

Exploring the Elements of Housing Price in Malaysia

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Abstract

This informative study explores the elements of housing price in Malaysia and found the price is affected by many factors. This study of great practical significance has shown that house prices are determined by the demand for attributes, not only of the dwelling units themselves, but also of the region in which the units are located. There are many structural, neighborhood and locational attributes that could have brought impacts on house prices (Chin, Chau, & Ng, 2004). Structural characteristics, location-specific factors, and neighbourhood characteristics may define various sub-markets. Sub-markets may be defined by structure type (e.g. single-family detached, row house, town home, and condominium), by structural characteristics (property age housing consumers may have strong preferences for newly constructed properties or for historic properties), or by neighbourhood characteristics (e.g., public education and public safety). Results show that the housing price in Malaysia evidently depends on population, demand and supply, location, physical characteristic, accessibility, developer, cost of material and income. It is also influenced by neighbourhood factors as people nowadays will likely choose a better neighbourhood. These factors determine whether the housing price will be high or low. In summary, the government must take an active role to monitor and take appropriate measures to control property prices.

Keywords: elements, housing, ownership, price

1. Introduction

Housing price is closely related to the affordability of buyers to own a house. In this matter, government plays a role to ensure that the housing price is proportionate to overall income levels. The increase in house prices have boosted the property sector and also attracted many of new development for residential building. The growth of the Malaysian housing sector has been underpinned by the interface between three forces; growing population, high rates of urbanisation and growing economy (Wan, Singaravelloo, & Hanif, 2010). Unaffordability in buying a house and the increasing of the housing price has currently become the main issue in Malaysia. The larger urban centres have been identified as areas where the need and demand for housing are more pressing. These urban centres are experiencing rapid population growth as well as the entering of migrants from the countryside to enhance the quality of life. The increasing number of low and medium-income groups in the urban centres has exerted pressures on the part of State and Federal governments to provide affordable housing for the group to own a house.

However, from another point of view this housing price is not affordable since the income is also not increasing. Thus, the people are facing savings bubble and rising living costs. Salary is not on par with living standards. Thus, this creates inflations to the people. This paper will try to explore the elements of housing price in Malaysia to resolve the current issue of unaffordable housing and the solutions undertaken by government and to suggest some solution to the problems.

2. Issues in Housing Ownership in Malaysia

Property prices in urban areas such as Penang are opened to speculative market. Since, return-on-investment was not attractive in Penang, most investors buy properties for capital appreciation reasons and not for rental yields. According to the Penang Institute, some 40% of the Penang population are in the middle-income category earning between RM3,500 and RM7,100. Under the new loan conditions from banks, which take into account a person's net income and other commitments, this middle-income group is eligible to take up loans for properties up to RM245,000 with a 10% deposit. The price benchmark for housing that comes under the affordable

category will be RM400,000 for units built on Penang island, and RM250,000 for those built on the mainland. From the date of the signing of the Sale and Purchase Agreement (SPA), these houses cannot be sold within five years.

In order to help Malaysians to own a house, the Prime Minister Datuk Seri Najib Tun Razak launched several housing programs to help Malaysians solve this crisis. Among the program implemented is First Home Scheme (SRP), the 1Malaysia People's Housing Project (PR1MA) and the 1Malaysia People-Friendly Homes (RMR1M). However, the price offered is sometimes speculated by the developers for bigger margin. Those with a salary below certain rates such as the private sectors income salary below RM5,000 still cannot afford of having the house and it also creates inflation.

This shows that Malaysians purchasing power are still at low level when almost only half of the 1,642 applicants was found to be eligible to receive a loan from the bank to buy a house under the First Home Scheme. This is because of the banking industry found that those who have salary income of RM3,000 and below failed to qualify for a loan worth RM400,000 for the loan repayment scheme by 80 percent, the applicant must pay a deposit of RM80,000 and most applicants under this scheme does not have sufficient financial means to pay a depositor monthly loan payment detail. According to Real Estate and Housing Developers' Association Malaysia (REHDA), the increases in prices of building materials have also affected the housing price. This creates a gap between the low-income and high-income Malaysians that have the ability to own a house in the increasingly inflated housing market.

3. The Relations between Housing Ownership and Housing Price within Current Situation

The increase in house price has created unaffordability to the lower and medium class income to own a house. The increase in cost of living and a stagnant income has made it harder for them to support their livings if they buy a house.

From the statement of the Deputy Finance Minister Datuk Donald Lim, which he considered the increasing in about 10-20% per annum to be healthy and affordable can only be supported by those who have higher income. However, 10-20 % annual increase in property price is not healthy for Malaysian public as a whole when the income level of wage earners generally doesn't even touch 5% annually, not discounting inflation. Thus, there is an argument regarding the housing price and housing affordability in Malaysia. Unfortunately, affordable housing is not easily available. House prices have soared to exorbitant levels in major cities of Malaysia so that even the middle class cannot afford to own a house or apartment, let alone the lower classes. In 2009, the average house price in almost 6 to 8 times the average household income. Clearly, this is beyond the reach of the average family.

4. Methodology

In this research, quantitative and qualitative analysis will be conducted to explore the elements of housing price in Malaysia. Data from various reports particularly from National Property Information Centre (NAPIC) has been compiled and calculated for this paper. After the analysis, conclusion and the recommendations will write up to provide the research output.

5. Exploring the Elements of Housing Price in Malaysia

5.1 Population, Demand and Supply

Housing price like any other goods and services in a market economy, are determine by the interactions of demand and supply (Hashim, 2010).The increased population and income will lead to the increase in housing demand (Mohd. Tawil et al., 2011). High demand in housing and low people's demand for owner occupied housing is primarily determined by price of housing, population growth and household formation rate and income growth (Flavin & Yamashita, 2002).

Changes in the quantity of housing demanded will affect the housing supply, thus cause a direct impact of housing price. Migration of rural population to the towns such as Klang Valley as well as long term investment and requires a lot of houses to accommodate this situation (Lit & P.K., 2008). Based on supply and demand curve, there is the possibility that house prices will drop to an affordable levels because there are no buyers who can afford to buy the house, and vice versa (Kementerian Perumahan dan Kerajaan Tempatan, 2010). The demands for houses are determined by variables such as monthly income and household expenditure. Sometimes over demanding makes the prices of houses increase because there is lack in supply of houses.

In exploring the elements of housing price in Malaysia, Penang state will be used as a case study. Housing growth in housing stock is important to accommodate Penang growing population and to facilitate growth in the economy. Below shows the analysis of housing demand and supply in Penang on 2013 with the expected

demand and supply for further 3 and 5 years. According to Table 1, average household size of 3.98 and estimated population of 1.60 million require 402,010 homes by the year of 2013. The housing demand in Penang increases on 2015 and 2020 respectively. Assuming that future supply will be ready by 2015 or 2016 based on potential launches, it is observed that there will be a surplus of 44,844 units for 2015. The gap starts to pick up and narrows to 22,144 units by 2020 with the condition that there are no more unannounced new projects coming on stream.

Furthermore, the tighter loan requirements enforced Bank Negara Malaysia (eliminating BLR) lately and by the state will slow down residential transactions in the state. Whether this oversupply affects property values in Penang will depend on increasing demand by expatriate and foreigners (Property Quotient, 2013).

Table 1. Penang residential analysis

	2013	2015f	2020f
Estimated population average household	1.6 million	1.66 million	1.75 million
Average household	3.98	3.98	3.98
Residential unit needed (housing demand)	402,010	417,000	439,700
Residential unit existing stock (house supply)	367,158	461,844	461,844
Differences between housing supply	(34,852)	44,844	22,144
Condition	demanding	Oversupply	oversupply

Source: Property Quotient (2013).

Table 2. Breakdown supply of residential units by type between Mainland and Penang Island

Item	Penang	Mainland			Island		
		Landed properties	Low cost house & flat	Condo/Soho service apt.	Landed properties	Low cost house & flat	Condo/Soho service apt.
A	Existing stock	105,007	60,552	7,278	36,997	121,326	33,214
	Total existing	105,007	60,552	7,278	36,997	121,326	33,214
B	Completions	3,258	427	614	1,104	2,331	1,637
C	Incoming supply	21,313	4,447	1,773	2,545	7,809	6,838
	Total by 2015	129,578	65,426	9,665	40,646	131,466	41,689
D	Starts	3,526	0	835	1,369	1,444	2,240
E	Planned supply	18,043	5,166	2,411	5,168	8,054	3,717
F	New planned supply	5,926	794	916	647	2,430	2,255
	Total by 2020	157,073	71,386	13,827	47,830	143,394	50,313
	Grand total		242,286			241,537	
Total for Penang state		483,823					

Source: <http://www.penangpropertytalk.com/2014/05/penang-past-present-and-future/>

Table 3. Breakdown of current and future demand of residential properties in Penang

Item	Mainland	Island
Total Penang population as at 2012 (No expat count)	845,000	773,148
A		
Average household	3	3
Current demand of homes	281,667	257,716
Differences between housing supply and demand	108,830*	66,179*
Total Penang population as at 2015 (No expat count)	875,000	801,316
B+C		
Average household	3	3
Demand of homes in 3 years' time	291,667	267,105
Differences between housing supply and demand	86,998*	53,304*
Total Penang population	930,000	850,563
D+E+F		
Average household	3	3
Demand of homes by 2020	310,000	283,521
Differences between housing supply and demand (*oversupply)	67,714*	41,984*

Source: <http://www.penangpropertytalk.com/2014/05/penang-past-present-and-future/>

5.2 Housing Price Based on Location

Other than the level of demand, the values of land in urban areas are also determined by its location and availability for various development projects (Seeley, 1983). The location of adequate housing, whether urban or rural, must permit access to employment opportunities, health care, schools, child care and other social facilities. To protect the right to health of the occupants, housing must also be separated from the polluted sites or pollution sources (<http://www.hrea.org>).

The medium income group is more focus on high rise building such as apartment while high income group is more focus on landed properties. Currently, the price range of landed property in Penang Island mostly is around RM700,000-RM1.6 million. There are several factors that should be taken into account for example land matters especially in Penang Island (299.65 sq km) in comparison to Mainland Seberang Perai (738.41 sq km). According to the NAPIC's property market report 2013, the house price for Penang area is being distributed according to district. Penang Island consists of 2 districts (Timur Laut and Barat Daya) while Mainland Seberang Perai consists of 3 districts (Seberang Perai Utara, Seberang Perai Tengah and Seberang Perai Selatan). The highest house prices in Penang are mainly located in Timur Laut, Penang Island while in Mainland Seberang Perai area the highest house prices can be found in Seberang Perai Utara. According to Raine & Horne, in Timur Laut the property prices range between RM800 per sqft (psf) to RM1,200 psf, while in Barat Daya, prices range from RM550 to RM900 psf. For the sub-sales market, the prices are between RM500 and RM800 psf for Timur Laut, and RM450 to RM750 psf for Barat Daya. According to Henry Butcher, in Seberang Prai, property prices are between RM200 and RM390 psf while the sub-sales prices range between RM150 to RM360 psf.

Table 4 shows the average house price while Table 5 shows the annual percentage growth of average house price in Penang Island from Q42009 to Q42014. These are the changes of residential property prices for over 5 years and after the Global Financial Crisis (GFC) in 2008. In 2013, it was a very good year for house prices in Penang, average prices in Penang appreciated highest in Penang Island. All property type in 2013 generated positive growth from year-over-year. The strength was led by Timur Laut where prices were highest for Detached houses (RM3,289,522) with an increase of 73.78% year-over-year, followed by 2-3 Storey Semi-Detached houses (RM1,670,416) with an increase of 33.55% year-over-year and 2-3 Storey Terraced (1,256,000) with an increase of 26.67% year-over-year. This is followed by Barat Daya which also posted strong gains in 2013 with the highest price for 2-3 Storey Semi-Detached homes (RM1,264,869) with an increase of 12.67% year-over-year followed by Detached (RM1,097,111) with an increase of 97.28% year-over-year and 2-3 Storey Terraced (RM813,810). Within 5 years (2009-2014), the price for the all residential property type has increased more than 50% in both district except for 1-1 1/2 Storey Semi-Detached and Detached in Timur Laut and 1 - 1/2 Storey Terraced, Detached and Low-Cost Flat in Barat Daya.

In 2014, the highest growth in house price after the GFC within Timur Laut was Condominium/Apartment with prices up a hefty 125.98% followed by 2-3 Storey Semi-Detached (125.69%) and Flat (97.54%). Meanwhile in Barat Daya, the highest growth in house price was 1-1 1/2 Storey Semi-Detached (174.04%) followed by Condominium/Apartment (114.83%) and Flat (111.40%).

Table 4. Average House Price (Q42009-Q42014^P) in Penang Island

Timur Laut District	Q42009 (RM)	Q42010 (RM)	Q42011 (RM)	Q42012 (RM)	Q42013 (RM)	Q42014 ^P (RM)
1 - 1 1/2 Storey Terraced	434,222	469,000	528,417	712,855	781,941	750,333
2 - 3 Storey Terraced	682,736	764,441	888,771	991,550	1,256,000	1,225,309
1 - 1 1/2 Storey Semi-Detached	682,368	706,214	732,000	1,073,500	1,186,333	978,600
2 - 3 Storey Semi-Detached	873,847	1,134,100	1,180,286	1,250,750	1,670,416	1,972,222
Detached	2,276,391	1,717,190	1,885,556	1,892,900	3,289,522	2,442,000
Low-Cost House	176,000	340,000	132,000	ND	499,600	ND
Low-Cost Flat	69,763	77,333	78,603	77,450	87,401	107,906
Flat	149,186	157,799	167,160	200,706	263,448	294,703
Condominium/Apartment	362,521	423,870	463,163	592,221	794,640	819,232

Barat Daya District	Q42009 (RM)	Q42010 (RM)	Q42011 (RM)	Q42012 (RM)	Q42013 (RM)	Q42014 ^P (RM)
1 - 1 1/2 Storey Terraced	387,083	368,308	370,600	504,182	599,875	577,600
2 - 3 Storey Terraced	549,768	616,947	667,260	736,121	813,810	933,232
1 - 1 1/2 Storey Semi-Detached	230,000	ND	378,600	285,000	664,000	628,000
2 - 3 Storey Semi-Detached	753,350	785,480	1,080,000	1,122,600	1,264,869	1,147,227
Detached	823,538	960,000	601,667	556,120	1,097,111	1,117,250
Low-Cost House	ND	182,000	ND	119,667	145,000	122,750
Low-Cost Flat	77,800	85,615	75,500	81,187	97,577	95,520
Flat	124,678	138,927	169,856	208,385	277,905	263,571
Condominium/Apartment	268,978	264,949	322,300	382,978	542,841	577,836

Source: Author's compilation from Property Stock Report, NAPIC (Q42009-Q42014^P)

Table 5. Annual Percentage Growth of Average House Price (Q42009-Q42014^P) in Penang Island

Timur Laut District	Q42009	Q42010	Q42011	Q42012	Q42013	Q42014 ^P
1 - 1 1/2 Storey Terraced	11.01%	8.01%	12.67%	34.90%	9.69%	-4.04%
2 - 3 Storey Terraced	18.42%	11.97%	16.26%	11.56%	26.67%	-2.44%
1 - 1 1/2 Storey Semi-Detached	-12.48%	3.49%	3.65%	46.65%	10.51%	-17.51%
2 - 3 Storey Semi-Detached	11.61%	29.78%	4.07%	5.97%	33.55%	18.07%
Detached	117.95%	-24.57%	9.80%	0.39%	73.78%	-25.76%
Low-Cost House	-	93.18%	-61.18%	-	-	-
Low-Cost Flat	11.73%	10.85%	1.64%	-1.47%	12.85%	23.46%
Flat	9.55%	5.77%	5.93%	20.07%	31.26%	11.86%
Condominium/Apartment	-8.08%	16.92%	9.27%	27.86%	34.18%	3.09%
Barat Daya District	Q42009	Q42010	Q42011	Q42012	Q42013	Q42014 ^P
1 - 1 1/2 Storey Terraced	6.93%	-4.85%	0.62%	36.04%	18.98%	-3.71%
2 - 3 Storey Terraced	27.48%	12.22%	8.16%	10.32%	10.55%	14.67%
1 - 1 1/2 Storey Semi-Detached	-54.90%	-	-	-24.72%	132.98%	-5.42%
2 - 3 Storey Semi-Detached	13.04%	4.26%	37.50%	3.94%	12.67%	-9.30%
Detached	74.11%	16.57%	-37.33%	-7.57%	97.28%	1.84%
Low-Cost House	-	-	-	-	21.17%	-15.34%
Low-Cost Flat	10.80%	10.04%	-11.81%	7.53%	20.19%	-2.11%
Flat	-2.16%	11.43%	22.26%	22.68%	33.36%	-5.16%
Condominium/Apartment	31.55%	-1.50%	21.65%	18.83%	41.74%	6.45%

Source: Author's calculation from Property Stock Report, NAPIC (Q42009-Q42014^P)

In Mainland Seberang Perai, people prefer to live on landed properties as the prices are affordable. Table 6 shows the average house price while Table 7 shows the annual percentage growth of average house price in Mainland Seberang Perai from Q42009 to Q42014^P. In 2014, the strength was led by Seberang Perai Utara where prices were highest for Detached (RM791,320) with an increase of 19.32% year-over-year from 2013, followed by 2-3 Storey Semi-Detached (RM678,825) in Seberang Perai Selatan with an increase of 55.87% year-over-year and 2-3 Storey Terraced (RM650,375) in Seberang Perai Tengah with an increase of 0.66% year-over-year. For 2014, Seberang Perai Tengah has the most positive increase year-over-year.

Within Seberang Perai Utara, the highest growth in housing price after the GFC was Detached (67.05%), followed by 1-1 1/2 Storey Terraced (44.82%) and Low-Cost House (31.34%). Within Seberang Perai Tengah,

the highest growth in housing price was Condominium/Apartment (143.62%), followed by 2-3 Storey Semi-Detached (83.24%) and 2 - 3 Storey Terraced (73.69%). For Seberang Perai Selatan, the highest growth in housing price was 2-3 Storey Semi-Detached (146.91%) followed by 1-1 1/2 Storey Terraced (118.10%) and 1-1 1/2 Storey Semi-Detached (106.20%).

Table 6. Average House Price (Q42009-Q42014^P) in Mainland Seberang Perai

Seberang Perai Utara	Q42009 (RM)	Q42010 (RM)	Q42011 (RM)	Q42012 (RM)	Q42013 (RM)	Q42014 ^P (RM)
1 - 1 1/2 Storey Terraced	152,853	163,450	170,565	176,864	201,151	221,363
2 - 3 Storey Terraced	264,536	265,103	294,929	300,156	360,180	320,957
1 - 1 1/2 Storey Semi-Detached	269,250	166,909	210,816	222,300	350,500	299,500
2 - 3 Storey Semi-Detached	376,624	349,032	432,310	525,800	669,169	358,233
Detached	473,714	555,000	498,472	519,500	663,200	791,320
Low-Cost House	67,000	69,333	82,200	72,500	74,750	88,000
Low-Cost Flat	58,300	55,600	57,500	57,286	65,889	55,500
Flat	106,313	98,500	116,400	112,077	115,286	138,700
Condominium/Apartment	166,181	130,316	-	161,762	218,640	214,983
Seberang Perai Tengah	Q42009 (RM)	Q42010 (RM)	Q42011 (RM)	Q42012 (RM)	Q42013 (RM)	Q42014 ^P (RM)
1 - 1 1/2 Storey Terraced	133,828	128,702	144,249	171,560	189,042	198,818
2 - 3 Storey Terraced	229,786	250,946	268,077	290,368	368,340	399,118
1 - 1 1/2 Storey Semi-Detached	208,075	194,000	266,016	259,370	342,108	350,033
2 - 3 Storey Semi-Detached	352,947	432,250	418,613	484,387	496,300	646,742
Detached	425,580	465,000	538,111	571,880	646,111	650,375
Low-Cost House	95,021	121,458	105,659	121,322	148,924	144,386
Low-Cost Flat	54,568	57,471	50,792	55,952	60,093	59,147
Flat	82,778	87,000	70,000	81,000	94,286	99,000
Condominium/Apartment	89,600	95,000	139,967	124,545	149,810	218,286
Seberang Perai Selatan	Q42009 (RM)	Q42010 (RM)	Q42011 (RM)	Q42012 (RM)	Q42013 (RM)	Q42014 ^P (RM)
1 - 1 1/2 Storey Terraced	108,123	107,091	118,821	136,943	155,962	235,811
2 - 3 Storey Terraced	192,282	210,595	196,059	233,630	277,982	286,247
1 - 1 1/2 Storey Semi-Detached	161,648	182,857	208,990	228,230	252,133	333,314
2 - 3 Storey Semi-Detached	274,923	357,118	307,854	351,002	435,516	678,825
Detached	387,063	249,000	283,500	369,210	981,143	490,000
Low-Cost House	83,071	93,250	78,333	137,022	101,880	78,333
Low-Cost Flat	42,000	42,750	40,000	45,800	48,667	50,500
Flat	ND	ND	ND	ND	ND	ND
Condominium/Apartment	ND	ND	ND	205,000	ND	ND

Source: Author's compilation from Property Stock Report, NAPIC (Q42009-Q42014^P)

Table 7. Annual Percentage Growth of Average House Price (Q42009-Q42014^P) in Mainland Seberang Perai

Seberang Perai Utara	Q42010	Q42011	Q42012	Q42013	Q42014 ^P
1 - 1 1/2 Storey Terraced	6.93%	4.35%	3.69%	13.73%	10.05%
2 - 3 Storey Terraced	0.21%	11.25%	1.77%	20.00%	-10.89%
1 - 1 1/2 Storey Semi-Detached	-38.01%	26.31%	5.45%	57.67%	-14.55%
2 - 3 Storey Semi-Detached	-7.33%	23.86%	21.63%	27.27%	-46.47%
Detached	17.16%	-10.19%	4.22%	27.66%	19.32%
Low-Cost House	3.48%	18.56%	-11.80%	3.10%	17.73%
Low-Cost Flat	-4.63%	3.42%	-0.37%	15.02%	-15.77%
Flat	-7.35%	18.17%	-3.71%	2.86%	20.31%
Condominium/Apartment	-21.58%	-	-	35.16%	-1.67%
Seberang Perai Tengah	Q42010	Q42011	Q42012	Q42013	Q42014 ^P
1 - 1 1/2 Storey Terraced	-3.83%	12.08%	18.93%	10.19%	5.17%
2 - 3 Storey Terraced	9.21%	6.83%	8.32%	26.85%	8.36%
1 - 1 1/2 Storey Semi-Detached	-6.76%	37.12%	-2.50%	31.90%	2.32%
2 - 3 Storey Semi-Detached	22.47%	-3.15%	15.71%	2.46%	30.31%
Detached	9.26%	15.72%	6.28%	12.98%	0.66%
Low-Cost House	27.82%	-13.01%	14.82%	22.75%	-3.05%
Low-Cost Flat	5.32%	-11.62%	10.16%	7.40%	-1.57%
Flat	5.10%	-19.54%	15.71%	16.40%	5.00%
Condominium/Apartment	6.03%	47.33%	-11.02%	20.29%	45.71%
Seberang Perai Selatan	Q42010	Q42011	Q42012	Q42013	Q42014 ^P
1 - 1 1/2 Storey Terraced	-0.95%	10.95%	15.25%	13.89%	51.20%
2 - 3 Storey Terraced	9.52%	-6.90%	19.16%	18.98%	2.97%
1 - 1 1/2 Storey Semi-Detached	13.12%	14.29%	9.21%	10.47%	32.20%
2 - 3 Storey Semi-Detached	29.90%	-13.79%	14.02%	24.08%	55.87%
Detached	-35.67%	13.86%	30.23%	165.74%	-50.06%
Low-Cost House	12.25%	-16.00%	74.92%	-25.65%	-23.11%
Low-Cost Flat	1.79%	-6.43%	14.50%	6.26%	3.77%
Flat	-	-	-	-	-
Condominium/Apartment	-	-	-	-	-

Source: Author's calculation from Property Stock Report, NAPIC (Q42009-Q42014^P)

The above tabulation show the comparison of housing price and growth base on the different distance from the city. The price offered in Penang Island for all types of houses (except for Apartment/Condominium) is very high compared to Mainland. Only high income group can afford to buy a house in Penang Island with a very expensive value. Low income and middle income group have a chance to rent a house in Penang Island or choose to buy house in Mainland. Price normally starts to decline when outside the city area. Usually living in high density area with only basic accommodation can sometime be quite uncomfortable and hence some may choose to stay away from the city.

In 2013, the housing price in Penang increased year-over-year for all type of houses except for low cost house in Seberang Perai Selatan District as shown in Table 6 and Table 7 above. According to CA Lim and Co principal, Lim Chien Aun, the increase in housing price did not cause by the foreign buyers because they only contribute a small percentage (8%) in the country property market.

5.3 Neighbourhood

Neighbourhood will also determine the housing price in Malaysia. When determining the location of their residence, consumers will prioritise the environment and public facilities and services offered by the house's neighborhood (Lee & Hui, 2012). House prices vary from one neighbourhood to the other depending on neighbourhood characteristics and environments (Islam, 2012). Many studies conducted in Europe, Asia and the US evaluate the impact of environmental qualities, such as green space provision (Tyrvaenen, 1997; Tyrvaenen & Miettinen, 2000; Tajima, 2003; Jim & Chen, 2006), proximity to parks (Bolitzer & Netusil, 2000), and views of green space and water (Luttik, 2000; Jim & Chen, 2006) on house prices.

The house which offers a good neighbourhood characteristic such as green space area and quality environment will be high in value. A household normally considers the quality of its potential neighbourhood such as its location and the public services provided to that neighbourhood, in taking a decision about the housing unit it will reside in (Aluko, 2011). The presence of low income group in the neighbourhood is to be related with social nuisance and less demand for better neighbourhood environment. In addition, high-income group prefer neighbourhood that are populated with high-income group with high desire to have high-quality neighbourhood services and environments. Lynch and Rasmussen (2004) and Tiebout (1956), using income as a single criterion, asserted that households demanding high quality services have natural incentives to exclude relatively low-income households from the neighbourhood.

There are many types of neighbourhood attributes that house buyers can choose from such as environmental qualities within and around the neighbourhood, gated guarded area, peace area and also suitable for recreation activities. House buyers are willing to pay more to live in a gated guarded neighbourhood because of the security provided in such area. House buyers nowadays generally want to live in the neighbourhood with a freehold tenure besides the secured and exclusive gated-guarded landscape compound neighbourhood (Tan, 2011). Higher-income households may be willing to pay more for housing to maintain neighbourhood homogeneity (Goodman & Thibodeau, 1998).

5.4 Physical Characteristic

Physical characteristic of the house itself also influence the housing price. A house which has a special design will increase the house price. The most common structural attributes that are included in measuring property prices are the built-up area, the size of the living area or the dining area, number of bedrooms or bathrooms in a house, the car porch and the internal or external structure of a house (Arimah, 1992; Laakso & Loikkanen, 1995; Tiwari & Parikh, 1998; Wilhelmsson, 2000; Tse & Love, 2000). People with many family members will demand for a bigger size of housing area with many numbers of bedrooms. People with low income groups who have many family members have no choice to demand because they cannot afford to own it. In addition, types of design and finishes that a particular property offered to buyers also influenced the housing price. House with a special finishes and modern design can lead to a higher value.

5.5 Accessibility

Another factor that affects the price of housing is accessibility. Accessibility (or just access) refers to the ease of reaching goods, services, activities and destinations, which together are called opportunities (Levinson & El-Geneidy, 2006). Adequate housing must be accessible to those entitled to it. This includes all disadvantages groups of society, who may have special housing needs that require extra consideration. Increased accessibility tends to reduce transport costs and improve economic opportunities (better shopping, schooling and employment options), particularly for people with disabilities and low incomes (Todd, 2013).

Accessibility is hypothesized to increase the likelihood that households choose a particular community (Bayoh, 2006), including access to transportation, retail establishments (shopping facilities, etc.) and job opportunity (Longjuan & Lihua, 2002). The problem of accessibility to housing becomes more critical among the middle income group earners given that the lower income group housing needs are addressed by the governments in developed and developing countries. With respect to the locational attributes of housing, distance to the workplace, schools, retailing outlets and public transportation stations have been found to significantly affect house prices (Poudyal, Hodges, & Merrett, 2009).

5.6 Developer

The main cause of surging prices of properties in Malaysia is the high amounts of premiums that developers need to pay to the federal and state government for every housing project. Government need to cut down premiums payable by the developers so that their construction costs are lower which allow them to build more affordable homes. If the developers have to pay very high construction premiums, the cost will be transferred to

house buyers. However, if the government reduces the premiums that need to be paid, the developers could also reduce their prices. Government should design a new system where developers need to pay a discounted rate in premiums for any affordable low cost housing projects.

5.7 Cost of Material and Land

The higher material costs mainly occurs due to the 20 cents rise in the price of RON95 petrol and diesel. Besides, the absenteeism of foreign workers recently also increases the cost of producing local construction materials and the construction process itself. As reported in The Star Online 5th September 2013, the President of Penang Master Builders and Building Materials Dealers Association-Datuk Lim Kai Seng says it expected construction costs was to rise by 3- 5%, the cost of transportation was likely to rise 10-20% and the prices of sand and cement by 5-10%. This rising of cost in construction industries is not a new issue. From International Construction Cost Survey 2012 that was held by Turner and Townsted, the price of construction materials in 2011 increase drastically compared to the previous year 2010.

5.8 Income

The relationship between house price and income is important to describe the housing affordability of Malaysians. This is one of the factors that will lead to the affordability of each individual to either own or rent a house. The price gains have been largely supported by higher household income over the past three years. The house prices in Penang had increased at a 3-year CAGR of 8.1% to exceed income growth of 4.7% over the same period. Taking a longer horizon of eight years, both house prices and income have narrowed the gap. An even longer view of 13 years shows income growth is still lagging behind housing prices with house prices growing at 5% p.a. vs. 3.8% for household income. There seem to be affordability issue in long term. Current the apartment rental in Penang per month is in the range RM1,500 to RM4,000 and to buy apartments price per square meter is range RM4,305.56 to RM10,000.00. So, this show housing in Penang Malaysia is very expensive and compare with average monthly disposable salary after tax is RM2,000 to RM4,400. At this range we can know the range expenditure by consumer in Penang is high cost of subsistence but some of people afford to buy housing in Penang because of city centre that have many job opportunities.

Table 6. Income growth versus house price increases Malaysia

States	Average household income			House price index		
	13-yr CAGR	8-yr CAGR	3-yr CAGR	13-yr CAGR	8-yr CAGR	3-yr CAGR
Selangor	5.0%	3.9%	5.6%	4.8%	5.4%	12.2%
Kuala Lumpur	5.8%	7.0%	16.1%	6.2%	7.0%	11.8%
Pahang	7.4%	5.7%	4.5%	6.4%	6.4%	10.5%
Sabah	5.9%	6.7%	9.0%	7.9%	8.8%	10.5%
Terengganu	7.2%	9.0%	9.6%	6.2%	7.0%	10.2%
Malaysia	5.6%	5.5%	7.5%	4.8%	5.5%	9.4%
Perak	5.6%	6.1%	8.1%	5.3%	5.3%	8.8%
Pulau Pinang	3.8%	4.6%	4.7%	5.0%	5.6%	8.1%
Negeri Sembilan	5.3%	5.9%	8.9%	4.3%	4.6%	7.7%
Sarawak	5.0%	5.8%	6.2%	4.7%	5.8%	7.0%
Perlis	7.2%	7.1%	10.6%	4.9%	4.7%	6.6%
Johor	4.4%	5.3%	6.7%	1.8%	3.4%	6.0%
Kelantan	7.0%	7.1%	7.7%	4.3%	4.4%	6.0%
Kedah	6.0%	6.1%	8.7%	4.5%	4.0%	5.5%
Melaka	5.9%	6.9%	4.4%	3.7%	3.8%	5.0%

Source: CIMB Property Market Report 2012

Issue of affordability is one of the issues that often arise among consumers who want to own a home. Between aspects that need to be addressed for this is the average income to support the debt load to be received when owning your own home. Examining the salary levels of middle income professions over the years, demonstrates that wage growth has been relatively static, which supports a view that middle income groups are being squeezed by lack of growth in wages, while facing increasing costs of living and declining housing affordability.

Based on the range salary people staying in Penang, we can assume most of people only afford to buy apartments housing. This is because the price for bungalow, terraced or semi-detached houses is more expensive compare to the apartments housing. Besides, to buy the landed properties housing need to include the land price and this is one factor why the landed properties are high cost. Furthermore, the demand of housing in Penang is increase every year but unfortunately most of people are not be able to buy houses at Penang and only rich people can live luxurious in this town.

6. Role of Government

As stated, the affordability level of the people in owning houses is determined by the income of the people and the prices of houses in the market. In order to improve housing sector in Malaysia especially in homeownership among renters and buyers, Ministry of housing and local government have introduce National Housing Policy (NHP). The aim of this policy is to provide adequate housing, comfort, quality and affordable to improve the ability of living (National Housing Policy, 2010).

The fulfillment of housing is a major social objective of national development. The aim is to ensure that all Malaysians in particular the lower income groups, have access to adequate housing. According to National Housing Plan (NHP), housing developments are concentrated in high-density urban and suburban areas where the purchasing power and market are significantly immense. However, in order to balance up current housing needs especially for the low-income and middle-income groups, the Government and the private sector must play their roles to fulfill social responsibility to the people. Government has taken many initiatives in order to make sure that housing price did not be an obstruction for the medium and low income group to get their own house.

Herewith is the solution taken by the government as a cooling measure to curb speculation towards homeownership:

6.1 My First Home Scheme or Skim Rumah Pertamaku

The scheme of My First Home Scheme or Skim Rumah Pertamaku has been effective from 1 January 2012. This scheme is to help those who do not capable of having their first house. It is the scheme that is for those who are financially ready for the monthly mortgage installments but have not enough of savings money as down payment for house. The SRP will increase the house prices limit from RM220,000 to RM400,000 as announced in the Budget by Prime Minister Datuk Seri Najib Tun Razak in Parliament on 7 October 2011.

6.2 PRIMA

PRIMA is a programme that has been introduced to provide middle-income earners in cities nationwide the opportunity to own their first home costing between RM150,000 and RM300,000, depending on the location. This is to enable more Malaysians to own their first house which will be improved by increasing the income limit for individual loans from RM3,000 to RM5,000 per month or joint loans of husband and wife of up to RM10,000 per month. In July 2011, the Malaysia People's Housing (PRIMA) Bill 2011, was launched to assist low and medium income and the youth buying their first homes. This is one of the step taken by the government to ensure that everybody has the rights to own a house. Developers are currently teaming up with the PRIMA scheme, switching from high-end developments to mid-range ones to lure first time buyers with easier financing and reduced stamp duty for houses below RM400,000. Borrowers with monthly income up to RM7,000 per month qualify for the scheme. This is such a very good initiatives that made by the government to suit with the affordability of the individual.

6.3 Revision of Real Property Gain Tax (RGPT)

Speculative activities have led to limited supply of real property, especially in urban areas. To address the problem, for gains on properties disposed within the holding period of up to 3, 4 and 5 years, RPGT rate is increased to 30%, 20% and 15% respectively for citizens and company. Company will also be charged 5% for properties sold in the sixth year and later. The RPGT rate for non-citizens are 30% for properties held for one to five years and 5% for properties sold in the fifth year and later.

6.4 Shared Ownership Scheme (SOS)

The state government will offer 30% interest-free loans and households who cannot obtain sufficient financing to buy low-cost homes need only raise capital for the remaining 70%. The 30% loan can be repaid at any time or the home can remain in shared ownership where the loan is only paid off when the property is sold. (iproperty.com)

6.5 Levy

By 2014, levy is not applicable to affordable housing. Sales which are conducted within three years from the date of the signing of the SPA will get a 2% levy. Non-citizens are only allowed to buy strata-titled properties (more than RM1,000,000) and landed properties (RM2,000,000) with and added 3% levy.

6.6 Low-cost/Low-medium Cost

Those who wish to sell their low-cost (up to RM42,000) and low-medium cost (up to RM72,500) homes within 10 years from the date of the signing the SPA should appeal to the state government.

7. Conclusion

Results show that the housing price in Malaysia depends on population, demand and supply, location, physical characteristic, accessibility, developer, cost of material and income. It is also influenced by neighbourhood factors as people nowadays will likely to choose a better neighbourhood. These factors determine whether the housing price will be high or low. Developers play a big role to ensure that all the buyers need had been taken into consideration in producing a house. Developers also need to be aware of the greener lifestyle concept of a house. Security services of a housing area such as gated guarded house are very important matters that need to be considered as people tend to be more concern about their security. Future trend of house also need to be taken into consideration for the developer in providing a house.

In order to meet the demands and needs of the increasingly affluent house buyers, instead of just offering dream homes in main locations, housing developers should provide intangible benefits in the neighbourhood that are just as people's demand for today such as a sense of security, a feeling of harmony with one's surroundings, and an infrastructure which supports an eco-friendly lifestyle. For the private housing sector, the government must take a leading role to monitor property prices and take appropriate and timely measures to avoid unhealthy and unsustainable run up in property prices. One lesson of the recent financial crisis is central banks and policy makers have focused narrowly on consumer price and wage inflation and neglected to monitor and regulate asset price inflation. It is time to recognize that asset inflation (property and stocks) has posed a greater threat to financial and economic stability. The recent measure by Bank Negara to limit buyers of third property to a 70% loan to value ratio is not enough to curb excessive investment and speculation. We suggest that loan ratio be reduced to a much lower level to test the market reaction.

The government should stop the sale of landed properties to foreigners. As for non-landed properties, foreigners should not be eligible for local housing loans, unless they are permanent residents. Ultimately, the single most important thing the Government can do to help the property industry in Malaysia is to take away the burden of low cost quota from the private sector, and develop an alternative business model to provide and finance quality low cost housing. In short, the government's priority should be to put the needs of the majority of Malaysians ahead that of banks, developers, speculators and rich foreigners. Government should take action to the investors and speculators by creating a law against property insider trading. Besides, the sales system of affordable low cost housing should be more transparent and fair with priority given to the real home buyers and less corruption could took place in property selling process.

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