



A PRELIMINARY STUDY ON SOCIAL HOUSING NEEDS AMONG M40 EARNERS IN MALAYSIA

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Abstract

Housing affordability is a major concern in both the developed and developing nations. In Malaysia, middle income families (M40 earners) are gradually experiencing issues of affordable and quality housing especially in the urban regions. Although government programs like rent and income-related subsidies have been put in place, the issue of affordability in housing is still significant. Recognising this issue, the Twelfth Malaysia Plan (2021–2025) highlights the need to improve housing provision for the M40 earners. This study aims to identify suitable criteria for the equitable allocation of social housing for M40 earners in Malaysia. The study examined definitions, criteria, and practices of the available housing programs to conceptualise the social housing, and a questionnaire survey was conducted among the M40 earners in Johor Bahru to investigate their housing preferences and the level of their affordability. The results propose key criteria in social housing development that will be in a better position to accommodate housing needs of M40 earners. These findings may assist policymakers in improving housing policies and strengthening existing housing legislation in Malaysia.

Keywords: M40 earners, social housing concept, criteria, housing need, housing affordability

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INTRODUCTION

Housing is a fundamental human requirement. Housing has a significant impact on people's health and well-being, contributing to their physical and emotional health, education, work, and security. Social housing is a part of public housing scheme which has been widely practice in Malaysia (Bilal et al.,2019) and is one of the government-led alternatives to the housing crisis. The concept is to give subsidised housing to individuals who cannot afford the private housing, either through rental or purchase. Notwithstanding, the provision of public housing has continuously been difficult in developing countries like Malaysia. Bilal et al (2019) also argue that Malaysia's public housing industry has failed to reach its targets for low- and medium-cost housing due to restricted funding, convoluted land rules, and the increasingly demand for low-cost housing, particularly in metropolitan areas. Another study by Mohit and Nazyddah (2011) classified social housing as low-cost housing that receives some form of government assistance in its construction.

Bank Negara Malaysia (BNM) (2022) identified substantial housing challenges to include a structural mismatch of supply and demand, the necessity to keep house prices in check, and which accentuates the need for a strong rental market for persons prematurely or unwillingly to buy. Financings are not the solution to housing affordability itself, the Governor remarked, as that was something quite a number of Malaysians found homes they hope to own were beyond their reach especially households in the M40 middle-income bracket. Despite policies focused on lower-income earners, house prices have escalated, making home ownership difficult for M40 earners. The Khazanah Research Institute reports that housing affordability has not improved significantly, with houses considered seriously unaffordable. In 2019, the average house price in Malaysia was RM426,155, while the average per capita income was RM45,034, with house prices increasing 5.6 times over 30 years compared to 2.8 times increase in income, indicating that housing costs have outpaced real income growth (Das, 2020; Khazanah Research Institute, 2019; Ong T.S, 2013).

Malaysian National Housing Department (2019) has reveal that the idea of social housing in Malaysia still in early stage and need to have clear concept in order to resolve the urban poverty and housing need for B40 and M40 earners.

Several factors have contributed to the challenges in introducing social housing in Malaysia. Liu and Ong (2021) provides evidence in their research that our National Affordable Housing Policy (DRMM) can increase housing affordability by more precisely offering affordable housing, lowering housing costs, and improving home financing ability.

Social housing is emerging in other developed nations such as United Kingdom (UK) but in Malaysia, it is still in the phase of promoting the idea (Jayaselan, 2019). National Housing Department (2019) introduced the idea of social housing as the next stage of developing affordable housing for the B40 an

M40 earners. This housing scheme will give this group lower rent homes than privately rented housing and provides longer term of tenancy and giving tenants an opportunity to live in a house. This scheme also suggested to own by housing association which are independent of the local councils to less the burden handed to the government, developer, and local authorities. However, it is still not clear on how to define social housing in Malaysian context.

Due to urban poverty and manifest housing market failure such as shortage of affordable rental housing, purchasing power declined due to inadequate income levels, the increase of housing prices, limited mid-range housing supply and insufficient policy support has denied the access to the housing free market among Malaysians household especially M40 earners who constitute about 40% of Malaysia's population (Norhasliya Mohd Daud et al., 2017). Although numerous housing programs focus on the B40 earners, a large part of the M40 earners exists in an affordability gap, affording neither low-cost accommodation nor the market-priced housing (Mohamed and Baqutayan, 2014; Mohd Zaidi Md Zabri, 2023). This situation is further intensified by restrictive financing conditions and loan approval processes, highlighting the urgent need to better understand and address the housing needs of the M40 earners within Malaysia's evolving housing landscape (A. Ismail et al., 2023a).

In response to this situation, there is growing interest to reconceptualize social housing in Malaysia since this concept is still under-planning thus prominently unable to meet the housing need especially for M40 earners. Thus, this research focuses at this issue; identifying the important criteria for social housing specific to the M40 earners in Johor Bahru. This research also determines the significant relationship between the social housing criteria and housing need among M40 earners.

LITERATURE REVIEW

Housing Need, Demand and Supply

The concept of "housing needs," introduced by Rossi in 1955, clearly states the level of satisfaction experienced by individuals in their living environment. Rossi argues that households go through various stages of the life cycle, which lead to changing housing demands and aspirations. This can result in a "mismatch" between current and ideal housing, causing stress or dissatisfaction. To address this, households may migrate to readjust their housing situation to changing needs. Changes in the life cycle lead to varying spatial requirements, making them important determinants of housing demand. When a dwelling and neighbourhood fail to meet these changing needs, dissatisfaction will occur (Mohit and Raja, 2014). This dynamic view of housing needs underlines the importance of meeting the changing needs of households over time.

According to economic theory, housing is a marketable item, with supply and demand determining both the quantity produced and the selling price.

The interaction of buyers and sellers is critical for the market to function properly. (Cardenete et al., 2017). Furthermore, researchers point out that in an equilibrium situation, each residence is purchased by the household with the greatest bid price among all others. In contrast, market disequilibrium develops when there is an imbalance between supply and demand resulting in a surplus or deficit. (Ismail et al., 2023; DiPasquale and Wheaton, 1996).

The discussion on the housing needs and market dynamics points to the fact that the housing markets are not always efficient in addressing the needs of the entire income groups. In most nations, especially in fast growing urbanising economies, market-driven housing supply is not able to deliver proper and affordable housing to some sections of the population. Such a discrepancy between the demand and supply of housing has made governments to implement policy interventions to have fair access to housing (Aishah et al., 2023; Whitehead and Scanlon, 2007). Social housing is one of such interventions and has become a prominent policy tool to implement to ensure affordability and enhance the housing availability of underserved households in the private housing market.

Defining Social Housing

The term "floating signifier" was used to denote social housing. That is, a word with no universally accepted definition. There are times when there is no description at all. This leads to misunderstandings instead of a serious discussion regarding the pros and drawbacks of such a scheme (Hansson and Lundgren, 2019). Social housing is a part of public housing that has been widely practice in Malaysia (Bilal et al., 2019) and is one of the government-led solutions to the housing crisis. The idea is to give subsidised housing to individuals who cannot afford private housing, either through rental or sale. The supply of public housing in developing countries, such as Malaysia, has always been a concern (Bilal et al., 2019). In 2019, National Housing Department (Malaysia) has reveal that the idea of social housing in Malaysia still in early stage and need to have clear concept in order to resolve the urban poverty and housing need for B40 and M40 earners. Recent Malaysian housing policy discussions have also highlighted the need to strengthen social housing frameworks to address increasing housing affordability challenges, particularly in urban areas where housing prices continue to rise faster than household incomes (Khazanah Research Institute, 2025; Ismail et al., 2023; Mohd Daud et al., 2022).

The definitions of social housing and council housing is different from countries to countries. There is no one fix agreed definitions for this two types of housing. In US, the social housing is referred as residential rented accommodations provided at sub-markets prices and allocated according to specific rules rather than market piece mechanism (Del Pero et al, 2016). Whereas in China, the government has launch a large public housing project since 2007,

which two-tiered system focusing on the lower income group but as well as moderate income citizen, mostly build in urban areas (Sisson & Rogers, 2020). Social housing normally is provided and manage by the state government and rented to the citizen with a lower rent. In certain country social housing has been functioning in whole different term. In UK, social housing is known as council housing which the state government provide housing facilities with a lower rent.

In the Malaysian context, several affordable housing initiatives such as the People's Housing Programme (PPR) and PR1MA have been introduced to improve housing access; however, studies indicate that gaps remain in addressing the housing affordability needs of the middle-income earners, particularly the M40 earners (Willis and Mohsin, 2025).

Social housing aims to provide affordable housing for those unable to access the free market, ensuring they can pay controlled rent or buy at fixed prices (Beretic and Talu, 2020). Recognizing that safe and adequate housing is essential for health, well-being and socioeconomic outcomes, social housing addresses market failures where low- and middle-income groups struggle to find suitable housing due to affordability issues, supply deficits and discrimination (Flanagan et al., 2019; Masram & Misnam, 2019). It also involves a range of stakeholders, including financial institutions and property operators, in solving the affordable housing challenge (Canelas and Alves, 2024). Given the experimental nature of social housing in addressing the mismatch between housing prices and household affordability, there is a need for effective policies and innovative models to improve housing security and urban well-being. Social housing must evolve into a flexible environment to adapt to changing demands, thus improving housing policies to better meet the needs of the M40 income group (Beretic and Talu, 2020).

Social Housing Criteria

Table 1 shows the main criteria for social housing which are divided into six main categories with detailed sub-criteria. Income is the first criterion which covers eligibility and affordability, while price considers aspects such as delivery systems, subsidies and price interventions to ensure affordability. Next, financing facilities cover loan options, affordability measures and repayment capacity, making home ownership more accessible. Housing suitability covers property size and type, household size, sustainability and ownership options. In addition, location and amenities emphasise accessibility and availability of utilities. Finally, community quality and amenities highlight the importance of safety, standards and communal spaces, thus contributing to a safe and cohesive living environment.

Table 1: Summary of Social Housing Criteria Involves in the Research

No	Criteria	Sub criteria	Sources
1	Income	Income Eligibility	Hansson & Lundgren (2019),
		Affordability	Drixler et al. (2014), (DOSM,
2	Price	Delivery System	2022), Braga M. and Palvarini
		Subsidies	(2013), Aziz, Hanif &
		Price Intervention	Singaravello, (2007), Bujang et
3	Financing	Loan Financing	al., (2010); Gan & Hill (2009),
	Facilities	Long Term Affordability	Elforgani and Rahmat, (2011),
		Income Affordability	Hassanudint (2021), Irawan H.,
		Purchase Affordability	(2023), Wood, (1961), Hassan
		Repayment Affordability	et al., (2021), Azmi and Bujang
4	Housing	Size of Property	(2021), Azmi et al (2016),
	Suitability	Type of Property	Ismail et al., (2023); Mohd
		Size of Households	Daud et al., (2022). Willis and
		Green and Sustainable Design	Mohsin, (2025)
		Form of Tenure	
5	Location and	Location and Accessibility	
	Amenities	Utilities and Amenities	
6	Quality and	Quality Standards	
	Community	Security and Safety	
	Facilities	Community Facilities	

Source: Author (2024)

M40 Earners

Four decile categories (M1 to M4) were identified based on the income distribution of Malaysian M40 earners. The highest category, denoted by M4, has a household income range of RM9,450 to RM11,819, with a median of RM10,552. The M3 group's income ranges from RM7,690 to RM9,449, with a median of RM8,523. The M2 group is in the RM6,340 to RM7,689 income range, with a median income of RM6,979. At the lower end, the M1 group earned between RM5,250 and RM6,339, with a median income of RM5,770. Hence, it is necessary to comprehend the economic variability within the M40 category thorough analysis in order to create targeted housing projects (Department of Statistics Malaysia, 2024).

RESEARCH METHODOLOGY

Quantitative research employ statistical methods and numerical data to evaluate information gathered from closed-ended surveys (Creswell, 2018). The criteria under investigation were identified earlier and connected to the research questions. The data collection for this research was based on the questionnaire survey. Convenience sampling was selected due to its cost effective and ease of use. Data from M40 earners in Johor Bahru was obtained using both online and in-person survey.

The structured questionnaire consisted of four main sections: Section A (Socio-Demographic Profile), Section B (Housing Preferences), Section C

(Social Housing Criteria for M40 Income Group), and Section D (Open-ended Questions). A total of two hundred questionnaires were distributed to the respondents in Johor Bahru, consisting of current homeowners and potential homebuyers in the M40 earners category. This research obtained 102 completed surveys, with a response rate of 51%. Babbie (2014) stated that a response rate of 50% was sufficient for analysis and reporting. Furthermore, Wu et al. (2022) stated that the average appropriate response rate for an online survey in the field of education is 44%, confirming the appropriateness of the response rate achieved in this study.

ANALYSIS AND DISCUSSION

Data Analysis

The survey data was examined using descriptive analysis and Pearson correlation analysis to generate the final results. Descriptive analysis was used to investigate the respondents' socio-demographic characteristics, including gender, age, race, income, number of dependents, marital status, education level, employment, average spending, and income allocation for home loans.

In the subsequent section, respondents were required to rank the importance of social housing criteria for M40 earners. The measure of reliability was examined to ensure the quality of the research instrument utilized in this research. Furthermore, the average index of each criteria was calculated in relation to the level of importance as determined by respondent opinion. As a result, each criteria was ranked based on its average index. These criteria was also analyzed using the Pearson correlation coefficient to see whether any of them were expressively related to one another. The Pearson correlation coefficient values vary from -1 to 1. The greater the coefficient, the more significant the relationship between the variables. This method was chosen because descriptive analysis effectively summarizes the socio-demographic profile of the respondents, while the Pearson correlation identifies the relationship between the criteria which directly in line with the research objective to evaluate and evaluate social housing criteria for the M40 income earners.

Socio-demographic Profile

The respondent profile as shown in Table 2 provides a detailed summary of the demographic and socioeconomic characteristics of the sample population. The distribution of gender is approximately equal, with females accounting for 54.9% and males accounting for 45.1%. In term of age, the most prevalent is group is 31 to 40 years old, represents 43.1% of responses, followed by 41 to 50 years old (23.5%) and 21 to 30 years old (22.5%). Most of respondents (63.7%) are married, while 36.3% are single. The educational level varies, with bachelor's degrees representing the highest percentage (30.4%), followed by pre-

university/diploma (28.4%) and master's degrees (21.6%). However, only 12.7% and 4.9% have completed secondary school or obtained a doctoral degree.

Table 2: Socio-demographic profile of respondents.

Profile of Respondents		Percent age	Profile of Respondents		Percentage
Gender	Male	45.1	Marital Status	Single	36.3
	Female	54.9		Married	63.7
Age	21 to 30 years old	22.5	Educational Level	Secondary school	12.7
	31 to 40 years old	43.1		Pre-university / Diploma	28.4
	41 to 50 years old	23.5		Bachelor's degree	30.4
Race / Ethnicity	Malay	50.0		Master's degree	21.6
	Chinese	25.5		(Doctoral degree / PhD)	4.9
	Indian	22.5	Number of dependent / households size	No dependent	26.5
Occupation	Self-employed	13.7		1 to 3 persons	50.0
	Private sector	69.6		4 to 6 persons	21.6
	Government sector	11.8		Above 6 persons	2.0
Average monthly expenditure (households)	Less than RM 1,000	9.8	Housing loan expenditure (monthly)	RM 500 and below	6.9
	RM 1,001 ~ RM 2,000	29.4		RM 501 ~RM 1,000	5.9
	RM 2,001 ~ RM 3,000	20.6		RM 1,001 ~ RM 1,500	23.5
	RM 3,001 ~ RM 4,000	13.7		RM 1,501 ~ RM 2,000	12.7
	More than RM 4,000	26.5			

Source: Author (2024)

The findings indicate that in term of ethnicity, half of the respondents (50.0%) are Malays, followed by Chinese (25.5%) and Indians (22.5%), who represent another large ethnic group. The size of household varies, with the majority (50.0%) having 1 to 3 dependents, 26.5% having no dependents, 21.6% having 4 to 6 dependents, and 2.0% having more than 6 dependents. Regarding occupation, majority of respondent work in the private sector (69.6%), followed by self-employment (13.7%) and the government sector (11.8%).

The number of households with high spending capacity is quite high, 26.5 percent households spend more than RM 4000. Conversely, the proportion of monthly spending of less than RM 1000 is at 9.8% of the population and could

be attributed to the low-income earners or more likely the cost-conscious spending habits. In particular, 50 percent of the respondents fall within the range of RM 1001 to RM 2000 (29.4 %), and RM 2001 to RM 3000 range (20.6%) respectively. This distribution shows that majority of middle-income households maintain sensible financial constraints in regard to their living expenses.

Regarding housing loan expenses, the majority of respondents with 23.5% fall into the highest expenditure category, which is between RM 1001 and RM 1500. This suggests that households have reasonable housing commitments. Afterwards, 12.7% of respondents allocate between RM 1501 and RM 2000 per month for housing loan.

Reliability Test

A reliability analysis was carried out to assess the consistency of the responses received. Cronbach's Alpha value above 0.7 indicates reliable data for further analysis and reporting (Stanojev and Stojić, 2015; George and Maller, 2003). The Cronbach's Alpha value in this research was 0.973, indicating a high level of internal consistency and confirming the reliability of the data from respondents.

Social Housing Criteria for M40 Earners

Figure 1 depicts the mean scores for key criteria relevant to social housing. Each important criteria (Income, Price, Financing Facilities, Housing Suitability, Location and Amenities, Quality, and Community Facilities) is assessed based on particular sub-criteria, with the mean score for each criterion reported on a scale ranging from 1 (Not Important), to 7 (Extremely Important).

The findings of the research presented in Figure 1 indicate that M40 earners value income, financing facilities, and pricing in social housing. The eligibility and income affordability (6.36), financing affordability (6.33), and price-related factors (6.21) scores are high, indicating that affordable housing prices, availability of financing options, and proper pricing mechanisms are extremely important. Nevertheless, outstanding amenities and community, place and facilities are vital. The above findings suggest that policymakers and developers ought to focus on aligning housing prices with the incomes of the M40 earners to offer systematic financial assistance, balance price, and quality to meet the needs of M40 earners.

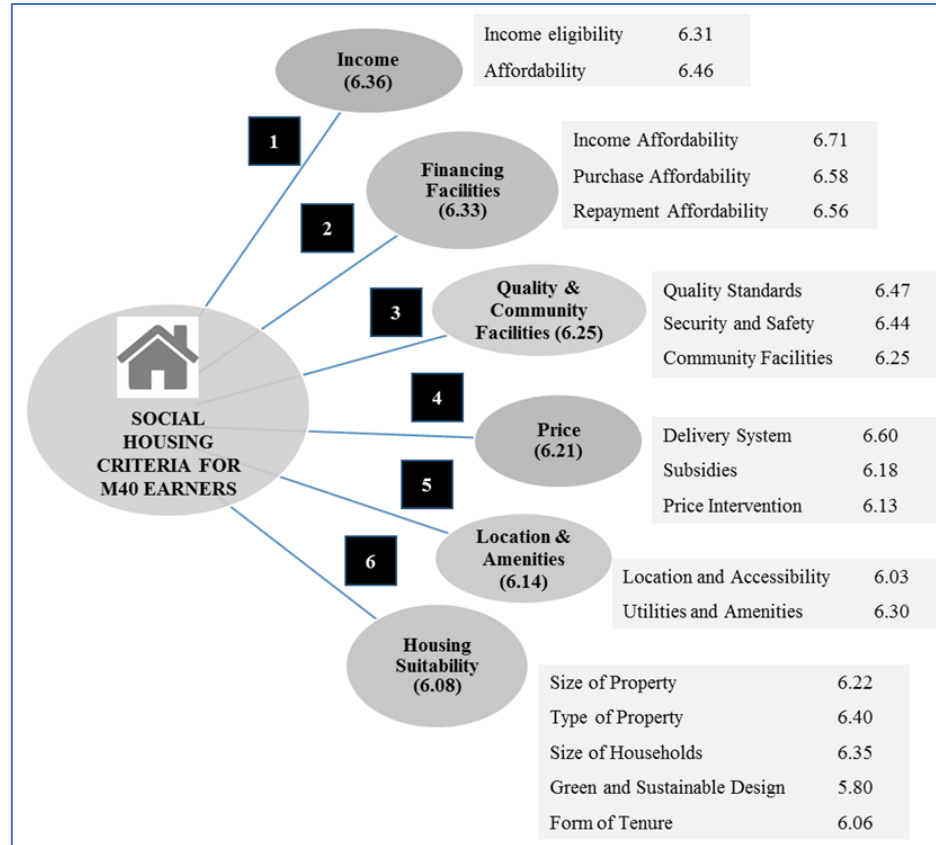


Figure 1: Important Social Housing Criteria for M40 Earners
Source: Author (2024)

In the subsequent section, the average index for each criteria was calculated using the specified scale and method provided below.

$$\text{Average index} = \frac{\text{Sum of all the scales given by respondents}}{\text{Total respondents}}$$

Table 3 illustrate the average index and ranking of six important social housing criteria for M40 earners. The highest rank is income with an average index of 6.36. It indicates that income level is the highest priority when respondents considering their housing options since income holds significant importance when assessing home affordability. Moreover, ensuring that housing costs are tailored to income levels is critical for making social housing accessible to this group.

Financing facilities is ranked second with an average index of 6.33 and it shows that adequate access of financing options is a critical criteria for M40 earners in their decision for purchasing social housing. This finding suggest that M40 earners need a strong financial support mechanism such as affordable financing and mortgage option, manageable housing loan repayment and flexible loan term to assist them on homeownership. Hence, policymakers should emphasis on improving the financing options to help middle income families in reducing their financial burden.

Table 3: Average Index and Ranking of Important Social Housing Criteria for M40 Earners

No.	Criteria	Rate							Average Index	Rank
		1	2	3	4	5	6	7		
1.	Income	0	0	0	0	15	42	46	6.36	1
2.	Price	0	0	0	4	13	42	43	6.21	4
3.	Financing Facilities	0	0	0	3	11	37	51	6.33	2
4.	Housing Suitability	0	0	0	2	19	50	31	6.08	6
5.	Location & Amenities	0	1	0	2	18	41	40	6.14	5
6.	Quality & Community Facilities	0	0	1	1	13	43	44	6.25	3

Source: Author (2024)

The third rank criteria are quality and community facilities with an average index of 6.25. This result highlights that M40 earners are concerned on the overall quality of housing along with the availability of community facilities such as parks, playgrounds, community centers, and healthcare clinic. Therefore, the government and developers must guarantee that social housing projects fulfill high quality standards while providing community facilities that are necessary for the M40 earners. This is preceded by price, location and amenities and housing suitability with average indices of 6.21, 6.14, and 6.08 respectively. Price is a key factor for respondents in determining housing affordability. Increased prices imply an increase in mortgage-and-down-payment requirements and may restrict access to financial options. Developers and policymakers must strike a balance between price and quality to offer high quality affordable housing. Subsequently, location and amenities hold the fifth rank. The finding indicate that the M40 earners may be prepared to make a location sacrifice in order to secure affordable and high-quality housing. However, their choices are influenced by proximity to work, schools, healthcare facilities, and other amenities. This is followed by housing suitability which was least prioritized criteria with ranked

sixth. Housing suitability includes sub criteria such as size of property, type of property, size of household, green and sustainable design and form of tenure which influenced the suitability of housing. Hence, to ensure long-term stability and satisfaction, policymakers and developers should make sure that social housing meets the specific demands of M40 earners by accommodating their family size and lifestyle. This average index indicates the relative importance of each criterion as perceived by respondents, while following Pearson correlation test identifies the strength and direction of relationships between criteria, helping to interpret which factors are most influential in M40 social housing preferences.

Pearson Correlation Test

Table 4 illustrates the Pearson correlation coefficient matrix between the criteria. The correlation study found substantial, statistically significant links between all of the analyzed social housing criteria among M40 earners, with all correlations significant at the 0.01% level. Income demonstrate a strong correlation with price (0.716) and availability of financing (0.708), which implies that the two variables are interrelated in evaluating affordability of housing. Housing suitability, on the other hand, displays a substantial relationship with price (0.754), quality and community amenities (0.729), signifying the importance of these factors in choosing appropriate housing. Location and amenities and the quality of community amenities shows strong relationship (0.825), representing the availability of amenities expressively expands housing quality. These findings highlight the importance of a unified approach to social housing policy and development that deliberates income, affordability, quality and amenities to successfully address the needs of the M40 earners.

Table 4: Pearson correlation coefficient matrix between the criteria.

Criteria	Income	Price	Financing Facilities	Housing Suitability	Location & Amenities	Quality & Community Facilities
Income	1	0.716**	0.708**	0.664**	0.624**	0.658**
Price	0.716**	1	0.700**	0.754**	0.660**	0.699**
Financing Facilities	0.708**	0.700**	1	0.679**	0.524**	0.565**
Housing Suitability	0.664**	0.754**	0.679**	1	0.711**	0.729**
Location & Amenities	0.664**	0.660**	0.524**	0.711**	1	0.825**
Quality & Community Facilities	0.624**	0.699**	0.565**	0.729**	0.825**	1

** Correlation is significant at the 0.01% level

Source: Author (2024)

CONCLUSION

This study has explored the social housing needs of the Malaysian M40 earners and demonstrating a diverse economic landscape. Most of the respondents are between 31 to 40 years old, are married, have either bachelors or pre-university degrees, and are employed in the private sector. They manage moderate to high monthly expenses with large amount being utilized in housing loans.

The research discovered that the three most important factors of social housing among M40 earners are income, financing options and community and quality amenities. Income was the most crucial factor to consider, and it emphasizes the necessity to find affordable housing solutions. Financing facilities were also required with emphasis on the accessible and effective financing options. The third factor was quality and community facilities, which stressed the importance of quality housing with proper amenities. Understanding these criteria is necessary to develop social housing that effectively meets the needs of the M40 earners.

Based on this research, some key recommendations are proposed to meet the housing needs of M40 earners in Malaysia. Affordability should be the main concern of policy makers and developers by ensuring that the prices of houses are adjusted to M40 incomes. Reduced interest rates, subsidies, and flexible terms of the loan, with the eligibility and repayment policies, should be implemented to improve the opportunities of owning a home. Banks and developers might come up with tailored financing programs and incentive to finance mid-range housing projects within the region of M40 affordability ranges. It is also important to provide quality housing with essential facilities such as schools and medical centers to ensure satisfaction among the residents. Government, developers, and financial institutions ought to be in constant association to ensure that the policies are updated and all responsive to the emerging needs. Customized solutions should be created for the different groups within the M40 category. Implementing these measures will assist Malaysia to meet its objective of providing affordable and inclusive social housing as well as enhancing the quality of life for M40 earners.

This study reached its objectives, however it has certain drawbacks. The convenience sampling method was used to gather the sample size of 102 respondents from Johor Bahru which could have restricted the representativeness and generalizability of the study due to small number of respondents were taken in the one geographical location. Therefore, it might not be reflective of the entire spectrum of M40 earner in Malaysia. Future study might consider increasing the sample size and incorporating various regions to enhance representativeness. It would also be beneficial to employ qualitative approaches, such as interviews or focus groups, to acquire a better understanding of M40 earners' housing options and challenges. To conclude, assessing the long-term effects of housing policy on

this particular group could provide valuable information for policymakers and all housing industry players.

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