresses on the national housing issue, the Prime Minister of the United Kingdom also highlighted a number of new initiatives and programmes to address this matter (May, 2018; Anacker Schar, 2019). Similarly, affordable housing has also become a crucial theme in housing policy in many different nations. For example, population growth and demographic changes are prevalent in Berlin, Hamburg, Stockholm, and Gothenburg; as a result, housing supply is constrained, and prices are rising (Granath, 2019). Further, due to neoliberalism, it has been difficult to provide inexpensive housing in nations like Denmark, the Netherlands, and England during the 2000s, as it was challenging to locate affordable land and readily available financial backing. Not only that,

institutions that support affordable housing have undergone notable changes, as have the types of provision techniques used (Süheyla Türk, 2019). In Asia, China's urbanisation process has been evolving quickly and unevenly during the past few years. With so many people moving from rural to urban areas, the real estate market has grown quickly due to changes in urban form and economic development trends (Wang & Rong, 2021), and similar observations are made in Brazil and India (Acolin & Green, 2017). (Gopalan & Venkataraman, 2015). Ultimately, as the population grows, the demand for housing increases as well.

1.1.1 Housing in Malaysia

Residential property in Malaysia serves as a basic human need and forms an important integral part in the urban economy (Suhaida et al., 2011). According to Department of Statistics Malaysia (2011), from 2000 to 2010, Malaysian population has been increasing on an average growth of 2.0% annually. Correspondingly, the overall number of households has been swelling to 32% within the same time frame, rising from 4.80 million to 6.35 million, proving that as the population grows, the demand for housing properties also rises (Shuid, 2016). The World Bank Group indicated that the housing affordability in Malaysia has been in decline over time. The situation is found to be in a "severely unaffordable" level in various states according to the findings in Malaysian Research (2019) and Khazanah Research Institute (2015; 2019). (Dasreenjit, 2019; Vigneswar, 2020). As a result, the housing crisis poses a serious problem for the government and, if it is not handled properly, has societal ramifications. According to the New Strait Times' Financial Surveillance Department, 73% of unsold homes in Malaysia were unaffordable in 2019. If one is looking at the percentage of unaffordable house according to state, Johore had the greatest percentage

of unsold homes, followed by Selangor, Kuala Lumpur, Perak, and Penang. To address this, the Federal and State Governments introduced projects like Perumahan Rakyat 1 Malaysia (PRIMA), Residensi Wilayah (formerly Rumah Wilayah Persekutuan - RUMAWIP, Rumah Selangorku, Program Perumahan Rakyat (PPR), MyHome 2, and Rumah Mesra Rakyat Plus as part of their efforts to increase the supply of lacking units (RMRplus). The housing initiative aims to address the problem of housing affordability as well (NAPIC). The goal of the introduction of more inexpensive housing in Malaysia, such as PRIMA and Residensi Wilayah housing initiatives, is to supply enough units of affordable housing to meet the existing demand, particularly for middle-class earnings. Nevertheless, despite the absence of affordable housing, Malaysia's property overhang problem is getting worse; the research shows that the figures are rising year after year. On the other hand, there are concerns with the lack of affordable housing, which has been a prominent topic of discussion in the real estate sector. According to the National Property Information Centre (NAPIC), in the first half of 2018, there were 29,227 overhang residential units in Malaysia worth RM17.2 billion. Currently, the success rate of affordable housing is dependent on a number of variables that also influence the data on take-up and overhang. To monitor the situation, there are numerous organisations that oversee the implementation of low-cost or affordable housing policies. For example, the National Housing Department in the Ministry of Housing and Local Government is responsible for developing general national policy on matters relating to housing and local government. The Housing and Property Boards is another branch of state government. Aside from that, there are also Lembaga Perumahan dan Hartanah Selangor and Lembaga Perumahan Pulau Pinang, both wholly state-run organisations that advocate for improved access to decent, reasonably priced housing.

At the same time, there are corporatised organisations that have quasi-governmental characteristics, such as Syarikat Perumahan Nasional Berhad (SPNB) or the National Housing Corporation, a fully owned subsidiary of the Ministry of Finance that was founded with the goal of "providing quality affordable homes for every family in Malaysia" that operates as a non-profit organisation. There are four housing categories within the Ministry of Housing and Local Government, each with a different dwelling price structure and target demographics depending on monthly income. The categories are the Low-Cost Housing, which has homes priced below RM42,000 and targets people making less than RM1,500 per month; Low-Medium Cost, which has homes priced between RM42,001 and RM60,000 and targets people with monthly salary of between RM1,500 and RM2,500; Medium Cost, which has homes priced between RM60,001 and RM100,000; and High Cost, which includes any homes priced above RM100,000. The latter two categories do not have a specific target income group. SPNB defines low cost as beginning at RM35,000; low-medium cost as beginning at RM50,000; and medium cost as beginning at RM80,000 and above within Peninsular Malaysia) (Tricia Yeoh, 2021). Affordable housing is characterised as being of sufficient quality and location, and not being too expensive to hinder its residents from meeting other essential daily needs. Housing affordability is defined as households' ability to spend no more than 30% of their income on housing costs, including utilities (Yap & Ng, 2018).

Affordable housing is a very important issue that needs to be focused upon by the government and private sectors in Malaysia, especially in the capital city. Since 1957, when the country gained independence, the government has been striving in providing low-cost housing. In the mid-1980s, when the government implemented a policy requiring housing developers to contribute low-cost housing in township

development, both the public and private sectors in Malaysia have been engaged in massive low-cost and medium cost housing development. The demand for affordable housing is increasing dramatically in a city like Kuala Lumpur due to the influx of migration of rural area population looking for economic opportunity in the city. With this development, the government implemented several approaches, such as PPR, RMR, PPA1M, and PRIMA. In the city of Kuala Lumpur, the housing project which was formerly known as RUMAHWIP was renamed as RESIDENSI WILAYAH.

The government's commitment to low-cost housing dates back to the First Malaysia Plan (1966–1970), while the private sector's involvement started in the Second Malaysia Plan (1971–1975), when the government recognised the need for and importance of the private sector's role in ensuring a sufficient supply of low-cost housing for the country (Ghani & Lee, 1997). In Malaysia's Seventh Plan (1996-2000), the Malaysian government is committed to providing enough, affordable, and high-quality housing for all Malaysians, especially the poor. Throughout the Ninth Malaysia Plan (2006-2010) era, constant efforts were made to guarantee that Malaysians of all income levels, particularly the low-income category, had access sufficient access to quality and cheap housing.

In this regard, the private sector is encouraged to include more low and medium-cost housing in mixed-development projects, while the public sector focuses on low-cost housing, as well as housing for public sector employees, the disadvantaged, and the impoverished in both urban and rural locations.

1.1.2 Residensi Gurneymas

A housing project initiative called Residensi Wilayah (formerly known RUMAWIP) provides inexpensive homes throughout Malaysia's Federal Territories. RUMAWIP,

or Residensi Wilayah as it was recently rebranded, is a government initiative designed to provide affordable housing for first-time buyers.

Though the name has been changed, the goals remain the same – helping low-income, middle-income, and first-time home owners take that important step onto the property ladder.

Residensi Gurneymas is an affordable apartment located in Dato' Keramat, Kuala Lumpur. Launched in 2016 and initially planned to be completed in 2021, the project finished in 2018, three years earlier than the projected year. The project was built on the freehold land by the Era Ecoland Sdn Bhd., which is one of the developers of Aset Kayamas Sdn Bhd. The project was in collaboration with the government under the scheme of Rumah Mampu Milik Wilayah Persekutuan (RUMAWIP).

Residensi Gurneymas offers its residents an abundance of facilities located across the ground floor and top floors of the building. On the ground floor, the building is equipped with a guard house and gated entrance which requires the use of access card to enter the building. Also, there are eight levels of covered parking bay on the ground floor to the seventh level. Facilities like children's playground and surau are located on the eighth floor. Besides, the property also provides a sizeable multi-purpose hall for the residence to host any event, allowing them to spend quality time between the building community members, friends and families. Further, there is also mini market on the ground floor for residents' convenient use. Additionally, a nursery was added to the building, making it easy for parents to drop and retrieve their children during work week.

Residensi Gurneymas is strategically situated six kilometres from the Kuala Lumpur City Center, and is closely surrounded by malls, major highways and other advantages provided by the location. The township is easily accessed by public

transportation including the Light Rapid Transit or LRT, buses and taxis. It is only a walking distance to the bus stations, and nearby LRT station includes Dato' Keramat station, Damai station and Jelatek station. It is also near arterial highways like the Kuala Lumpur Middle Ring Road 2 or MRR 2 and Duta Ulu-Kelang Expressway or DUKE Highway. Through Jalan Tun Razak, it takes only 10 minutes of driving in moderate traffic to get to Hospital Kuala Lumpur, Gleneagles Kuala Lumpur and Kumpulan Perubatan Johor (KPJ) Ampang Puteri Specialist Hospital. A mall, called the Gurney Mall, is reachable from the Residensi on foot. Not only that, the Kuala Lumpur City Center or KLCC and Ampang Point are located about 15 minutes of driving distance from the property. The residences can also do their grocery shopping at Aeon Big at Wangsa Maju by LRT service. The nearest schools are located two kilometres from the property: Sekolah Kebangsaan Padang Tembak, Sekolah Kebangsaan Polis Depot and Sekolah Menengah Kebangsaan Padang Tembak. A high education institution, Universiti Teknologi Malaysia SPACE Kuala Lumpur or UTMSPACE KL, is located just one kilometre from the property. A mosque for the use of Muslim residences, is only 600 meters from the apartment. The residences are also spoiled with choices of food stalls and restaurants around the perimeter, all reachable within five minutes on foot.

Residensi Gurneymas is a single-block 34 storeys apartment. It is high-density, with a total of 274 units in the building. Each unit is 800 square feet, and attached with three bedrooms, two bathrooms and a balcony. The unit also comes with one car park bay in the guarded and gated are. The property also offered 24-hour security for the ease of the occupants minds.

The initial selling price of each unit is RM198,000, with RM247.50 for per square foot. With the facilities offered, the maintenance fee of the unit is charged at

RM0.15 per square foot. Since Residensi Gurneymas is a project offered to middle-income citizens who work and live in the Federal Territory, the project came with complimentary Sale and Purchase Agreement legal fees to the buyer and a low down-payment of only 10% of the unit value.

Residensi Wilayah Keluarga Malaysia is targeting to build 80,000 units of affordable houses in Malaysia by 2030. Since there are only selected family with income of RM6000 to RM8000 per month, the unit will be sold to first time buyers who are married or single women with one child. The unit title only can be sold to a different buyer after 10 years.

1.2 Problem Statement

Residential property serves as a basic human need and plays a significant part in the urban economy (Suhaida et al., 2011). Department of Statistics Malaysia (2011) shows that the average annual population is increasing at a growth rate of 2.0 per cent during the period of 2000-2010. In the same period, the total number of households shows an increment of 32%, from 4.80 million to 6.35 million households, which shows that housing properties are in stronger demand as population increases (Shuid, 2016). According to Olanrewaju et al. (2016), Malaysia is having housing deficit of between four to six units per 1,000 of the population.

Accordingly, the national statistics reveal that 21.3% of households do not own a house in 2010 (Department of Statistics Malaysia, 2014). Alarmingly, the household debt of Malaysians has reached 89.1% in 2015 (Tee, 2016); indicating that the housing unaffordability has gradually increased (Tan, 2012). The rapid growth in housing price has raised concern regarding the sustainability of the Malaysian housing sector (Said et al., 2016). Besides, statistics by Khazanah Research Institute (2015) also revealed that in 2014, only 19.7% of newly launched houses are in the lower price range,

compared to 36.4% back in 2004. Bank Negara Malaysia (2015) noted that surging house prices had reflected the imbalance in the supply of affordable houses with pricing below RM250,000, compared to the supply of more expensive homes priced above RM500,000. Undersupply of affordable homes and uneven pace of growth of house price and income has led to unaffordability to home ownership. This is consistent with Samad et al.'s (2016) assertion on the mismatch in demand and supply for affordable housing. These ongoing issues amplify the need for relentless research efforts (Alaghbari et al., 2011), as well as government and private sectors swift solution to the housing affordability issues in Malaysia. As shelter is a fundamental human need, housing plays an important role in people's wellbeing that contributes to the physical and mental health, education, employment, and security outcomes for individuals. Still, to date, the major challenge in the housing issue is on the establishment of adequate affordable liveable home standards for the majority of the citizen, and failure to address this will lead to a housing stress.

According to Khazanah Research Institute, the median house prices in Malaysia are 4.4 times the median annual household income in the year 2014. This is considered "seriously unaffordable" for Malaysians, as the median multiple stood above 4.0 times persistently since the year 2002 until 2014 (Khazanah Research Institute, 2015). The figure is more than 30% above what is considered affordable for most house owners.

According to Yap & Ng (2018), housing affordability is a grave concern to average Malaysians, and the supply of affordable housing is insufficient in the current residential property market. Income, property price, land cost and demand and supply are identified as significant factors affecting housing affordability.

Baqutaya (2019) found three main housing issues faced by middle-income groups which are house price, housing loan and housing schemes' policy. Hence, it is