

Thirty-First Session of the UPR Working Group, October-November 2018

About CAPE

1. Established in the year 2013, Centre for Alternative Policies in Economics (CAPE) was formed as an independent think-tank that promotes alternative views on economic and public policies. CAPE's main objective is to become an independent research and advocacy organisation on Malaysian economic and public policies. Since its establishment, CAPE had produced articles and conducted research on various economic and public policy issues in Malaysia.

Submission to the UN UPR of Malaysia

2. This submission by CAPE to the United Nations (UN) Universal Periodic Review (UPR) of Malaysia wishes to highlight on Malaysian government's compliance with human rights obligations in recognising, protecting and realising the right to a standard of living of Malaysian citizens specifically on to the provision of adequate and affordable housing.

Right to a Standard of Living and Right to Adequate & Affordable Housing

3. Three international declarations of human rights by the UN, ASEAN and the Organisation of Islamic Cooperation (OIC), which Malaysia is a party to, affirm the right of the people to a standard of living, including but not limited to, adequate and affordable housing.
4. Article 25 (1) of the Universal Declaration of Human Rights states that: *"Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control."*
5. Article 28 of ASEAN Human Rights Declaration states that: *"Every person has the right to an adequate standard of living for himself or herself and his or her family including: a. The right to adequate and affordable food, freedom from hunger and access to safe and nutritious food; b. The right to clothing; c. The right to adequate and affordable housing; d. The right to medical care and necessary social services; e. The right to safe drinking water and sanitation; f. The right to a safe, clean and sustainable environment."*
6. Article 17 (c) of the Cairo Declaration on Human Rights in Islam states: *"The State shall ensure the right of the individual to a decent living which will enable him to meet all his requirements and those of his dependents, including food, clothing, housing, education, medical care and all other basic needs."*

The Role of the Malaysian Government in Recognizing and Realizing the People's Right to Adequate and Affordable Housing

7. Other than the three declarations mentioned above, Article 11 (1) of the International Covenant on Economic, Social and Cultural Rights (ICESCR) highlights the state's responsibility in recognising and realising the people's right to a standard of living: *"The States Parties to the present Covenant recognize the right of everyone to an adequate standard of living for himself and his family, including adequate food, clothing and housing, and to the continuous improvement of living conditions. The States Parties will take appropriate steps to ensure the realization of this right, recognizing to this effect the essential importance of international co-operation based on free consent."*
8. In Malaysia, the matter of welfare and housing falls under the purview of the federal and state governments as stated in in the Ninth Schedule of the Federal Constitution, under List III — Concurrent List of the Federal Constitution of Malaysia, which list: *"1. Social welfare; social*

Thirty-First Session of the UPR Working Group, October-November 2018

services subject to Lists I and III; protection of women, children and young persons; and 9c. Housing and provisions for housing accommodation; improvement trusts”

Unaffordable Housing

9. Previous UPR of Malaysia - The issue on ensuring adequate and affordable housing especially for the low and middle-income households had been highlighted in the first and second cycle of UPR. CAPE notes that there were measures taken by the government to overcome the issue of inadequate affordable housing for low and middle-income households, but the issue of house unaffordability seems to exist to this day.
10. Reports on house unaffordability - In the past few years, the issue of house unaffordability had been highlighted by major government-related bodies including Khazanah Research Institute (KRI) and Bank Negara Malaysia (BNM). KRI published a report called 'Making Housing Affordable'¹ in 2015 and BNM published a special section in their 2015² and 2016³ annual reports highlighting the issue of house unaffordability. CAPE further investigated on the issue and the findings based on most recent data of 2016 are presented in this report.
11. House price trend – BNM reported that between 2009 and 2014, average house prices in Malaysia rose by 7.9% in compounded annual growth rate (CAGR) terms, exceeding the growth in average household income of 7.3% over the same period. CAPE compared the growth rate of the House Price Index (HPI) and the Consumer Price Index (CPI) and discovered that from 1990 to 2016, HPI grew at a CAGR of 10.4% against 3.1% for CPI. House prices had grown at more than three times than the rate of inflation annually.
12. Median multiple as house affordability measurement - The common measure for house affordability is the 'median multiple', a measure that is being used by the UN Human Settlements Programme (UN-Habitat), a UN programme for human settlements and sustainable urban development. A measurement of three and below (< 3.0) indicates house affordability. A median multiple between 3.1 to 4.0 indicates moderate unaffordability, a median multiple of between 4.1 to 5.0 indicates serious unaffordability and a median multiple of more than five (> 5.0) indicates severe unaffordability.
13. Overall house affordability in Malaysia – CAPE's finding based on 2016 data shows that the overall median multiple level for Malaysia has hit the serious unaffordability level at 4.8 in 2016. It worsened from 4.4 in 2014, a trend that had continued for at least since 2002.
14. House affordability by income segment – CAPE's calculation based on household income group, found that only top 20% income group (with a median multiple of 1.9) can afford the national median house price. Bottom 40% income group had a high median multiple of 4.8 and unfortunately even middle 40% income group could generally not afford a median priced house having a median multiple of 4.0.
15. House affordability by strata - In terms of strata, rural dwellers are worse off with a median multiple of 7.2, a striking difference compared to urban dwellers with median multiple of 4.2. CAPE argues that low and middle-income households in urban areas are very much affected too, as they have lower median household income.
16. House affordability by state – CAPE's finding based on 2016 individual state's median household income, found that all states reported unaffordability level with Kelantan, Pahang, Pulau Pinang, Sabah and Putrajaya having median multiple figures of more than five, falling

¹ Making Housing Affordable by KRI [http://www.krinstitute.org/assets/contentMS/img/template/editor/FINAL_Full_Draft_KRI_-_Making_Housing_Affordable_with_hyperlink_220815%20\(1\).pdf](http://www.krinstitute.org/assets/contentMS/img/template/editor/FINAL_Full_Draft_KRI_-_Making_Housing_Affordable_with_hyperlink_220815%20(1).pdf)

² BNM Annual Report 2015 http://www.bnm.gov.my/files/publication/ar/en/2015/ar2015_book.pdf

³ BNM Annual Report 2016 http://www.bnm.gov.my/files/publication/ar/en/2016/ar2016_book.pdf

into the category of 'severely unaffordability'. The rest of the states fell into 'serious unaffordability' except for Labuan and Melaka than reported 'moderate unaffordability'.

17. House affordability in major cities – BNM in its 2015 Annual Report measured house affordability based on 'debt-to-income ratio' (ability to service mortgage loans using their income). They investigated affordability in all major cities including Kuala Lumpur city, Petaling, Johor Bahru and Georgetown, and found that capacity to own a house falls below the affordability level in the selected cities.
18. House affordability by ethnicity – Analysis based on major ethnicities was done by CAPE and it was found that Bumiputeras were the most affected by house unaffordability as they reported the lowest median household income level of RM4,846 a month, compared to RM6,582 for Chinese and RM5,428 for Indians. Median multiple for Bumiputeras was 5.1, 3.8 for Chinese and 4.6 for Indians.
19. House affordability by age group – In terms of age group, youths between 15 to 29 were affected the most by house unaffordability. The median multiple for age group 15 to 24 was 6.6 and for age group 25 to 29 was 5.0. CAPE found that 2014 to 2016 CAGR of median house price was 11% while the growth of youths' salary aged between 16 to 29 increased up to only 4.9%.
20. Underestimation of median multiple – CAPE argues that the actual calculation of median multiple might have underestimated the level of unaffordability as household debts have not been accounted for. Big portion of the population are trapped in high household debts, reducing their disposable income in buying a house. Additionally, with the constraint on disposable income, the basic requirement of 10% down payment made it almost impossible for them to own a house, another hurdle for the people to own a house.
21. Expenditure burden – As house prices remain high, spending power and expenditure for low and middle-income households were very much affected. Even if they were able to own a house, housing expenditure becomes a burden for them. For households at the very left end of the income scale who earn below than RM500 a month, expenditure on housing and utilities comprise about 40% of their total expenditure whereas only 20% for households earning RM5,000 and above as BNM reported⁴.
22. Housing supply - BNM in its 2015 Annual Report stated that the gap between the housing stock and the number of households widened to 2.5 million units in 2015 from 2.1 million units in 2005. KRI highlighted that composition of residential units of below than RM250,000⁵ for both existing and newly launched houses had been trending down in the past decade. Houses priced between RM250,000 to RM1,000,000 seemed to dominate the residential market, leaving limited housing options for most low and middle-income households.

Issues with Existing Housing Programmes

23. CAPE wishes to highlight that the provision of adequate and affordable housing should consider the criteria set in General Comment No. 4, of the Committee on Economic, Social and Cultural Rights (CESCR), on the Right to Adequate Housing that: *"The Committee believes that it is nevertheless possible to identify certain aspects of the right that must be taken into account for this purpose in any particular context. They include the following: a) Legal security of tenure; b) Availability of services, materials, facilities and infrastructure; c) Affordability; d) Habitability; e) Accessibility; f) Location; and Cultural adequacy."*

⁴ https://www.bnm.gov.my/index.php?ch=en_publication&pg=en_papers&ac=37&bb=filea

⁵ Based on 2014 median annual income of RM55,020, the maximum house price to be considered affordable is RM165,060. Based on 2016 median annual income of RM62,736, the maximum house price to be considered affordable is RM188,208.

Thirty-First Session of the UPR Working Group, October-November 2018

24. Other than inadequate supply of low-cost houses⁶, CAPE wishes to highlight that the conditions of many existing low-cost houses especially in the urban areas are very poor and do not comply with the criteria set by UN CESCR. Many of these low-cost houses have unsafe environment, and have poor maintenance of services, materials and infrastructure. There have been many cases reported on the poor and unsafe environment^{7, 8, 9, 10} and substandard maintenance of facilities and infrastructure^{11, 12, 13, 14 15} of these low-cost houses. A recent case involved the life of 14-year-old Satishwaran Sathiasilan who was hit in the head by an office chair that was thrown out from a unit many floors above¹⁶. For such case, it is argued that the main factor is due to the lack of infrastructure^{17, 18, 19} and is a real proof of an unsafe environment for the people residing.
25. Another point worth highlighting is the poor state of welfare and health of low-cost flat residents in the urban areas. A recent study published by UNICEF²⁰ reported on the poor condition of the children living in low-cost 'Projek Perumahan Rakyat' (PPR) flats in Kuala Lumpur. Though the national poverty rate was less than 1%, 99.7% of the children in low-cost flats lived in relative poverty with 7% in absolute poverty. It was also reported that many of these children faced malnourishment and are behind in terms of school enrolment.
26. For middle income households, they are restricted by regulation to access low-cost houses. The fact that supply of middle-cost houses had been trending lower especially for new residential property launches, there had been very limited options for middle-income households in buying a house that they can afford. The government had introduced a few affordable housing programmes targeting at middle-income households, but it is argued that these houses are way above the affordability level of the population^{21, 22}. It was even reported since the introduction of PR1MA, there were only about half of total open units for sale were sold as at November 2017^{23, 24}. In the case of affordable houses built by private developers on the other hand, there has been a mismatch between the location of demand and the supply of these houses as they are built quite a distant from the business centres²⁵.

⁶ <https://www.thestar.com.my/metro/community/2015/05/06/housing-the-citys-poorest-the-lowincome-earners-in-kuala-lumpur-are-badly-affected-by-the-severe-hou/>

⁷ <https://asiancorrespondent.com/2018/03/child-poverty-malaysia-kl/#bYp68eLmPUawzKDL.97>

⁸ <http://www.themalaymailonline.com/malaysia/article/this-is-what-public-housing-looks-like>

⁹ <https://www.themalaysianinsight.com/s/35691/>

¹⁰ <https://www.malaysiakini.com/letters/346067>

¹¹ <https://www.thestar.com.my/metro/metro-news/2017/09/30/flats-residents-up-in-arms-over-poor-maintenance/>

¹² <http://www.themalaymailonline.com/malaysia/article/attend-to-our-needs-first-residents-tell-dbk>

¹³ <http://www.thesundaily.my/node/361674>

¹⁴ <http://www.freemalaysiatoday.com/category/nation/2016/08/17/the-unfortunate-tale-of-ppr-dwellers/>

¹⁵ <http://www.themalaymailonline.com/malaysia/article/serious-maintenance-problems-at-ppr-houses-and-flats-in-selangor-says-noh>

¹⁶ <https://www.themalaysianinsight.com/s/32852/>

¹⁷ <http://www.themalaymailonline.com/malaysia/article/why-poor-flat-dwellers-simply-throw-trash>

¹⁸ <https://www.themalaysianinsight.com/s/32896/>

¹⁹ <https://www.themalaysianinsight.com/s/35970/>

²⁰ Children Without: A study of urban child poverty and deprivation in low-cost flats in Kuala Lumpur by UNICEF, <https://www.unicef.org/malaysia/FINAL-REPORT-1.pdf>

²¹ <http://www.thesundaily.my/news/2017/11/21/pr1ma-not-track-objectives>

²² <https://www.themalaysianinsight.com/s/23876/>

²³ <http://www.thesundaily.my/news/2017/11/21/pr1ma-homes-out-reach-average-malaysian>

²⁴ <http://www.thesundaily.my/news/2017/11/21/overhang-pr1ma-units-calls-review-approach>

²⁵ <https://themalaysianreserve.com/2018/02/20/unsold-properties-rise-locations-affordable-units/>

Conclusion

27. On the demand side, it has been challenging for majority of the population to access affordable houses as their income have not been able to keep up with the growth of house prices.
28. The main reason for the unaffordability of houses in Malaysia though, has been due to the mismatch of house supplies to the increasing demand for low and middle-cost houses especially in urban areas. There has been inadequate supply of affordable houses by both Government-Linked Companies (GLCs) and private developers.
29. Apart from unaffordability, the quality of the completed houses and that are being built do not comply with the criteria of housing right set by the UN CESCR, that ensures: security; availability of services, materials, facilities and infrastructure; habitability, accessibility, location; and cultural adequacy.
30. CAPE proposes that policies to be taken by the government should be able to address the root causes of the issue and be able to focus on the most affected groups including rural dwellers, urban low and middle-income households, Bumiputeras and youths.

Recommendations

1. For the government to introduce a comprehensive set of policies to enhance the income of households, as well as to reduce their burden in terms of cost of living, especially for the most affected groups including rural dwellers, urban low and middle-income households, Bumiputeras and youths.
2. For the government to introduce measures in improving the access to finance in buying a house for the most affected groups, without jeopardising the aggregate level of financial stability.
3. For the government to address the inadequate supply of affordable houses by incentivising GLCs and other private developers to build more and enough supply of affordable houses.
4. For the government to facilitate and encourage the property construction industry in using innovative and more cost-efficient methods of construction.
5. For the government to ensure that all housing programmes comply with the criteria set by the UN CESCR especially for low and middle-cost houses.