



Housing affordability of Malaysian family students in Sheffield, England

Norazmawati Md.Sani* and Md. Azree Othuman Mydin

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

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ABSTRACT

There are many socio-economic factors that affect the affordability level of house ownership such as household income, household expenditure, house prices, rental installment, type of occupations and others. If the income is sufficient to pay for a house and other household expenditures, then the person can be identified as having home affordability. The objectives of this research are to examine the housing affordability of Malaysian family student and to investigate the pattern of their expenses in Sheffield. The sample of this research comprises 30 Malaysian family students who rent in City Center, Tinsley and Firth Park. The convenience sampling technique is used for this research with regression method as its analytical tool. The findings indicate that Malaysian family students in Sheffield with 4 household members are afforded to rent a house with monthly instalment averaged at £435 if minimal £1,300 overall income obtainable either from the sponsors or through part time job. The pattern of their expenses in Sheffield shows that the significant monthly expenditures is housing rental with 35% allocation and 24% for food.

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Introduction

House is the basic human needs in macroeconomic medium development. Affordability is a contentious issue in decision-making regarding home ownership; being the most controversial issues in the housing policy for almost every country (C.M. Hui, 2001). In every Five Year Malaysian Plan, the policies, guidelines and legislations continuously ensured that housing must be affordable for every person especially to lower income groups.

One of the objectives of the housing policy formulated by Malaysia's Government is home ownership. Homeownership is happened through buying or renting a house. Housing affordability is not merely home ownership but also involved tenancies (Norazmawati, 2007). Thus, the main obstacle of housing affordability is housing for the poor (Yates and Wood, 2005). Affordable housing is also related to the ability of a family to pay for their house (Tawil et al., 2011).

This paper will first review theories and concepts of housing affordability and empirical evidence from previous studies to form the basis for a conceptual framework. Finally, it discusses the implications of its findings on housing for Malaysian student in Sheffield and makes recommendations to improve the existing strategies of Malaysia's Government for Malaysian student to whose further their studies in overseas.

Concept of housing affordability

'Affordable housing' term has been used as an alternative to terms such as 'public', 'social' or 'low cost' housing (Gabriel et al., 2005). The idea of affordable housing recognises the needs of households whose incomes are not sufficient to allow them to access appropriate housing in the market without assistance (Milligan et al., 2004). The term 'affordable housing' describes housing that assists lower income households in obtaining and paying for appropriate housing without experiencing undue financial hardship (Milligan et al., 2004). The main variables that affect the ability of the low-income group in Malaysia to own a low-cost house include household income, household expenditures, occupation, education level, whether household members work and monthly payment for housing

(Norazmawati, 2007). If the income is adequate to pay for a house and other household expenditures, then the person can be described as having home affordability.

It is not easy to determine and measure housing affordability. Previous researchers have used many approaches and methods in an effort to determine and to define housing affordability. Household income normally constitutes the primary source of information needed to determine housing affordability. Household income refers to the combination of both the husband and wife's incomes if both of them are working. If only the husband or wife is working, the income of the individual who is working is considered the household income.

In the case of home buyers, concerns about affordability are typically about the accessibility of home ownership, or the ability of younger households to gain access to home ownership for the first time (Richards, 2008). Gabriel et al. (2005) provides a rationale for continued use of the 30% to 40% affordability rule because it provides continuity with traditionally used measures and because it is simple to apply and easy to understand. A case is also made for providing additional complementary indicators that are more responsive to household needs and capacity to pay.

Housing policy in Malaysia

National Housing Department is established under the Ministry of Housing and Local Government to take a responsibility and ensure that every household in Malaysia live in a comfortable house. In line with a concept inspired by Prime Minister of Malaysia Datuk Seri Najib Tun Razak; "1Malaysia: People First, Performance Now", the Government is committed to the provision of adequate, quality and affordable housing to improve people's welfare. The three main objective of the National Housing Policy are; (1) Providing adequate and quality housing with comprehensive facilities and a conducive environment; (2) Enhancing the capability and accessibility of the people to own or rent houses; and (3) Setting future direction to ensure the sustainability of the housing sector.

Tele:

E-mail addresses: norazmawati@usm.my

Housing needs is a major social objective of national development. Hence the National Housing Department launch a National Housing Policy as an initiative towards ensuring access to quality and affordable housing to meet the needs of a growing population by matching demand and supply, promoting an efficient and sustainable housing industry, as well as providing efficient public utilities and services and a clean environment. Consequently, Housing sector will be able to contribute to the economic growth of the country and realise the Government's aspiration to become a developed and high-income nation by 2020 with the implementation of National Housing Policy.

Housing policy in England

The main delivery mechanism of affordable rental housing in England is through Section 106 of the Town and Country Planning Act 1990. This act enables planning authorities to require a developer to contribute to affordable housing as a consideration and condition of planning approval, while the actual level of contribution is negotiated on a site by site basis. This negotiation occurs within a strong policy framework extending from national policy requirements for affordable housing in plan making and development assessment, the identification of regional housing and affordability targets, and local housing strategies with indicative site-based targets for affordable housing contributions. Under the act, the planning authority must first demonstrate the need for affordable housing, specify targets to address this need, and identify specific sites on which contributions towards the affordable housing need will be sought. The provision is often described as a 'planning gains mechanism', because it provides a basis for recouping some of the profit to private developers arising from the value of planning approval and public infrastructure (Gurran et al., 2007).

The provision of affordable housing through the Section 106 process is depend on the UK Social Housing Grant, which provides affordable housing through public subsidy. The availability of the social housing grant has a positive impact on the viability of a site for affordable housing inclusion by reducing the impact of a social housing target on residual land value. The use of the planning gains mechanism has made a significant contribution towards the integration of subsidized housing in new housing developments. This has largely been achieved by securing land for affordable housing in high value sites and by integrating provision of affordable units within the market development (Gurran et al., 2007).

Historically, England has had much of its affordable housing developed, managed and maintained by large housing associations. Recently, though, authorities have encouraged and explored the establishment of community land trusts. The establishment of community land trusts in England has emerged from the dual concerns of developing and preserving affordable homeownership and retaining peri-urban and non-urban agricultural lands. Social housing is let at low rents on a secure basis for those who are most in need or struggling with their housing costs. Normally councils and not-for-profit organizations (such as housing associations) are the ones to provide social housing.

In England, social housing is considered as affordable housing. This is because the key function of social housing is to provide accommodation that is affordable to people on low incomes. Limits to rent increases set by law, mean that rents are kept affordable. ([http://england.shelter.org.uk/campaigns/why_we_campaign/Improving social housing/ what is social housing](http://england.shelter.org.uk/campaigns/why_we_campaign/Improving_social_housing/what_is_social_housing), 2013).

House Price In England



Picture 1: Map of United Kingdom Region

Source: <http://www.hopeuk.org>

Based on Picture 1, Yorkshire and Humberside region (particularly in Sheffield) is chosen as case study in determine the housing affordability for Malaysian students. Other places is not been considered.

Housing affordability is a crucial issue in terms of house price and rents. As shown in Table 1 the house price in Yorkshire and Humberside are increased 53% in year 2013 at £115,480 since year 1998 where the price cost was at £54,812.

Table 1: Average house prices by region

Region	Average house price, all dwelling types, Mar 1998	Average house price, all dwelling types, Mar 2012	Average house price, all dwelling types, Mar 2013
East of England	£170,038	£172,811	£173,366
East Midlands	£55,612	£123,520	£122,033
London North	£121,178	£341,541	£369,372
East North	£49,693	£102,657	£96,472
West South	£52,240	£111,906	£107,101
East South	£86,168	£205,796	£209,026
West West	£67,827	£170,069	£171,310
Midlands	£60,089	£129,608	£129,024
Yorkshire & Humberside	£54,812	£118,069	£115,480

Source: Calculated from figures published by Land Registry Office.

In England, there are two ways to pay housing rental either weekly or monthly pay. As shown in Table 2, in Yorkshire and Humber where Sheffield is located, the average social rents set by Council is £60.55 compared to average social rents set by Housing Association which is £66.20. It means that rental price set by Housing Association is £5.65 more than rent set by Council.

However, actual rental cost for private housing in Yorkshire and Humber which shown in Table 3 below indicate that the weekly rental fees is almost double than rents set by Council and Housing Association as shown in Table 2 before. Therefore, average housing rental rate in Private Sector which is payable by majority household in England is two to three times higher than social rental household set by Council. Malaysian students are tied to actual rental rate for private housing and average monthly

payable amount of £485 as shown below will be the benchmark in analysing the housing affordability in this research.

Table 2: Average social rents by region (weekly)

Region	Council 12)	Housing (2011)	Difference (HA-Council)
East of England	£75.26	£81.87	£6.61
East Midlands	£62.94	£72.08	£9.14
London	£89.17	£97.46	£8.29
North East	£59.38	£65.78	£6.40
North West	£62.63	£68.65	£6.02
South East	£78.70	£89.94	£11.24
South West	£67.06	£76.04	£8.98
West Midlands	£67.40	£72.47	£5.07
Yorkshire &	£60.55	£66.20	£5.65

Source: Calculated from figures published by Land Registry Office.

Table 3: Average private rents by region (median, monthly)

Region	Private sector, 12 months to end of March 2013 (monthly)	Private sector, 12 months to end of March 2013 (weekly)
East of England	£600	£150.00
East Midlands	£500	£125.00
London	£1,250	£312.50
North East	£450	£112.50

Region	Private sector, 12 months to end of March 2013 (monthly)	Private sector, 12 months to end of March 2013 (weekly)
North West	£495	£123.75
South East	£750	£187.50
South West	£615	£153.75
West Midlands	£525	£131.25
Yorkshire & Humberside	£485	£121.25

Source: Valuation Office Agency, DCLG.

Methodology

Due to a limited of research funding and time, only Sheffield area has been chosen as a case study. The sample of this research comprises 30 Malaysian family students who rent in City Center, Tinsley and Firth Park. The convenience sampling technique is used for this research besides regression method as its analytical tool.



Picture 2: Example of House in City Center



Picture 3: Example of House in Tinsley (Source: Picture taken by Norazmawati, 2014)



Picture 4: Example of House in Firth Park (Source: Picture taken by Norazmawati, 2014)

Currently, the population of Malaysian family students enrolled in Sheffield for studies can be summarized in Figure 1.

Figure 1: Number of Malaysian Family Students in Sheffield
Source: *Malaysian Students and Communities Sheffield (2014)*

The populations of Malaysian family student in Sheffield distributed to three (3) major locations where indicated in Figure 2 below.

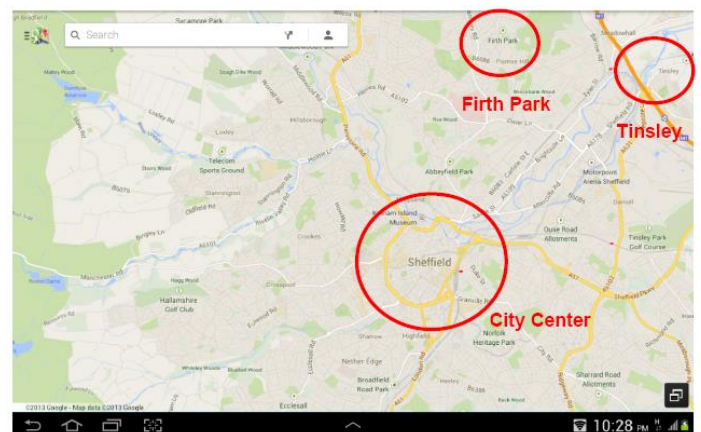


Figure 2: The Location of Malaysian family students' population in Sheffield

Source: Google Map (2014)

Generally, the selections of locations of houses among Malaysian family students in Sheffield is depend to housing rental rate, accessibility to University, numbers of family

members, transportation convenience and commute, children school location, local neighbourhood communities and easy accessible for raw food materials.

Since the total numbers of Malaysian family students living in this three locations in Sheffield is 43 families, the respondents involving of totalling 30 feedbacks comprises from all three population areas representing 70% is considered as valid (Othman, 2001).

In Sheffield, there are two universities that be selected among Malaysian student which is Sheffield Hallam University and University of Sheffield where the numbers of Malaysian student based on interview is shown in Figure 3. From 30 respondents, 25 of them are from University of Sheffield and 5 are from Sheffield Hallam University.

Figure 3: Number of Respondent According to University in Sheffield

About 40% of the respondents has 5 family members staying together, 27% with 3 and 4 person of occupancy and the rest 6% having 6 numbers of family members and the pattern of the division is shown in Figure 4.

Figure 4: Household Number of Respondent

Analysis of housing affordability for Malaysian family student in sheffield

Through analysis of housing affordability for Malaysian family student in Sheffield, the findings indicate that Malaysian family students in Sheffield with 4 household members are afforded to rent a house with monthly instalment averaged at £435 if minimal £1,300 of overall income is obtainable either from the sponsors or through part time job.

In practice, the Malaysian government is sponsoring £1,012 as a monthly subsistence allowance for each student who enrolled in higher degree program in United Kingdom since year 2013. This allowance is expected to be utilized by the student for all expenses in United Kingdom for housing rental, food, transportation and studies-related expenses during the studies. However, if both husband and wife pursuing higher degree program together concurrently in the United Kingdom, the allowance is paid for each individual where the total allowance for family become £2,024. For private funded students, the subsistence allowance is ranged between £880 to £1,571. There are some students who choose to work for extra income as a cleaner with additional gain between £250 to £500 a month which represents 50% from the respondents. However, for analysis in an actual situation, the actual household income will not consider the side income from part time job.

Figure 5 showing the household income from subsistence allowance provided for Malaysian family student in Sheffield based on the data collection.

Figure 5: Household Income from Allowance

About 57% of Malaysian family student earned total allowance ranging between £1,001 to £1,500 and 20% of the respondents managed to earn higher income between £1,501 to £2,000 monthly. However, 13% of them make below £1,000 meanwhile 10% who managed to earn more than £2,000 while enrolling a full time studies in the United Kingdom.

To investigate the relations between subsidized allowances with household expenditure for Malaysian family student, a regression method is used in this research where the result is shown in Figure 6.

With the calculated relations at 29.2%, it can be concluded that the allowance which allocated for each student from their sponsors is somehow related to the decision of working for having extra side income. In another word, the students facing almost 30% possibility to work in order to increase the household income. The side income from their part time job is

used to top up the expenses where the main allowance is used for cover their basic living necessities. It can be also highlight here that may be due to mild commitment in working that require minimum two hours of their time at very early morning (5:00am to 7:00am), the decision to work is sort of golden opportunity to have more income with less effort without disturbing their studies.

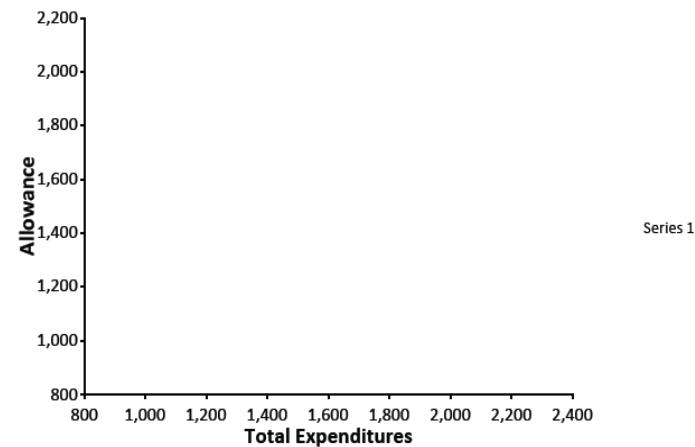


Figure 6: Relation Between Allowance and Household Expenditure

On other side, compared to household income from allowance, the total household expenditure for Malaysian family student in Sheffield can be illustrated in Figure 7 below.

Figure 7: Total Household Expenditure

It is clearly shows that 70% Malaysian family student spent between £1,001 to £1,500 in a month for overall household expenditures compared to 57% of Malaysian family student earned total monthly income range between £1,001 to £1,500 as shown in Figure 5 before. Meanwhile, 17% of Malaysian family student is afforded to spend less than £1,000 a month as their monthly commitment compared to earlier record as shown in Figure 5 that only 13% of Malaysian family student earned less than £1,000 of total household income. To ease the understanding of this statement, Table 4 showing the different of expenses compared to income for Malaysian family student in Sheffield.

Table 4: Different of Total Household Expenditure versus Household Income from Allowance According to Financial Range

FINANCIAL RANGE	TOTAL HOUSEHOLD INCOME (THI) POPULATION	TOTAL HOUSEHOLD EXPENDITURE (THE)	DIFFERENT (THE-THI)
Below £1,000	13%	17%	4%
£1,001 to £1,500	57%	70%	13%
£1,501 to £2,000	20%	10%	-10%
£2,001 and above	10%	3%	-3%

In simple words, from above table, it is observed that the total household income populations are distributed to lower range expenditure where the difference of population especially who earns between £1,501 to £2,000 shows a negative figures compared to household expenditure. This trend also showing that 87% of Malaysian family students are able to manage their monthly expenses below £1,500 while another 13% are spending at higher range. Half of Malaysian family students as shown above are capable to have surplus on their monthly budget and this generally goes for saving or future planned expenses such as buying luxuries items or travelling purposes.

Table 5: Average Income and Household Expenditures for Malaysian Family Students in Sheffield

AVERAGE INCOME				AVERAGE EXPENSES											TOTAL	
Household Member	Allowance	Side Income	Total Income	House Rental	Water Bill	Gas Bill	Electricity Bill	Clothes	Telecommunication	Food	Entertainment	Medical Cost	Education	Transportation	Total Expenses	Balance
4	£ 1 300	£ 157	£ 1 457	£ 435	£ 34	£ 53	£ 41	£ 35	£ 44	£ 298	£ 78	£ 19	£ 68	£ 141	£ 1 243	£ 57

Finally, the average income and household expenditures gathered from 30 respondents of Malaysian family students in Sheffield is shown in Table 5. With total average expenses is £1,243 monthly, the subsistence allowance from the Government £1,012 is considered lesser than actual expenditure. It is shown in Table 5 above that the average income required to have a sufficient expenditure with minimal saving is £1,300 per month.

This also indicate that with £1,012 allowance, the Malaysian family students need to have extra almost £300 per month that at this time, it is obtainable from part time job with 2 hours commitment daily. This statement confirmed that about 50% of Malaysian family students are attached for part time work as discovered before.

Analysis the pattern of malaysian family student expenses in Sheffield

Figure 8: Total Expenditure in GBP £

Figure 9 showing the overall expenses pattern of Malaysian family student that has been sub-divide into eleven (11) categories i.e. house rent, water bill, gas bill, electricity bill, clothes, telecommunication, food, entertainment, medical, education and transportation.

The highest allocation for monthly spending generally goes to house rent (35%) and food (24%). Second highest allocations that need to be considered for Malaysian family student that discovered by this researches are transportation (11%), entertainment (6%) and education comprises to all study-related expenses (5%).

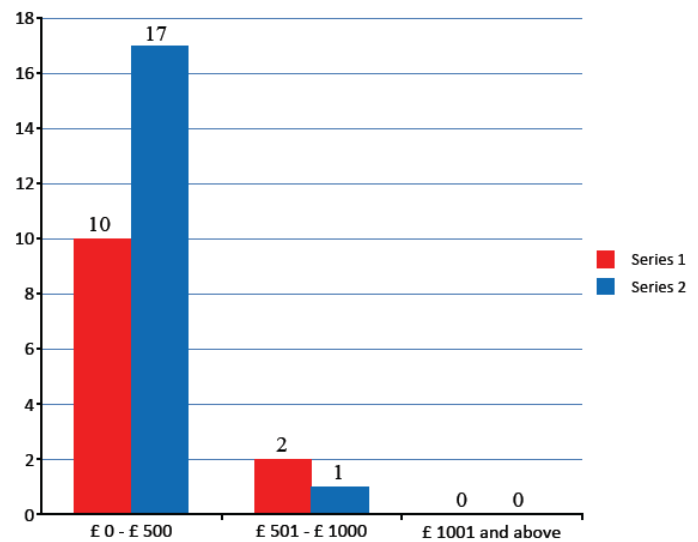
Household utility bills i.e. gas, water, telecommunication and electricity consumed totalling 14% of household expenditures which is considered as compulsory allocations for comfortable living which become constant parameters that normally need to be paid in a household. Others sub-divide categories are medical and clothes allocated at 2% and 3% respectively for overall Malaysian family student.

This research also circumstantially discovered that from 30 Malaysian family students that have been interviewed, 12 of them are facing deficit monthly budget where the household expenditure is more than household allowance which shown in Figure 9.

Eventually, 17 respondents are disclosed to have a surplus of household income ranging from £0 to £500 monthly and one (1) respondent managed to have a surplus more than £501 to £1,000 a month.

On other hand, it is detected that ten (10) respondents are facing a deficit between £0 to £500 a month and one (1)

respondent having a deficit of £501 to £1,000 monthly. The surplus of family budget generally is used for saving, travelling planning and long term planning in buying a luxury items which is normally a car, imported house furniture and branded electrical appliances which is aim to be bringing back to Malaysia when graduated.

**Figure 9: Surplus and Deficit of Household Budget for Malaysian Family Student in Sheffield**

For deficit budget, it usually will be compensated by using existing saving, local family contributions from Malaysia or short term loan where will be normalized in one or two month. In conclusions, since housing is a basic necessity for a family, the allocations for housing is fixed expenditure then other sub-divide categories of expenses as shown in Figure 8 is considered as variables where can be adjusted and lowered when the pattern of spending been realized by the family.

With 18 respondents having a surplus in monthly budget and average household income minimum required is £1,300, it is proved that the Malaysian family students are afforded to rent a house with averaged allocations rental is £435 a month. The pattern of spending in United Kingdom is need to be realized as soon as possible by Malaysian family students so that a wise monthly budgetary allocations is prepared for comfortable living at the same time making a surplus for future planning.

Results and discussion

The findings of this research indicate that Malaysian family students in Sheffield with 4 household members are afforded to rent a house with monthly instalment averaged at £435 if minimal £1,300 overall household income is obtainable either from the sponsors or through part time job. The pattern of their expenses in Sheffield shows that there are most significant monthly expenditures goes to housing rental with 35% allocation and 24% for food.

For a monthly subsistence allowance provided by Malaysia's government at £1,012 for each student, Malaysian family students are considered less-afforded to have a moderate living experience in Sheffield where additional income amounted £300 from part time job is required to support the living expenditures. A wise budgetary planning will really helps in having a comfortable living experience in United Kingdom especially in Sheffield so that the students is prepared for future financial planning.

Hence, the subsistence amount of £1,300 monthly from the sponsors is suggested for a family student who enrolled in higher degree program in Sheffield.

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