

Urbanisation, Internationalisation and Access to Housing

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Abstract

The South Johor Economic Corridor, Iskandar Malaysia, was established in 2006 as an economic region to propel the economy of Malaysia. Taking advantage of its strategic location within the growth triangle of Indonesia, Malaysia and Singapore and situated along the busiest east- west shipping route, Iskandar Malaysia positioned itself as an “international city. Many policies and initiatives were formulated to make it attractive to foreign investors. In addition Iskandar Malaysia also facilitates property ownership by foreigners. As a result, Iskandar Malaysia is rapidly urbanizing. Many new urban centres emerged and created a strong demand for real estate. Activities in the property market have increased tremendously both in terms of volume and value of properties. The number of foreign ownership has also steadily increased. Iskandar Malaysia is successful in attracting foreign direct investment, where it ranked first in 2012 as the favourite destination for foreign investment in Malaysia. Foreign direct investment in Iskandar Malaysia has also superseded its initial target of RM 60 billion.

With all the success story of Iskandar Malaysia, this paper attempts to look at access to housing by the local households earning median income and below in the primary market. It examines the response of the property market in the light of the influx of foreign funds. The residential property development and transactions trends, price and its location will be examined. The data on new housing supply will be analysed to see trace of any biasness in the development decisions. The group that will be affected most in the current scenario will also be highlighted. The Johor housing policy, the Johor foreign ownership policy and their implementation will also be discussed.

The research will be based on primary data on property transactions and new housing supply recorded at the Valuation and Property Services Department, Ministry of Finance Malaysia. Data on the implementation of affordable and low cost housing policy will be gathered from the State Economic Planning Unit. Interview will be carried out with bankers to study on the impact of prudent lending guidelines on the access to housing.

The research will conclude about the current situation on access to housing by the local households earning median income and below, amidst the internationalization policy.

Keywords

Internationalisation, access to housing, housing policy, housing finance policy, property market, foreign ownership.

1.0 INTRODUCTION

Access to housing for the mass workers has always been a key issue in a rapidly urbanizing area. Iskandar Malaysia is no different. The problem is magnified with its internationalization strategy, rather lax foreign ownership policy and the proximity to a land scarce but economic power-house neighbour, Singapore. The establishment of Iskandar Malaysia as an economic region and its strategy to attract foreign direct investment to encourage economic growth bring about a lot of optimism to many. It means opportunities in terms of employment, businesses, developments or investments. Indeed Iskandar Malaysia has been successful in attracting FDI. To date it has approximately RM 131.64 billion investment from FDI and is the top FDI destination in Malaysia. As a result it has led to increased inward migration, with the attendant effect of increased demand for real estate, rising land prices and shortage of development land in the centers. The establishment of Iskandar Malaysia are largely aimed at promoting economic growth but the promotion of equity and wealth sharing, access to housing appears not to be in tandem. This raises the issue of access to housing for the local households.

This paper attempts to investigate access to housing in the primary market by the local households earning the median income and less amidst the internationalization strategy to promote economic growth. Access to housing is looked at both in the context of house price as well as mobility, i.e. distance to place of employment. To arrive at the answers, evidence is sought from the residential property market. It examines the residential property transactions of newly launched projects by housing developers in particular the house price, house-type, location of the property and the new housing supply situation. The research will rely on primary data on residential property transactions and new housing supply recorded at the Valuation and Property Services Department, Ministry of Finance Malaysia. Market data from 2005, prior to the establishment of Iskandar Malaysia till 2013 will be examined.

2.0 BACKGROUND

2.1 About Iskandar Malaysia

Prior to the establishment of Iskandar Malaysia, around 70 percent of Johor economy was already centred in South Johor. This is attributed to two natural advantages that are endowed to this region viz. its strategic location and accessibility. In fact, these are the two basic traits of a successful traditional cities like Shanghai and Singapore. The establishment of Iskandar Malaysia in 2006 as the South Johor Economic Corridor is

to boost the economy of Malaysia through its internationalisation strategy viz. participating in and tapping the international markets. Many initiatives were launched to make it attractive to the foreign investors.

Iskandar Malaysia is strategically located at the southern tip of peninsular Malaysia, in the State of Johor. It is bounded by coastal line on the east, west and south; and situated along the world's busiest east-west shipping routes, midway between two booming economies, India and China. Its immediate neighbour, Singapore, is located some 11 km away and it is centrally located in the Indonesia–Malaysia – Singapore growth triangle.

It is readily accessible and with excellent connections by road, sea and air. It can boast of three world class sea-ports and an international airport. The port of Tanjung Pelepas, located on the western gate is one of the fastest growing ports in the world, the Port of Johor is situated on the eastern gate, is ranked seventh in the world by the London Metal Exchange and the Port of Tanjung Langsat, also on the eastern gate, is a speciality terminal, handling bulk cargo such as liquefied petroleum gas (LPG) and dangerous chemicals. The Senai International Airport with its passenger terminal and air cargo logistics facilities adds to its global connectivity. On land it is served by rail as well as excellent road networks.

The Malaysian government sees foreign investment as a powerful force for the continued economic growth of the country. Capitalising on the locational advantage, the Government moved to designate Iskandar Malaysia as a unique investment area to attract FDI. This move is a response to the challenge presented by the trade and services liberalization. It is realized that the nation's economic well-being and sustainability will be very much dependent on its ability to compete globally. Iskandar Malaysia is hence positioned as an international city, where the move to liberalise and remove investment restrictions is taken. This includes reducing trade barriers, increasing human mobility and international financing, which greatly influenced the activities of international giant corporation (Iskandar Regional Development Authority, 2008). Both the Federal and state government play a major role in facilitating the creation of an investor friendly environment via immigration, tax, education and liason with the local authorities. Huge public infrastructural investments were made to enhance the existing infrastructure and construct new ones.

2.2.3 Foreign Direct Investment

The strategy for Iskandar Malaysia is to attract FDI in areas that will enhance Malaysia's competitiveness, particularly in the service sector where Malaysia is able to excel in. The service sector identified are in the areas of creative media, educational, healthcare, logistics, tourism, financial advisory as well as consulting. The national policy of economic concentration backed by economic stability and growth; improved macro-economic condition; incentives for foreign investors; and private and public infrastructure investments have made it most attractive destination for FDI. For the year 2013 FDI in manufacturing alone is RM 14.4 billion. This is double the FDIs in 2006 which stood at RM 7.7 billion. As at 31 December 2013, total FDI in Iskandar Malaysia accumulated is approximately RM 131.64 billion. Iskandar Malaysia has become the number one destination for FDI in Malaysia for two consecutive years.

Iskandar Malaysia also attracts foreign direct investments in real estate sector, with Singaporean forming the majority whilst other nationals include Chinese, Taiwanese, Japanese, British, etc. To serve the international population, the urban landscape and composition is fast changing especially in the area known as Nusajaya. New high quality residential developments with new concepts and designs can be seen. Nusajaya has turned into an educational hub for the region where private schools, international schools, private colleges and universities are centred. Many new private hospitals are opened and Iskandar Malaysia has turned into a health haven for many overseas patients seeking medical services. At the same time the tourism industry is also flourishing with attractions like Premium outlets, Legoland, Puteri Harbour Theme park as well as nature parks.

2.2.4 Population and Income

Iskandar Malaysia has a population of 1.7 million. This represents about 51% of the population of Johor. Annual growth rate since the establishment of Iskandar Malaysia is 6.1% per annum. The number of household is 393,647 and the median income is RM 3,650 (DoS,2012) Unemployment rate is 3.6 percent. The age group 30-39 is the most dominant group in the new housing market. This represents about 16 percent of the population. Another 22 percent is expected to be coming into the property market in about 1-5 years.

2.2 Johor Housing Policy and Foreign Ownership Policy

2.2.1 Johor housing Policy

Provision of housing in Malaysia is private - led. This includes the provision of affordable housing which the government enforced through its housing policy. The low-cost housing component of 40 percent has been imposed in every new housing development well before the present New Housing Policy is enforced. However, it was weak in implementation where in 2013 it was found out that 47,209 low-cost and medium low cost houses that were required to be built as the condition of approval were not built. The major issues raised by the developers were the controlled price of the low cost components were too low and that it was not possible to deliver the housing units at that price. This has led to the revision of the housing policy in 2013 where the components as well as the price were amended. The low cost component is rebranded to Johor Community Housing, and is priced between RM42,000 to RM 80,000, shall constitute 25 percent of every new development. A new component called affordable housing priced at RM150,000 is introduced. This shall constitute 10 percent of new development. The medium low cost shop is priced at RM170,000 and shall constitute 5 percent of the new development. However, under the new policy, housing developers are allowed to waived this condition and in lieu of the community housing that they have to build, they have to either pay RM40,000 and build affordable housing or surrender their land and pay RM40,000. The penalty imposed will be deposited in a fund to be managed by Johor Housing Board for the purposes of building low cost houses. To date many developers have opted to pay the RM 40,000 and it is estimated that the amount accumulated is amounting to almost RM 1 billion within one year of its implementation. It has also strengthened the enforcement mechanism through the issuance of certificate of completion and compliance, where such certificate will not be issued until the low cost component is built. To date the Johor Housing Board Enactment is yet to be passed by the State Assembly and the effectiveness of the proposed solution is yet to be seen.

2.2.2 Foreign Ownership of Property Policy

Prior to 1985, Malaysia as a whole adopted a liberal policy with regards to foreign ownership of property, i.e. there were no restrictions in terms of nationality. In 1985, after a series of discussion on the impact of hot money from abroad in the property market, it was seen as a requirement to protect the citizens and to enable them to purchase land as this enormous in-flow of money, particularly, in Johor Bahru (part of Iskandar Malaysia) had caused property prices increased beyond control (Adibah,

Awang, 1992). The law to impose restrictions on foreign ownership of properties was first introduced in 1985, repealed in the following year, and then reintroduced in 1992.

In spite of such restrictions, property prices in Iskandar Malaysia have risen tremendously. The Government concludes that the influx of capital from foreign investor as a result of business friendly policies and tax incentives given to foreign company and corporation to set up their businesses in Iskandar region contributed to the substantial increase of property prices beyond the affordability of the average local households. This has led to the Johor State Government, in 2014, to review the property ownership policy by foreign buyers. For residential properties, the Government increases the threshold to RM1 million and above. A quota is also set to limit foreign acquisition in new housing development. 20 percent is set for terrace house and cluster house, 30 percent for semi-detached and detached and 50 percent for apartment, service apartment and holiday home. The quota is applicable to first sales from developers to buyers. To beat the policy, developers transfer their new housing to subsidiary companies, making the subsequent sales falls under the secondhand category. There is also a tendency to build more apartment/ service apartment and holiday homes as the quota for foreign purchaser is higher. These are sold at a higher price to meet the threshold selling price of RM1,000,000. Although the policy for ownership of properties by foreign nationals is to limit the ownership by foreign nationals, property developers of new development still can seek for a waiver to this policy. Under the current ruling, developers seeking waiver have to pay a certain percentage of the gross development value of the units that they sought for release to the foreign nationals. To date there a number of developments that have sought for waivers were given approvals and then market their developments to the international community. The foreign ownership policy is not totally embracing and far reaching as there is a way out for the developers to target only to the international communities.

3.0 THE ISSUE

The establishment of Iskandar Malaysia as an economic region and its strategy to attracts foreign direct investment to encourage economic growth brings about a lot of optimism to many. It means opportunities in terms of employment, businesses, developments or investments. Indeed Iskandar Malaysia has been successful in attracting FDI, which mean large inflow of foreign fund. As mentioned above at the end of 2013, it has approximately accumulated RM 131.64 billion worth of investment from FDI and is the top FDI destination in Malaysia. As a result it has led to increased inward migration, with the attendant effect of increased demand for real estate, rising land prices and shortage of development land, particularly in the central area.

The question is how does the property market response to this scenario? In terms of supply, what tendency do the developers show in terms of types and prices? Does the property industry caters for the household earning median income and below, or are they selective and targets the upper income group? Do these households get squeezed out from the housing market?

The scope of this paper is access to housing for households earning median income and less, with accessibility to place of employment within reasonable time.

4.0 DEFINITION - ACCESS TO HOUSING

Access to housing is not merely about affordability. Access to housing is tied up to affordability and mobility. A commonly accepted measure or indicator for affordability is the ability for any urban household to be able to rent a dwelling for less than 25 percent of its monthly income, or to buy one for less than three times its yearly income. This is in line with the measure of affordability by World Bank.

Urban planners have also argued that residential location must be tied to mobility. A location that requires a long time travelling to the place of employment has not much value to households, even if it is theoretically affordable.

5.0 LITERATURE REVIEW – INTERNATIONALISATION AND THE PROPERTY MARKET

Internationalisation is the process of leading to identifying and entering international markets. Studies have shown that FDI are drivers to this process where it acts as an inroad to the international market arena (Nunnenkamp, 2002; Makki and Somwaru, 2004). According to a study by Clark (2010) on Open Cities initiatives, there are many economic grounds for cities to go international. As many of the nations' economic performance are contested through international competitions, cities, therefore, seek opportunities to serve international companies, sectors and markets and be part of a progressively more sophisticated international economic value chain. The motivation for internationalization includes widening participation, injecting fresh blood into the economy, making international connections and raising global profile. It also allows a country to tap excellence across the globe, creating better jobs and technology transfer. Hence, internationalization strategy appears to be the right move for nations, as merely allocating resources and focusing on trade to serve national economy in the present time is no longer sustainable or productive.

Several factors are known to have positive influence on FDI. This includes ownership, location and internationalization. Ownership advantage influences benefits of FDI. Location advantage determines how best to attract FDI. In addition it must be supported by appropriate government policies to support internationalization, such as reducing trade barriers, increasing human mobility and tax incentives. According to a study sponsored by British Council there are a variety of measures that cities took when participating in international arena. Top of the measures is to upgrade existing infrastructure, transportation system as well as to construct premium digital and connective infrastructure. It is observed that in Iskandar Malaysia have in place the relevant policies of internationalization and supported by huge public infrastructural investment.

Studies have shown that foreign funds have significant impact on the property values. In a study on the impact of foreign ownership on the values of U.S. commercial properties by Redman and Gullet (1998) it was found that the buying of commercial properties by foreign investors not only influenced the property values, but also the type and building size, capitalization rate, expense growth rate, and occupancy rate. Green and Bentley (2014) observe that in central London, new-build is dominated by interest from overseas. Although the foreign buyers are mainly interested in costly central area, the impact has sent ripples to the suburbs and beyond. This competition has marginalized the even relatively well-paid young people wanting to buy a home in London. Many people in London find it necessary to pay half or more of their income in rent. There are significant social consequences arising from this. Likewise in Australia, the wave of foreign capital in major cities, such as Sydney, has caused the first-time home owner to be sidelined. A study in 5 ASEAN countries, reveals FDI in real estate is an important element in host country economic growth (Nurul Afifa, et al).

The international populations in a city provide the man power and talent to nourish the city with high quality and diverse skills. Cities therefore need to strategise to keep these talents. International metropolis that provides a good environment can attract and keep these talents. This includes providing the right quality and scale of real estate as global residents want to access the richness of a cosmopolitan society. It also means that in order to attract more foreign funds, the city will have to create the right environment, i.e. a vibrant and a high quality living, and continuously improve the environment.

6.0 RESEARCH METHODS

The focus of this research is access to housing in the primary market for household earning median income and less in Iskandar Malaysia amidst rapid urbanization and internationalization strategy. Primary market is chosen because this is a source of supply

for new housing. This is a descriptive research, and it involves looking at the evidence from the property market. The overall property market outcomes during the pre and post establishment of Iskandar Malaysia are investigated. Data on land conversion or land release is examined. The average property price per year is analysed to establish the price trend. On the demand side, actual number of affordable housing transaction is captured while on the supply side, data on new plan supply and new housing supply and its location is examined. The research will be based on primary data on property transactions recorded at the Valuation and Property Services Department, Ministry of Finance Malaysia and new plan supply data gathered by National Property Information Centre. Data on the implementation of affordable and low cost housing policy will be gathered from the State Economic Planning Unit

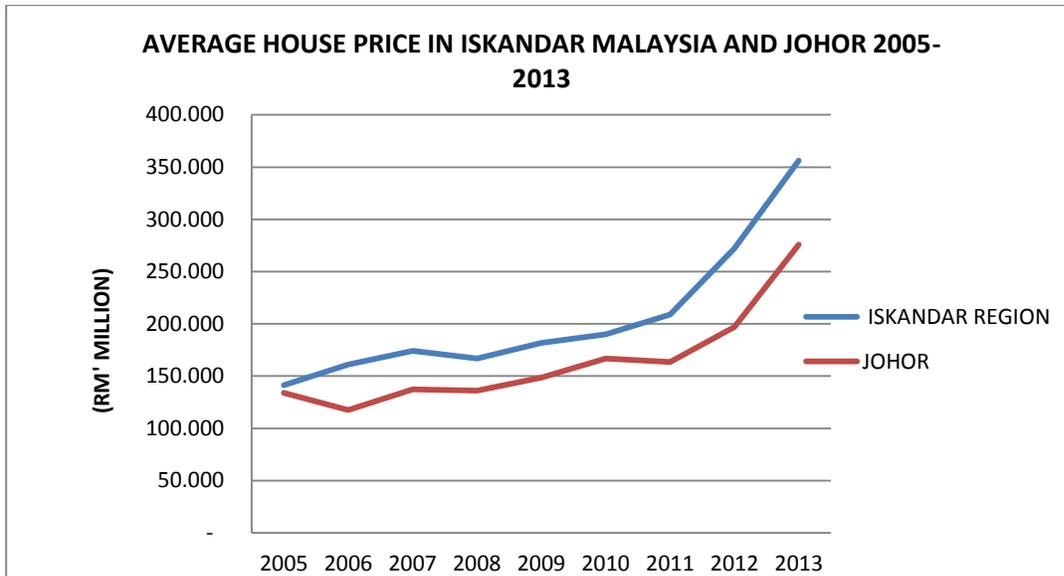
7.0 FINDINGS- THE MARKET EVIDENCE

The establishment of Iskandar Malaysia witnessed the continuous expansion of Johor Bahru and Kulaijaya district . Approximately 7, 200 hectares of green-field site were converted to housing development land (Naptic, various years). This shows the market optimism and the confidence that demand for houses in Iskandar Malaysia is sustainable. Huge demand for land has impacted on the land prices and property values in the core-built-up areas and the fringes of the city.

7. 1 The Iskandar Malaysia Property Market

About 60 percent of the total property transactions in Johor are in Iskandar Malaysia. The residential sector is the leading sector. As shown in Figure 1, since the establishment of Iskandar Malaysia, the residential property prices have shown an upward trend. The period between 2010 to 2013 in particular shows a rather sharp increase in the property value. The average annual increase in residential property prices in Johor over the period of 2010-2013 is 16.34 per annum, while in Iskandar Malaysia the increase is 23.5 percent per annum. This sharp increase in price is unprecedented.

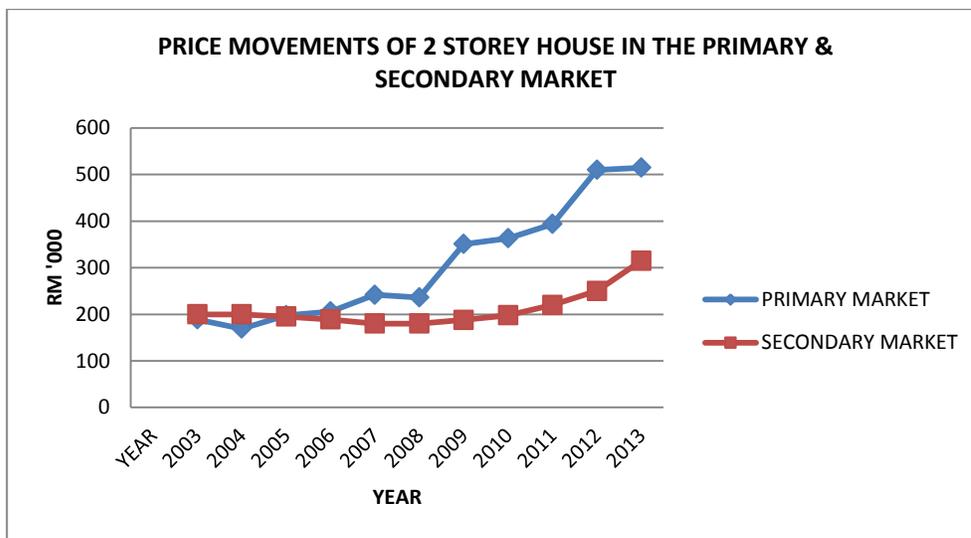
Figure 1.0 Average House Price in Iskandar Malaysia, 2005-2013



Source: JPPH (2005-2013)

Figure 2.0. below shows the movement of median prices in the two markets over the period of 10 years. Between 2003 to 2005, the price movements in the two markets appear to be the same. In 2006, after the establishment of Iskandar Malaysia, slight variation in the price movements can be seen. Marked difference in the movement of median prices in the two markets can be seen from 2009 onwards. However, both the markets show an upward trend in the price movement. This suggests that the establishment of Iskandar Malaysia as an economic corridor begins to impact on the housing market. The internationalization of Iskandar Malaysia offers investment opportunities in the housing market. The annual average change for the period 2003 to 2013 is 17.2 percent in the primary market. On the other hand, the price movements in the secondary market appear to be slow and gradual. The average annual change in the secondary market over the same period is 2002 to 2013 is 5.8 %. The shortage of supply in the primary market has impacted the price in the secondary market. From 2009, the difference in the median price of 2 storey terrace house in the primary and secondary market is more than 60%.

Figure 2.0 Price Movements of 2 Storey House in The Primary and Secondary Market



Source: JPPH(Primary Data)

7.2 Residential Property Transactions

Residential property transaction in the new housing market within the period 2005 to 2013 are analysed according the various price segments. As shown in table 1.0 below, the most commonly transacted residential property in the period of 2005-2013 is in the price segment RM100,000 - RM199,000. This indicates the demand and affordability for most household is within this price segment. In 2005, the number of houses transacted in this price segment is 2382 units. However, in 2013 the number of transactions in this price range reduced significantly as the supply reduces. In terms of location, the houses in this price range are located further away from the centre. It would mean the purchasers would also incur extra expenses for transportation.

Table 1.0 Residential Property Transactions According to Price Segments

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

Source: JPPH(Primary Data)

7.3 Supply

7.3.1 Newly Launched Houses

Supply data comprises newly launched data and new plan supply. These data will indicate the developers inclination and preference in developing new projects. Newly launched data refers to the start of marketing activity of a housing project. Most of the times the physical construction has not begun and the sale is effectively off the plan. From 2010 onwards, the number of houses in the higher price range launched increased significantly. Houses priced above RM1,000,000 also increased significantly. This shows the market targets at the upper income level. In terms of the types of development, the trend shows that the gated community and luxury condominiums with up market facilities are being built. This is to cater for the international taste and preference with higher disposable income.

Table 2.0 Price Range of Newly Launched Houses in Iskandar Malaysia, 2005-2013

PRICES 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
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	10,300	11,974	6,874	8,393	6,526	12,997	14,353	7,665

Source: JPPH(Primary Data)

7.3.2 New Plan Supply

The above trend is expected to last for a little bit longer. Based on data on new planned supply in Table 3.00 below, it can be expected that the new housing that will come into the market in the near future is the higher-end category namely the service apartment and condominium. New plan supply refers to those units with building plan approvals each year. It is worrying to see that the number of new plan supply in the lower end category is almost disappearing from the market scene. Although the Johor Housing Policy requires that all new housing developments require the low cost component, such provision does not cover the service apartment. This is because service apartment is categorized as commercial, thus does not need to comply with such provision. In effect this is used as residence. Furthermore the quota for ownership of properties by foreign nationals in respect of service apartment, holiday homes and condominium is 50 percent. This policy shapes the decision on types of development by developers in the midst of high land costs and effective demand for foreign nationals. For developments with low cost components, the timing of the development is up to the developers. Usually, it is after the higher end houses have been build. At the time of writing this paper the effect of the new enforcement mechanism is yet to be seen.

Table 3.0 New Planned Supply in Iskandar Malaysia According to House Type, 2005 - 2013

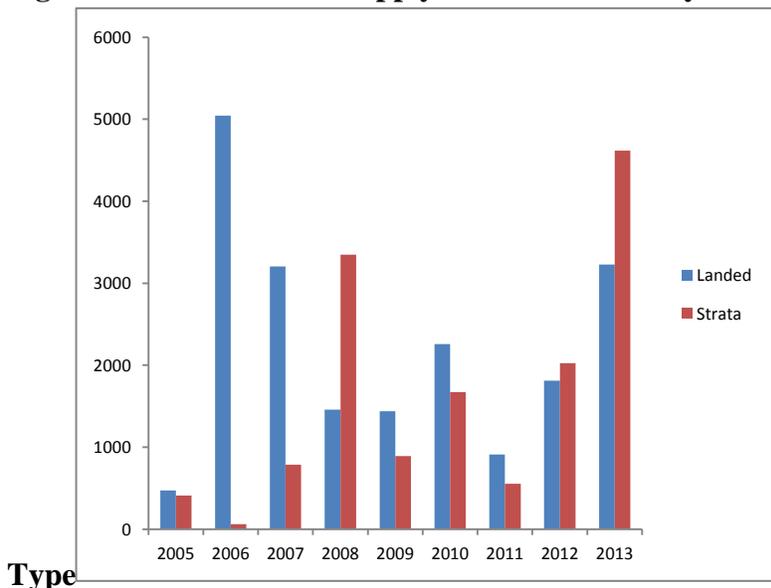
CLASSIFICATION	HOUSE TYPES	2005	2006	2007	2008	2009	2010	2011	2012	2013
Lower-end	Low-Cost House	0	0	0	0	0	0	0	0	102
	Low-Cost Flat	268	0	120	710	0	0	0	0	0
	Flat	0	0	488	0	0	0	0	178	0
	Single-storey Terrace House	1928	567	894	387	784	340	168	93	60
TOTAL		2196	567	1,502	1,097	784	340	168	271	162
Medium-End	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		2,609	4,149	1,945	526	574	1,033	613	1,403	1,865
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/Apartment	140	60	180	the 0	0	1,230	0	336	1,634
TOTAL		325	388	545	3179	973	2556	685	2161	5922

Source: JPPH(Primary Data)

As shown in Figure 3.0 below the future supply will be dominated by strata properties, such as condominium and service apartment. These type of developments are usually equipped with facilities like gymnasium, swimming pool, club house, cafeteria, covered parking, general area cleaning and security and are generally preferred by the internationals.

Figure 3.0 New Planned Supply In Iskandar Malaysia According to Landed and Strata



Source: JPPH(Primary Data)

7.4 Most Affected Groups

Analysis of the house-buyers in the primary market in the period 2005 to 2013 in the Iskandar Malaysia reveals that the dominant group in each year is the age group 30-39. This group also represents 38 percent of the workforce. As shown in Table 1, this group represents 48% of the total purchasers within this period. This suggests that the majority of the new entrants to the primary market is in the age group 30-39.

Table 4. 0 Purchasers According to the Age Group 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%

Source: JPPH(Primary Data)

Further analysis on the type of property purchased by this group reveals that, close to 60 purchased houses priced below RM199,000.00. This reflects the affordable level by the majority of this group. As can be seen from the table below the number of houses in price segments of RM199,000 and below bought by this age group are falling down. In 2005, there 1992 units of new housing bought and in 2013 the number goes down to 218. This is a reduction of 89%. This reflects the supply and availability of this housing segment in the market.

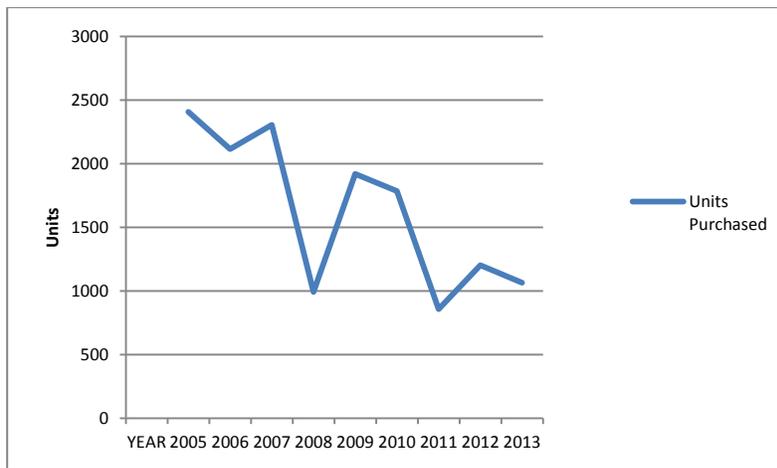
Table 5.0 Transactions of New Housing According According To Price Segments

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
Total	2870	5709	3255	1464	1347	14645
%	20%	39%	22%	10%	9%	1

Source: JPPH(Primary Data)

The purchasing trend of this dominant group shows a downward movement as shown in Figure 4.0 below. In 2005, there are about 2407 persons in this age group participating in the new housing market. However in 2013, it declined by 44% to 1064 persons. This suggest as the average house in Iskandar Malaysia goes up drastically, less number of houses priced RM199,000 and below becomes available. The higher priced houses are beyond their means. Thus more and more people in this age group get pushed out of the housing market.

Figure 4.0 Purchasing Trend of Dominant Age Group (30-39)



7.5 Access to Housing

The price of new housing available in the primary market are then compared with each income class, as shown in the table 6.0 below. With median household income is RM3650.00, based on the median multiple principle, the affordable price for half the population would be around RM131,400 and below. However, the affordable price for each income group earning the median income and below is between RM36,000 to RM 131,400. The affordable price for those income group earning median income and above up to RM9,999 is from RM131,4001 and above.

Table 6.0 Access to Housing for Households Earning Median Income and Less

Income class (RM)	Percentage distribution of Income Class	Affordable House Price According	Market Supply of New Housing

	(%)	to Income Class (RM)	According to Income Class 2013 (units)
<i>999 and below</i>	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

Based on the market evidence, the supply of new houses for those earning median income and less is negligible. The developers target their development to the group with high purchasing power. The types of developments indicate the preference of international community. Thus, new entrants earning median income and below is squeezed out of the primary housing market.

8.0 CONCLUSION

Based on the market evidence, new residential developments have the tendency to tailor or align to the needs of groups linked directly and indirectly to global capital. There is growing trend toward a high quality lifestyle, adapting foreign designs, architecture and concepts, as well as importing building materials due to meet their tastes of preferences. Private real estate developers have consistently targeted middle and upper classes residents of Iskandar Malaysia. As a result, house prices have increased sharply beyond the affordability level of most people. The supply of new houses in the middle category range is also being pushed out of the city. Although the Johor Housing policy and the Foreign Ownership policy are in place, there are loopholes which developers the developers are taking advantage of. Unless further steps are taken, the local residents, especially those household earning median income and below will be squeezed out of the housing market.

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