

## Economic Factors Affecting Housing Affordability in Malaysia

Norazmawati Md. Sani\*

School of Housing, Building and Planning, Universiti Sains Malaysia, 11800 USM Pulau Pinang, Malaysia.

**\*Corresponding Author**  
Norazmawati Md. Sani

School of Housing,  
Building and Planning,  
Universiti Sains Malaysia,  
11800 USM Pulau Pinang,  
Malaysia.

### Article History

Received: 21.06.2024

Accepted: 05.07.2024

Published: 13.07.2024

**Abstract:** Several economic issues that are sensitive to fluctuations in exchange rates, environmental changes, and variations in the regional and worldwide economies, affect how affordable housing is in Malaysia. These determinants include Property Prices (PP), Household Income Level (HIL), Interest Rates (IR), Cost of Living (CoL), Housing Supply and Demand (HSD), types of jobs, housing policies, etc. This study investigates the economic elements that affect Housing Affordability (HA) in Malaysia. This study employs a survey report to derive data on HIL, vital requirements, and Household Expenses (HE) for 2019. The data was selected after employing the purposive sampling technique. The data was analysed using qualitative methodologies. The findings highlight five significant economic variables affecting HA in Malaysia, namely HIL, PP, IR, CoL, and HSD. Thus, in Malaysia, a household's ability to purchase a home is determined by HIL, PP, and CoL. This study showed that stakeholders and policymakers need to pay a lot of attention to the above elements to certify that everyone, irrespective of their HIL or circumstances, has an equal opportunity to access Affordable Housing (AH) in Malaysia.

**Keywords:** Economy factors, housing affordability, household expenses, property prices, income level, property price, purposive sampling.

### Cite this article:

Norazmawati M. S., (2024). Economic Factors Affecting Housing Affordability in Malaysia. *ISAR Journal of Arts, Humanities and Social Sciences*, 2(7), 40-47.

## INTRODUCTION

Finding an affordable home is difficult and is dependent upon several financial factors. This section examines how financial issues, such as salary, job stability, the cost of borrowing money, and government policies, interact together and influence Housing Affordability (HA). A person's ability to acquire a decent home is greatly influenced by their financial state. If there are significant income disparities or salaries do not increase significantly, it may be more difficult for people to acquire an affordable house. The amount of money that an individual will be paid is proportional to the amount that they can receive and the minimal amount that they would willingly accept (Lukas et al., 2024).

Furthermore, the cost of borrowing money (such as for a mortgage) is significant. If these expenses fluctuate significantly, houses could become affordable or not. Some people, particularly those with home loans, perceive debt negatively. There are 2 forms of debt: good debt, such as investment loans, and bad debt, such as housing loans (Aaron, 2024). The government also influences how simple or difficult it is to identify Affordable Housing (AH). They may offer tax benefits, financial assistance, or set guidelines for where houses are erected. These factors influence whether there is adequate AH.

Gabriel (2018) suggested that the government needs to provide subsidised AH to ensure that city dwellers can afford to own a home. Furthermore, broader financial indicators such as the rate of inflation and the employment rate also influence the simplicity or challenge of obtaining a property. In the following

section, the researchers will investigate the above money concepts to determine how they operate together. This enables people to make informed decisions that ensure everyone can acquire a nice home if their financial situation changes.

This is a comprehensive research study that investigates the economic determinants influencing HA in Malaysia. The emphasis is on determining how various money-related factors influence people's capacity to purchase a house. The explanation seeks to broaden our understanding of the topic by synthesising different results. HA can be greatly influenced by economic parameters like Property Prices (PP), Household Income Level (HIL), Interest Rates (IR), Cost of Living (CoL), and Housing Supply and Demand (HSD).

### HOUSEHOLD INCOME LEVEL (HIL)

A literature review on HIL in HA evaluates the research and findings to determine the effect of HIL on a household's capacity to purchase a house. In the past, some studies have repeatedly indicated that HIL has an important role in defining HA. A higher HIL results in a higher purchasing power, which allows families to afford expensive houses. However, a lower HIL restricts a family's capacity to afford housing, resulting in housing insecurity and poverty.

The link between HA and HIL is also significantly impacted by income disparity. Inequality in the HIL distribution can impose a disproportionate burden of housing costs on low HIL groups, lowering their capacity to purchase housing and raising their risk of homelessness and poverty. Earlier studies have noted that regional

disparities in HA and HIL significantly affect the household's well-being. For instance, in places with low HIL and high housing costs, many households might find it difficult to afford suitable accommodation, resulting in overcrowding and homelessness.

Thus, the literature review determined that HIL plays an important role in assessing HA. A high HIL can improve a family's capacity to purchase housing, whereas lower HIL can reduce this capacity and increase the likelihood of housing instability and poverty. Furthermore, HIL inequality and geographical variations between HIL and HA should be regarded when assessing HIL's overall impact on HA.

Malaysia's median household income in 2021 was roughly RM5228 per month. However, it is crucial to highlight that Malaysia's household income distribution is unequal, with a considerable number of households earning less than the median HIL. Furthermore, HIL might vary significantly across locations

and demographic groupings within the country. It should be noted that Malaysia has seen mild inflation in the past few years, which has affected the households' purchasing power and capacity to purchase housing and other essentials.

The Department of Statistics Malaysia (2019) performed the Household Income and Basic Amenities (HIS/BA) Survey in 2019, which is generally conducted biennially to track economic growth indicators. However, in 2020, the department combined the survey results with its conclusions on the impact of COVID-19 on Malaysian HIL that same year. The poll examined a variety of HIL-related factors, including average salary and wages, household demographics, employment structure, economic performance by sector, and the value of government help offered in 2020. The HIL in Malaysia can be categorised into 3 categories: B40, M40, and T20.

Table 1: The Three Main HIL Classifications in Malaysia

Income Classification (as per Household Income & Basic Amenities Survey Report 2019)			
Household Group		Median Income (RM)	Income Range (RM)
B40	B1	1,929	Less than 2,500
	B2	2,786	2,500 – 3,169
	B3	3,556	3,170 – 3969
	B4	4,387	3,970 – 4,849
M40	M1	5,336	4,850 – 5,879
	M2	6,471	5,880 – 7,099
	M3	7,828	7,110 – 8,699
	M4	9,695	8,700 – 10,959
T20	T1	12,586	10,960 – 15,039
	T2	19,781	15,040 or more

Source: Department of Statistics Malaysia (2019)

As shown in Table 1, the B40 category was the least affluent, with an aggregate HIL of <RM4849.00 per month. However, the M40 group is a middle-HIL group, with total earnings ranging from RM4850.00 to RM10959.00/month, whilst the T20 group showed a total income >RM10960.00/month.

The B40 category is especially concerning because they face the most difficulties with HA. This is important because a sizable section of Malaysia's population (51%) is unable to obtain a home because of their ineligibility for AH schemes and inability to afford a house without government aid.

According to studies, HIL plays a substantial role when assessing the levels of Expenditure on Housing (EoH). A high HIL often resulted in higher EoH, as households could buy more expensive houses. Lower HIL can restrict EoH resulting in households living in overcrowded or substandard conditions. Income inequality plays a crucial role in forming the association between HIL and EoH. Income inequality can impose a disproportionate cost of EoH on low HIL, limiting their capacity to purchase suitable housing and raising the risk of housing instability and poverty.

In general, the literature evaluation suggests that HIL is an important determinant in assessing EoH. Higher HIL can boost EoH, whereas lower HIL can reduce EoH and boost the likelihood of housing insecurity and poverty. Additionally, income inequality and regional disparities in HIL and EoH must be considered when determining the link between HIL and EoH.

According to several reports, the mean EoH in Malaysia in 2021 is expected to be between RM4300-RM5000 per month. However, it is vital to highlight that EoH levels might vary significantly based on family size, region, and HIL. Malaysia's Household Expenses (HE) primarily include transportation, accommodation, food, and education. In the past few years, Malaysia's CoL has increased significantly, particularly in big cities, which increases EoH.

It is also worth noting that EoH patterns can shift over time in response to economic shifts and government initiatives. For instance, fluctuations in IR or inflation may affect the prices of houses or other essentials, which could impact their affordability and EoH. The housing area distribution is significantly affected by HIL and EoH via the intermediate and low-HIL groups. This has highlighted the need for AH. When home developers propose to sell this kind of dwelling based on HIL-based eligibility, the M40 and B40 HIL groups frequently seize this opportunity.

The third most important element influencing an M40 urban household's capacity to own a home in Penang is the HIL factor. These variables include the nature of the work, monthly income, additional revenue, and educational levels. HIL, which comprises the kind of profession, influences overall property ownership. This is due to the fact that reliable paperwork is necessary for the grant or eligibility of people or couples seeking financial help *via* a bank loan to facilitate acceptance. Savings statements, salary slips, and other beneficial financial statements can help ensure loan acceptance.

This is in contrast to households that lack a fixed income, fixed savings, or salary slips that can be employed as a reference by the bank to examine their application. This implies that numerous households cannot acquire a house because of their income source. Another fundamental issue that keeps households from becoming homeowners is the housing loan crisis. If prospective homeowners fail to adhere to the guidelines established by the lending organisation, they will not get a loan. They will run the possibility of loan applications being denied due to their low and inconsistent income. Furthermore, the loan applications submitted by older people or those nearing retirement would not be easily approved.

This was due to the fact that the maximal loan length is 35 years, or until the borrower reaches the age of 60 (Chen, 2016). Hence, Bank Negara Malaysia established the Bank Negara Malaysia Affordable Housing Fund, which would be available to households designated as first-time home buyers, from January 2, 2019, to December 31, 2020. Nevertheless, the fund only allocated a total sum of RM1 billion, and no previous approval was granted until the allotment was fully utilised, hence the good work was discontinued in the ensuing years.

Furthermore, home ownership is indirectly impacted by the attraction of building single- or multi-story housing buildings. Some prefer landed or terraced houses, whereas others prefer

multi-story buildings. However, because of the scarcity of land in suburban and urban locations, the housing supply is shifting towards multi-storeyed buildings. In addition, preferential consideration is given to housing developments that include features of the community's current environment that facilitate the lives of its occupants. Some of these features include proximity to public and basic facilities, easy access to travel, proximity to public transportation, different business areas, etc.

The capacity to own a home is also impacted by the rise in PP owing to the increase in daily HE and the CoL, particularly for urban households. The rise in construction costs, as well as growing land prices in the city and limited land locations, all affect the availability of housing. Housing developers were unable to handle the rising costs and desired to maximise PP. The government demonstrated leadership by offering assistance to home developers in various areas, being transparent about development restrictions, optimising the accessibility of existing regulations, offering guarantees against requests for sales, etc. Land is getting scarcer, and the increased demand for homes, particularly in cities, contributes to this shortage of available land, which increases PP.

The urbanisation process also draws many people's attention to a particular location. Urban land is not only used for housing developments, but also for the building of commercial, administrative, industrial, and other fundamental amenities. The notion of economic geography, which describes the price and demand for land placement, will vary depending on the distance from city centre or Central Business District (CBD). The close proximity of the house to the CBD can significantly increase its rental or land value. Developers and investors always struggle to find suitable land in the city's centre for different land uses, particularly when developing commercial complexes. Commercial real estate is primarily built in the city centre, followed by the industrial, residential, and agricultural zones. As a result, commercial properties are more expensive than other types of properties, and the developers often charge premium sales and rental costs for ready-to-build commercial properties.

Meanwhile, the majority of flat and terraced dwellings are constructed in the suburbs. The different types of houses are normally owned by the middle class. Flat housing developed for low-HIL categories is distributed in places away from metropolitan centres and on reclaimed land, depending on the area's topography. Therefore, the people from the middle and lower HIL groups, who can afford a home, can directly consider purchasing the housing that is offered depending on the land's suitability and the surrounding community.

The houses that are developed in non-strategic places and in remote regions, far from urban regions offer several challenges for home ownership. The restricted availability of property in metropolitan regions, along with high land prices, prompted developers to relocate to suburban regions. This suggests that high PP and limited HIL are the biggest causes of why households find it difficult to purchase and maintain their homes. The fact that there are more households than ever before means that HE is given priority over long-term property ownership along with their monthly income source. Based on this perspective, households with moderate incomes and a large number of dependents are more likely to investigate the possibility of permanent home ownership.

However, as the high CoL and HE put a strain on households' economic situations, it is a unique necessity that must be prioritised. This is generally noted in the low and medium HIL categories. As a result, these people consider home ownership as secondary, ensuring that the household's economic status is stable. The capacity of households to purchase and own a home also influences the type of houses provided by developers. Houses and dwellings serve as a secure haven and provide shelter from heat and rainfall, as well as from potential threats to one's safety. A comfortable house is a great place to live a more tranquil life, have solitude, have fun and relax, and spend quality time with the family.

Along with PP and HIL, one vital factor that directly impacts HA in Kuala Lumpur is the style of housing. High-rise houses are more popular and fairly priced among the middle-income groups. Nonetheless, the prevailing condition in Kuala Lumpur poses a severe dilemma for the M40- and B40-HIL categories, as they cannot own a house under the existing CoL.

According to Malaysia's Department of Statistics (2019), the median family income disparity widened between 2016 and 2019. Table 2 depicts the median family income for Malaysia from 2016 to 2019. In summary, the question of home ownership affects civil servants as well as those who work for private employers or (private) companies.

Table 2: The Median Household Income from 2016-2019

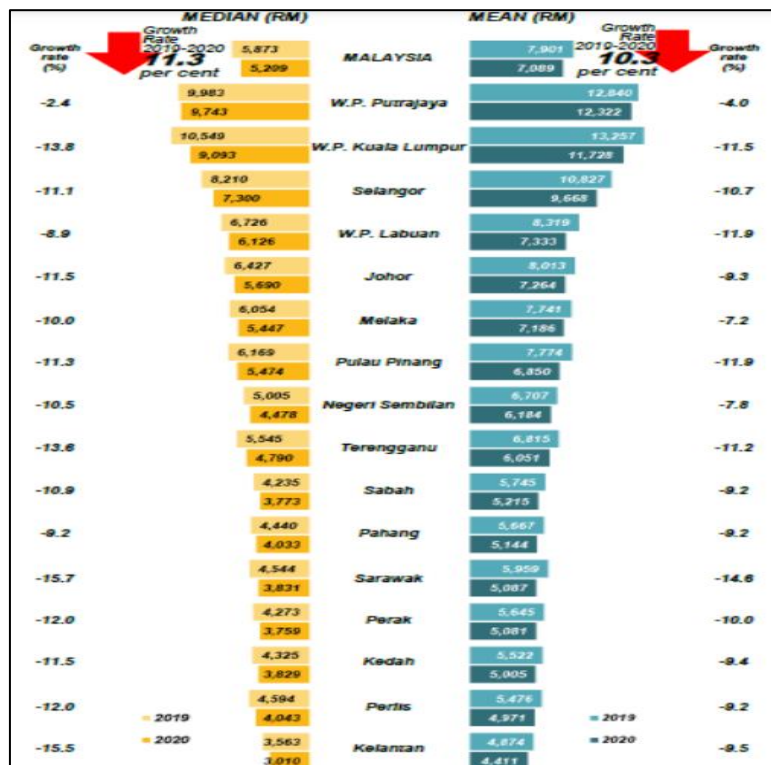
State	Median Income 2019 (RM)	Median Income 2016 (RM)
W.P. Kuala Lumpur	10549	9073
W.P. Putrajaya	9983	8275
Selangor	8210	7225
W.P. Labuan	6726	5928
Johore	6427	5652
Malacca	6054	5588
Pulau Pinang	6169	5409
Terengganu	5545	4694
Negeri Sembilan	5055	4579
Perlis	4594	4204
Sarawak	4544	4163
Sabah	4235	4110
Perak	4273	4006
Pahang	4440	3979
Kedah	5522	3811
Kelantan	3563	3079

Source: Department of Statistics Malaysia (2019)

The family institution is an important factor to consider. Generally, family institutions play an important role in assessing property ownership. According to Malaysian household estimates, the typical household size is five persons. However, the reality is based on the birth rate and the specific circumstances in each home. Some houses have <5 persons, while others have more. It is also dependent on the family planning of each spouse for every home. For the goals described above, the daily or monthly HE of houses with many people will increase their HE. The number of family members increases, as does the HE, and vice versa. For some families without a steady income, daily or monthly income can be inconsistent and unpredictable.

Also, many households have suffered greatly as a result of unforeseen events that the government is unable to handle in many nations. Between 2020 and 2022, the government implemented Movement Control Orders (MCOs) throughout the country. Thus, the regional, district, state, and national economies endured chaos and unforeseen limitations. It also directly influences the family's economic situation, regardless of whether the people work in the private sector, are self-employed, or otherwise. Based on the report published by Malaysia's Department of Statistics (2021), the mean monthly gross family income countrywide decreased from RM7901 (11.3%) in 2019 to RM7089 (10.3%) in 2020.

Figure 1: The Mean and Median of Monthly Gross Household Income by State in Malaysia, from 2019-2020



Source: Department of Statistics Malaysia, 2020.

Figure 1 depicts the overall average reduction in HIL based on data from Malaysia's Department of Statistics. Limited income sources throughout that period have contributed to the decreasing HE. Everyone involved has been greatly impacted by this issue, and the target groups requiring aid were allocated a lot of aid owing to the affordability offered by national assets. Unexpected occurrences like the pandemic are uncontrollable, and after the disaster, every household strives to take special measures to cater for the household's necessities first, rather than purchasing and owning their own home.

Monthly HIL, PP, and dwelling type are the most important factors influencing home ownership among the civil servants in this category. Furthermore, the financing rate and government-sponsored house ownership incentives are secondary considerations when determining house ownership. Additionally, various factors can limit home ownership, like location suitability, loan approval criteria, loan value, and the buyer's financial capabilities.

The government has devised and established multiple initiatives to promote home ownership among middle and low-HIL categories, such as civil servants. The main priority is to ensure that the civil servants can purchase and own houses. The government has devised different policies and housing policies to improve the house ownership rate amongst the people, especially civil servants.

Among the schemes executed include the Affordable Housing (RMM) and Civil Servant Housing 1 Malaysia (PPA1M), which are designed exclusively for M40- and B40-HIL categories, especially civil workers. The RMM is a low-to-medium-cost public housing project priced below RM300,000.00. This housing project

is being developed by various authorities, including Kuala Lumpur City Hall, *Perumahan Rakyat 1 Malaysia* (PR1MA), and *Syarikat Perumahan Negara Berhad* (SPNB).

In addition to AH development, financial aid and subsidies are offered to improve people's capacity to purchase and rent homes. To reduce the PP speculation by some parties, measures like PP determination and managing the ownership and sale of affordable homes were also implemented. The National Housing Management System (SPRN) administers the MyHome scheme/programme, Rented PPR, Owned PPR, and Transit Housing schemes on behalf of the National Housing Department (KPKT, 2024).

One of the primary focus areas of Malaysia's Five-Year Development Plan (RM) involves the scheme to deliver appropriate and high-quality AH to low and middle-income populations. The 11<sup>th</sup> Malaysia Plan has resulted in the development of over 282000 AH. The government aims to develop 500000 AH units over the next 5 years as part of the 12<sup>th</sup> Malaysia Plan to increase the possibilities allowing the B40 and M40 categories to purchase a house.

However, the supply and availability of each kind of housing are restricted to residents of urban regions like Kuala Lumpur, Johore, Penang, and Selangor. Several state governments have also established AH, like the Affordable Housing Penang (Penang), *Rumah Selangorku* (Selangor), *Rumah Mampu Biaya* (Johor), *RUMAWIP* (Kuala Lumpur), *Rumah Perakku* (Perak), *RMM Melaka* (Malacca), *Rumah Sejahtera* (Kedah), etc. Higher taxes, accessibility to areas of interest, and ease of access, all contribute to higher PP in metropolitan regions. However, the availability of AH increases the target group's probability of permanently purchasing their own house.

## **PROPERTY PRICES (PP)**

The inability to purchase a home is thus linked to the most recent PP, which is in doubt because Malaysians' income growth has not kept pace with the PP's rate of increase. Between 2007 and 2016, PP increased by 9.8%, whereas the household income increased by 8.3%. It develops because Malaysians' disposable income is not enough to fund housing financing.

According to the Prime Minister's Office of Malaysia (2019), the measuring criterion defined in the National Housing Policy of 2019, Malaysia's maximum AH is seen to be RM188208, which is a median multiple of 3.0 considering the national median family income of only RM5228. However, the exact median house price in Q3 2018 was RM293,000, which is believed to have surpassed the income capacity of the majority of Malaysian households. It was noted that  $\approx 50\%$  of Malaysians earn  $< \text{RM}2160$  each month. Based on the existing median PP, this income growth rate is deemed insufficient to allow for home ownership.

The increase was greater than the rate of income growth, which was only 2.1%. Low income is one of the reasons why most Malaysians cannot afford to purchase a home. Wenjie and Xinhai (2015) highlighted the fact that household income factors affect their ability to buy their property. A few other factors include PP, HE, no. of children, types of jobs, working households, monthly housing payments, education levels, and housing subsidies.

## **COST OF LIVING (CoL)**

The regional Cost of Living (CoL) which includes HE like utilities, transport, and healthcare, can have an impact on HA. A high CoL may restrict the amount that individuals and families can devote to EoH, which affects their HA. The CoL is defined as money required to sustain a specific level of life, which includes food, housing, transportation, healthcare, and other necessities. This cost might vary significantly depending on geography, economic conditions, and personal lifestyle preferences. Below is a simple explanation with a few references:

1. **Housing Costs:** This comprises expenses incurred while renting or purchasing a house, such as property taxes, rent or mortgage payments, and maintenance fees. Housing expenses might vary greatly depending on the city or location. For instance, some cities such as San Francisco or New York preset a higher housing cost in comparison to small cities or rural areas.
2. **Food Expenses:** This comprises shopping, eating out, and other food-based expenses. Grocery prices could vary depending on location, season, and dietary preferences. Eating out or ordering takeaway can also increase the food bills.
3. **Transportation Costs:** This covers fees for commuting, automobile maintenance, public transportation fares, and ride-sharing services. The transportation cost varies according to the cost of fuel, car ownership, distance driven, and urban infrastructure.
4. **Healthcare Costs:** This covers medical services, prescription drugs, insurance premiums, and out-of-pocket payments for doctor appointments or treatments. The healthcare cost varies depending on factors like healthcare providers, insurance coverage, and type of medical services required.

5. **Utility Costs:** These include power, water, cooling, heating, and internet services. Utility prices might vary based on their usage, geography, and energy efficiency measures.
6. **Taxes:** These include income, property, sales taxes, etc. levied by federal, state, or municipal governments. Tax rates and rules vary greatly based on the jurisdiction and particular circumstances.
7. **Entertainment and Leisure Costs:** This category includes expenses for leisure activities, cultural events, entertainment activities, hobbies, restaurants, and recreational endeavours. Prices for entertainment might vary based on venue quality, location, and type of activities.

Individuals and households can handle their budgets and plan their finances more effectively if they are aware of these cost considerations and have access to reputable materials from government agencies or respectable associations.

## **INTEREST RATES (IR)**

Interest Rates (IR) on mortgages influence the cost of borrowing money to buy a house. When IR is low, monthly mortgage payments decline, resulting in greater AH. Increasing IR, on the other hand, has the potential to increase mortgage rates while decreasing HA. IR is described as the cost of borrowing money or return on investments and savings. They are presented as percentages and impact a variety of economic variables, like consumer spending, company investment, and inflation rates.

Below is an overview of IR with reliable references:

### **1. Types of IR:**

- **Prime Rate:** This refers to the interest rate charged by banks to their most creditworthy customers. It is typically employs as a benchmark for granting loans.
- **Mortgage Rates:** This refers to the IR charged on mortgage loans for home purchases or refinancing.
- **Credit Card Rates:** This is the IR levied on pending credit card balances.
- **Savings Account Rates:** IR generated on savings deposits at banks or financial institutions.
- **Federal Funds Rate:** It is the IT at which depository institutions lend reserve balances to other banks without charge overnight, and is determined by central banks such as the Federal Reserve in the USA.

### **2. Factors Influencing IR:**

- **Central Bank Policies:** Central bank monetary policy, such as altering the federal funds rate, can impact short-term IR.
- **Economic Conditions:** Some factors such as inflation, unemployment rates, economic growth, and geopolitical events, might influence IR decisions.
- **Supply and Demand:** The demand for credit and supply of loans in the financial markets could influence IR.



- **Risk Factors:** Some factors such as borrower creditworthiness, collateral, loan terms, and market risks affect the IR for loans and investments.

### 3. Impact of IR:

- **Consumer Spending:** Low IR can boost consumer spending by encouraging consumer borrowing for assets like cars, houses, and durable goods, contributing to better economic activity.
- **Business Investments:** Favourable IR can boost business investments in equipment, expansion, and hiring.
- **Housing Market:** Mortgage rates impact the affordability and housing market activities, affecting sellers, homebuyers, and the construction industries.
- **Inflation and Monetary Policy:** Central banks utilise IR adjustments to control inflation and stabilise economic development.

### HOUSING SUPPLY AND DEMAND (HSD)

The HSD balance has a direct impact on HA. PP increases in regions with high demand and low housing supply, resulting in lower AH. On the other hand, if there is a low demand and an oversupply of houses, PP may decrease or stabilise, thereby increasing HA.

These 5 factors interact and differ across various areas and economic conditions. Policymakers, prospective homeowners, and renters need to determine their impact when evaluating HA.

### METHODS

This review analyses the data derived from a 2019 survey report on HIL, HE, and fundamental needs. The researchers used this report to identify the data points employed to construct the data sample used in this study. Prudence was required to acquire representative data and develop a sample to answer the research questions and achieve the study objectives. The researchers believed that this strategy would save money and time in the study (Black 2010). This review employed purposive sampling. The researchers used qualitative methodologies to evaluate the data in this study. Purposive sampling is also known as judgment, selective, or subjective sampling.

It is described as a process wherein the researcher selects candidates from the sample population to answer the study questions. Purposive sampling was classified into 6 categories: typical, critical, extreme or deviant, theoretical, homogeneous, and heterogeneous or maximal variation sampling. The researchers used this typical example because it demonstrates the mean and normal values of all the cases. This study used the average case data based on survey data regarding HIL, HE, and fundamental needs for 2019 (Black 2010).

### RESULTS AND FINDINGS

To summarise, various economic factors play important roles in influencing HA. These elements interact in complicated ways, affecting individuals, communities, and the whole economy. Below are some major takeaways about the economy's impact on HA:

1. **Income Levels:** Individuals and HIL's capability to own housing is heavily influenced by their income level. Higher

HIL is often associated with more HA, which allows individuals to invest a smaller amount of their income in EoH.

2. **Employment and Job Market:** Factors such as job stability, employment rates, and income growth all have a direct impact on HA. A strong job market with numerous employment possibilities can boost HA by increasing people's spending power.
3. **Interest Rates (IR):** Fluctuations in IR influence mortgage affordability. Lower IR often translates into smaller monthly mortgage payments, which makes homeownership more affordable and accessible for purchasers.
4. **Housing Supply and Demand (HSD):** Supply and demand dynamics impact HA. In desirable areas, a lower housing supply compared to its demand might increase PP while decreasing HA. In contrast, a higher housing supply helps to stabilise or reduce EoH.
5. **Cost of Living (CoL):** Higher education expenses, such as transportation, healthcare, utilities, and taxes, affect HA. Residents in regions with high CoL may need to devote more HIL to HE.
6. **Government Policies and Programmes:** Government activities, like AH programmes, tax incentives, subsidies, and zoning laws, can directly improve HA by assisting low- and moderate-income people or altering market conditions.
7. **Economic Growth and Inflation:** The HA patterns are affected by economic growth and inflation rates. Strong economic growth increases earnings and housing demand, but it can lead to higher PP and EoH. Inflation decreases purchasing power, reducing HA over time.

When evaluating HA, it is critical to regard the interaction between various financial factors, along with geographical differences and demographic patterns. Policy interventions, investing in AH projects, encouraging long-term economic growth, and tackling wealth inequality are all important components of improving HA for both people and communities.

### CONCLUSIONS

Finally, this is not a straightforward conundrum when considering how financial issues affect people's capacity to purchase homes. The housing environment is shaped by a variety of factors, including income, the cost of borrowing, and government policies. First and foremost, HIL is seen to be a primary player. If people earn differing amounts or salaries are not increasing significantly, it may be more difficult for them to afford a house. Understanding these wage disparities is critical because they directly affect if someone can find a good house.

Then there is the expense of borrowing funds. If this cost fluctuates significantly, such as when the IR increases or decreases, it can determine whether a house is affordable. Consider attempting to purchase a home during a period when borrowing money is exceedingly costly, making it more difficult for many people. The government plays a role in these housing problems. They encourage AH by offering tax advantages, providing financial assistance, or establishing guidelines on where houses are erected. To ensure that everyone has equal chances, it is vital to

understand how these government initiatives affect the AH availability.

Furthermore, broader economic factors, like how much PP increases or decreases and how many people are employed, play a role. If PP increases too quickly, it may become difficult for individuals to acquire houses. If there are insufficient jobs, it can affect the amount of money available for housing. So, by delving into these financial issues, they offered a clearer understanding of how they all operate together. It is similar to completing a puzzle; wherein one needs to understand how every piece fit to make sensible decisions. This knowledge enables people, particularly those making community decisions, to develop policies that guarantee that everyone has an equal opportunity to find a nice house, even when financial circumstances change. Thus, the key is to ensure that housing concerns are fair and accessible for everybody.

## ACKNOWLEDGEMENTS

The authors would like to thank the Industry Grant (304 /PPBGN /6501405 /C145) School of Housing, Building and Planning, Universiti Sains Malaysia, Penang, Malaysia for supporting this research.

## CONFLICT OF INTEREST

The authors declare no conflict of interest.

## REFERENCES

1. Christie-David, A. (2024). *The Happy Home Loan Handbook: Get your loan approved, buy your dream home and enjoy your life*. Major Street Publishing.
2. Black, K. (2010). *business statistics for contemporary decision making* 6th edition.
3. Chen, S.F. (2016). *BNM: Maximum 35-Year Mortgage More Than Enough*. Retrieved June 25, 2024, from <https://www.edgeprop.my/content/bnm-maximum-35-year-mortgage-more-enough>
4. Department of Statistics Malaysia (2019). *Household Income & Basic Amenities Survey Report Malaysia 2019*. Retrieved January 22, 2024, from [https://www.dosm.gov.my/v1/uploads/files/1\\_Articles\\_By\\_Themes/Prices/HIES/HIS-Report/HIS-Malaysia-.pdf](https://www.dosm.gov.my/v1/uploads/files/1_Articles_By_Themes/Prices/HIES/HIS-Report/HIS-Malaysia-.pdf)
5. Department of Statistics Malaysia (2020). *Household Expenditure Survey 2019 Report*. Retrieved April 26, 2023, from <https://v2.dosm.gov.my/portal-main/release-content/household-expenditure-survey-report-2019>
6. Metcalf, G. (2018). Sand castles before the tide? Affordable housing in expensive cities. *Journal of Economic Perspectives*, 32(1), 59-80.
7. KPKT (2024). *Sistem Pengurusan Perumahan Negara (SPRN)*. Retrieved June 25, 2024, from <https://www.kpkt.gov.my/index.php/pages/view/458>
8. Kiessling, L., Pinger, P., Seegers, P., & Bergerhoff, J. (2024). Gender differences in wage expectations and negotiation. *Labour Economics*, 87, 102505.
9. Prime Minister's Office of Malaysia (2019). *National Affordable Housing Policy*. Retrieved January 4, 2024, from <https://www.pmo.gov.my/2019/07/national-affordable-housing-policy/>
10. Cai, W., & Lu, X. (2015). Housing affordability: Beyond the income and price terms, using China as a case study. *Habitat international*, 47, 169-175.