

# CAN MIXED- INCOME HOUSING ALLEVIATE ECONOMIC SEGREGATION?

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## I A Foreign Concept in Malaysia

Malaysia does not have a strong history nor presence in mixed-income housing development, while it has been a widely adopted practice in a number of societies, including our neighbours Singapore. Mixed-income areas could go some way to combatting inequality as living costs in Kuala Lumpur lead to an increasing divide between the wealthy and the poor. The spatial impact of inequality could be seen in segregation, or class-based divisions.

Segregation, particularly for individuals and families in the lower socioeconomic brackets, breeds concentrations of poverty that, if unchecked, form ghettos with a single income level. Certain old PPR developments have already fallen into the danger of ghettoization due to neglect and a general environment of low morale. Concentrations of poverty don't usually stay confined within living compounds, but they spread outwards to the external communities, manifesting in low business investments, undermaintained facilities, and poorer services.

Khazanah Research Institute (KRI) points to place differentiation as a key driver of aspirational neighbourhoods. This refers to the diversity of places that provide a variety of goods and services that are divided into hierarchies that should be satisfied before moving on to higher level needs that "reflect social class, esteem and self-actualisation" ([Khazanah Research Institute, 2022](#)). First tier amenities like shelter, food, and safety should be prioritised, but higher tier needs

met indicate higher place differentiation and more prosperous neighbourhoods. It quantifies the different types of functions and freedoms that residents have access to in an area, and it shows that not all neighbourhoods are similar, some grow to become prime living areas, and others become stuck in perpetual non-investment.

The nature of agglomeration economies means many job opportunities, resources, and high-wage jobs are concentrated in specific urban areas, leaving those outside at a disadvantage. For people living in less diverse places, this increases their costs of gaining access to these privileges and opportunities. The same KRI report suggested that houses should not just end at providing shelter, they should be the anchor where people gain access to jobs and services, as well as gain social lives. Desired homes in good areas could be unaffordable, while affordable homes are often too small, far from the city centre, in sub-par conditions, and do not offer things beyond meeting the most basic needs.

In Malaysia, property developers are obliged to allocate portions of their projects to affordable housing initiatives, but these portions do not occupy the same space. Developers often dedicate another area for low-income housing units, creating single-income bracket clusters, and missing opportunities to diversify income levels of a specific area ([Liew, 2023](#)).

## I What is Mixed-Income Housing?

The key of mixed-income housing lies in having both low and high-income housing in the same community, often along with other income groups in between. They can be in the same building, or within the same development compound. They usually come about from policies that oblige or encourage developers to meet affordable housing quotas, but as stated, in Malaysia, they are done mostly in separate areas. A common model adopted is the 80-20 model, where 80% of housing units in a development are market rate, and 20% being set aside for lower-income tenants ([Shelburne, 2024](#)).

It is a strategy of increasing affordable housing stock, but the mixing element goes further as an attempt to foster social integration. It allows people from different socioeconomic backgrounds to interact and meet, as well as enhance economic mobility and allow lower-income residents better access to jobs and other opportunities.

It is also one potential method of revitalising derelict or rundown neighbourhoods. A well-designed project can potentially bring in economic development and investments with an influx of higher-income residents. In theory, the new investments should benefit the community as a whole and allow lower-income residents better access towards better quality and more diverse facilities and services. In general, it can be utilised as a strategy to rescue distressed neighbourhoods.

However, it is not fool-proof and without its risks, it comes with potential problems such as gentrification and displacement that may price out already low-income residents. In that sense, it needs to be approached in a mindful manner that maximises its attractiveness to people from different income brackets yet does not bring forth displacement.

## I Housing Segregation in Malaysia

In the housing sector, Ahmad Zahir et al. ([2025](#)) trace Malaysia's shift from growth with an equity approach to growth with a stability approach to the 1990s when neoliberal urbanism emerged. Privatisation initiatives were taken that encouraged rapid growth at the expense of equitable growth with a focus on market-led solutions.

The same authors describe the concepts of incrementally developed areas (IDAs) and privately developed areas (PDAs). IDAs, exemplified by several urban villages, emerge organically over time, while PDAs are the results of planning and private investments. PDAs can be defined as mainly

master-planned projects that include gated communities, luxury high-rises located in prime locations with modern facilities and amenities.

IDAs and PDAs represent a dichotomy of unequal urban access that highlights the coexistence of the affluent with the deprived in the same urban fabric, albeit living very parallel lives. IDAs rely on informality and bottom-up initiatives for many basic services, and generally host poor quality housing with subpar road traffic infrastructure that are opposite of the high end amenities of PDAs. PDA residents consist largely of professionals or so called economic elites who enjoy the

fruits of property value appreciation and access to better employment opportunities, meanwhile IDAs tend to host jobs with stagnant or inferior wages with very limited upward mobility ([Abdullah et al., 2022](#)).

For example, in Kuala Lumpur, two neighbourhoods that represent a concentration of wealth are Mont Kiara and Bangsar South, where the median household income is over RM10,000 per month and where a majority of residents belong in the T20 income bracket. In contrast, Kampung Bharu has a median monthly income of less than RM5,000 with a majority B40

population. Employment rates are also higher in high-income areas compared to lower-income neighbourhoods. Statistics from the Department of Statistics Malaysia (DOSM) highlights unequal access to services as well, with Ahmad Zahir et al. (2025) describing Kampung Bharu as having limited access to clean water and sanitation, and Johor Bahru's Kampung Bakar Batu similarly having limited access to electricity and waste management. Access to basic services would improve as average housing value increases, along with house ownership rate, despite the much higher prices.

## How Does Mixed-Income Housing Work

Mixed-income communities is essentially a community with people from different income levels living together, instead of pricing out certain income groups or neglecting to make an area attractive enough for others. In different contexts, mixed-income may indicate different ratios of price differences among housing units. The determination of income levels would also determine what housing or subsidy programmes would be involved.

How the units are mixed is another reference point, market-rate and affordable units could inhabit the same compound, building, floor, or wings ([Housing Solutions Lab](#)). The goal of the development should also dictate the targeted income mix. If the goal is to redevelop while minimising displacement threats, there should be a larger mix of affordable housing units. This also ensures the existing social networks could be preserved. Should the main goal be to increase economic diversity, more market-rate units could lead to better maintained amenities and facilities because

the development would largely be competing with other market-rate developments.

Rachmawati and Susilawati (2022) claim that the model is best practised in high-density areas, providing an opportunity to increase housing affordability, and in cases of public-private partnership, it can increase housing value. Doing it on public land would further increase affordability as it could be considered a form of subsidy and reduces the land cost of affordable units. Alternatively, higher rent or costs for the market-rate units can help offset the lower prices for affordable units

Vale and Shamsuddin (2017) identify **four important dimensions that apply for mixed-income developments**. **Allocation** refers to the range of subsidy to be included for the project, what proportions of various income groups would be represented, and what forms of affordable housing would be attached. The second dimension is **proximity**, as in what is the specific geographic area

that income-mixing is intended to take place in a development. This could determine how much social interaction residents of different income groups would be exposed to with one another. Thirdly, **tenure** determines what proportions of housing would be allocated for rental and homeownership as this would impact clientele attracted. Finally, **duration** determines how long is the income mix expected to last, or how long would guaranteed affordability be maintained? For example, some mixed-income housing in the U.S. enjoy subsidies for only 15 years in contrast to conventional public housing. Such short durations could have detrimental long-term effects for low-income residents as they face displacement.

In short, to define **success in mixed-income housing**, the following would be good indicators:

**Mixed-income occupancy:** This highlights the popularity of the development for all income levels involved, ideally, it should be attractive to different income levels to create a dynamic living environment that effectively encourages social integration.

## I The Pros

Concentrations of poverty largely keep families and young children within the cycle of poverty, and creates a much higher chance of exposure to crime. [Farrigan and Parker \(2012\)](#) say that concentrated poverty contributes to poor housing and health conditions, increased crime and school dropout rates, and worker displacement. This creates poor economic conditions and limited opportunities where poverty becomes a self-perpetuating phenomenon. These spaces are also usually served by

**Quality of Life:** Improved quality of life, particularly for low-income residents through better quality housing and better access to better amenities and facilities in a safer neighbourhood.

**Social cohesion:** This shows that there are actually interactions between residents of different income-levels and not just simply living parallel lives in the same environment. This should extend towards the surrounding area.

**Economic mobility:** Lower-income residents should show, at least in the longer term, upwards economic mobility having gained better access to social networks, opportunities, and services.

**Physical and economic revitalisation without displacement:** While the economic development and physical improvements of the area would be essential, if it came with high displacement, then it would not have completed its main objective to lift underprivileged residents.

poorer or completely absent facilities and amenities.

As stated, the main point of mixed-income developments is the possibility of social encounters between members of different income groups that could be a catalyst for upwards mobility. It is also a method to reduce the concentration of poverty by bringing in private investments in both retail and housing. These are growth that could improve the quality of life of residents

through enhanced amenities and increased employment opportunities. Writing for the MacArthur Foundation, [Schwartz et al.](#) report that compared to residents of clustered public housing, those who moved to mixed-income developments have changed social networks, gaining more friends who graduated college and were homeowners. Meanwhile, single-income development, whether aimed at low or high income communities, reinforces housing segregation and often fails to create dynamic and resilient communities ([City Collective, 2024](#)).

Practically, it is said that the integration of lower-income residents into mixed-used housing will build connections with relational networks that provide information and resources of their new higher-income neighbours. Through interactions, higher-income residents may also become role models and instigate a process of “social learning” for those who may have been stuck in neighbourhoods of concentrated poverty and influence their aspirations. Despite this

## The Risks

While it’s all good and fair to point out how mixed-income housing is beneficial and can lift up disadvantaged communities, if not approached carefully, it could adversely affect the community. The income mix has to be optimal, which largely excludes very low-income households as unfortunately, it would be difficult to attract or persuade those from higher income brackets to share living compounds with groups attached with the stigma and stereotypes of perceived higher tendency of committing crimes and deviant behaviour. Ultimately, it is unlikely to solve housing issues for groups that need it the most ([Villalobos, 2018](#)).

pejorative view of lower-income residents, there are structural factors in play. The political economy of place suggests that higher-income residents will attract bigger local investments as well as more functional facilities and public services ([Joseph & Yoon, 2016](#)). In essence, while structural issues contributing to poverty are important, individual-level solutions act as alternative ways of addressing these issues.

In prior studies, positive effects have been observed in chosen cases. Fraser and Nelson ([2008](#)) report that previously disadvantaged neighbourhoods that gained mixed-income developments see a decrease in criminal activity and rising property value. Around 75% of residents who relocated to mixed-income housing reported improved mental health in the new neighbourhood ([Popkin et al., 2000](#)). There is also evidence that relocating to a higher-income environment boosted self-esteem and motivation to continue advancing in life ([Joseph & Chaskin, 2010](#)).

Despite high hopes of cross-income level interaction, it is something that is difficult to engineer and needs to happen organically. Oftentimes, residents primarily only interact with people from their own socioeconomic background, and cross-class interactions are usually limited to greetings and superficial small talks. This can be down to design flaws that lack attractive common areas, shared entrances and hosting of community events, but is also attributed to structural factors such as differences in language, level of education, ethnicity, marital status, and family composition ([Kleit, 2005](#)). Based on case studies, this self-imposed division

may change over time as people get more used to the area, but it could also go further south as people give up altogether on efforts to engage with other neighbours. There are obvious benefits of living in better physical conditions, but tangible benefits from social interactions remain lacking ([Levy et al. 2010](#)).

Should mixed-used developments be used to replace low-cost and affordable homes, there would also be a huge risk of

residential displacement. All affordable units removed for the new development should be replaced in the vicinity, but this hasn't always been done ([Fullilove & Wallace, 2010](#)). This isn't merely residential and economic displacement, the risk of gentrification and arrival of higher-income households ultimately also take away political power from disadvantaged residents as they get more say in what happens to the area ([Hyra, 2013](#)).

## I How to Plan an Effective Mixed-Income Development

Both the pros and risks of mixed-income development are subject to design and implementation strategies. To maximise the potential benefits, developers and planners could utilise certain strategies that can be boiled down to the following ([Davis et al.](#)):

**Developing the right mix:** As stated, the ratio of market rate to affordable units is essential as market sales prices and rent are often what is needed to cross-subsidise the costs of affordable units. This would also depend on the site in question, as harder-to-serve markets would probably benefit more from higher affordable units catering to lower-income households.

**Uniform quality and design approach:** Despite the difference in price point and target market, the physical quality and design between the market price and affordable units should not be different. The entire development should be done according to a similarly high standard to send a positive message to all incoming residents. A discrepancy in quality would signify that low-income households are less deserving of proper design and amenities, and not only is this a wrong signal, it would increase stigma against them. The only difference should be

what residents pay to live in their homes, not in the physical elements of the homes.

**Financing:** If we shouldn't cut costs on affordable units, how do we finance the project? This is a more complicated matter that requires the will from several different parties. The public sector can offer tax credits to developers committed to building affordable units. Sites of mixed-income housing can also be primarily sourced from public land, paid for with land trusts and reduced land leases. The most efficient form of financing is intertwined with the ideal mixing and using cross-subsidies to keep affordable homes affordable ([Housing Solutions Lab](#)).

**Intentional creation of infrastructure for opportunities to interact:** There should be carefully designed public spaces that encourage sharing and interaction between all residents, not just within the housing compound, but in the surrounding environments. While inter-income interaction is not a guarantee and may take time to take off, it does not hurt to lay down the groundwork to avoid the reality of residents living approximate but parallel lives and creating self-imposed segregation.

## What to Avoid

As previously stated, it is imperative to not treat the affordable units as second-class units because this stigma would extend to the households occupying them and perpetuate inequity. One essential point of a mixed-income housing development is that everyone feels equal. The design and materials utilised should not reflect aesthetical differences or division between income levels.

It would also be a mistake to ignore housing diversity and only make certain types of housing such as apartments available. A wider range of homes is able to appeal to a more diverse demographic of residents in terms of household size, age, and occupation. Townhouses, landed properties, and apartments can cater to different profiles and increase the social mix of the development.

Housing development should also not be treated as separate and isolated projects from other developments around it such

as civic, retail, and commercial spaces. One way of doing this is to approach any project as a mixed-used district rather than simply a housing project. There should be an economic synergy that connects local services, businesses and the residents. It is therefore important to think about how to integrate the retail hubs with residences, whether it be easy physical access or thoughtful activation of ground floor spaces ([City Collective, 2024](#)).

Site selection and evaluation also matters, not simply in terms of the physical geography, but also history, context, and identity. Disregarding local identities, heritage, and history risk the creation of generic sterile spaces. It is also a cause of alienating established residents. The aim of mixed-income development is to bring in new residents to an established place, but not to replace the existing area. While it is important to change the fortunes of a potentially degrading place, certain local heritage should be celebrated and embraced.

## Best Practices From Around the World

While absent from Malaysia's housing scene, mixed-income housing is not a novelty in various other more developed societies. However, it is not easy to get the dynamics right to establish strong relationships between residents and proposed elements of the development. That being said, several case studies could prove to be good blueprints for any such plans.

### HDB Flats, Singapore

Over 80% of Singapore's population live in public housing flats provided by the Housing & Development Board (HDB) ([Singapore Ministry of National Development, 2025](#)). Due to colonial history and a multiethnic population, economic inequality in Singapore and Malaysia has ethnic implications, with poverty more concentrated in certain ethnicities that could contribute to economic segregation that doubles as racial segregation. Singapore's HDB implements an Ethnic

Integration Policy (EIP) that sets quotas on the share of Chinese, Malay, and Indian residents in a certain area ([Housing & Development Board; Weder di Mauro, 2017](#)). This prevents the creation of racial enclaves and segregation. That being said, it is not without challenges, as the quotas come with an effect on prices should a unit be constrained regarding who they could be sold to. Despite this, it has been argued the benefits are clear, as experts cite economic segregation with racial undertones visible in the USA, UK, and France ([Zareen, 2016](#)).



Year	Type of limit reached			Total number of EIP-affected NHs*	Total number of NHs	Proportion of EIP-affected NHs
	Chinese	Malay	Indian/ Others			
Dec-90	17	9	8	33	143	23%
Dec-95	14	6	7	26	155	17%
Dec-00	5	3	20	25	165	15%
Dec-05	15	8	27	41	162	25%
Dec-10	19	2	1	22	162	14%
Dec-15	19	4	6	27	167	16%
Dec-20	9	11	7	24	173	14%

Image 1: HDB flats in Singapore, Dollars and Sense

Table 1: Number and proportion of neighbourhoods where at least one EIP limit was reached, Singapore Ministry of National Development

## Harbor Point, Boston

Harbor Point was widely credited as the first mixed-income housing in the USA. It was a failed public housing project from the 1950s that was converted into a 1,283-unit mixed-income community completed in 1991. In order to carry out physical changes and minimise harm done to existing residents, social support services were made available while developers engaged with tenants to ensure their voices were heard in the design and management process ([Congress for the New Urbanism](#)). Key developer Joe Corcoran made the existing public housing tenants partners in the project and advocated that no decisions may be taken without agreement from tenants and developers ([Rybczynski, 2013](#)). From the development, the tenants' council gets 10 percent of the cash flow to finance its operations with 12 elected members, seven from subsidised tenants and five from the market tenants. This disparity is justified through the fact that subsidised tenants tend to be long-time residents of an average of 8 years, whereas market tenants at Harbor Point tend to move after less than two years.



*Image 2: Aerial view of Harbor Point, Goody Clancy*

## Quayside Village, Vancouver

Quayside is a co-housing project that incorporates a mixed-income framework emphasising on social interactions. It incorporates a total of 19 units with 1 designated as rental, and 5 as affordable units varying in sizes and types. The layout of the housing was designed intentionally to facilitate social interaction (Enns & Matthew, 2017). For example, the entrance is a wide walkway that connects visitors and residents from the street directly to the common area. Designated common spaces are shared by all tenants of the development regardless of housing type, none more exemplified by cooking meals and dining together in the dining area. As a typical co-housing development, the tenants were heavily involved in decision-making in the early stages of the project, exploring their goals and needs in order to “build” housing they wanted, as opposed to “finding” a home. All the units were designed by residents in the initial planning phase in order to create units that work with their individual budgets .



*Image 3 (L): Quayside Village Co-Housing, Condos.CA*

*Image 4 (R): A shared courtyard in the co-housing, Happy Cities*

## I Conclusion

Ideally, mixed-income development is a useful tool to boost social cohesion and encourage inter-income interactions and minimise concentrations of wealth and poverty. However, it is not a fool-proof method and comes with risks that could cause bigger problems than those that already existed.

That being said, a bottom-up approach, in which existing residents are informed and involved in potential projects could go a long way towards alleviating such fears. Existing examples have also shown there are multiple ways to approach this model, whether it stems from policy or design, and it is possible to implement such a model on different scales, from statewide HDB housing to co-housing with just 19 units.

A delicate balance and mix needs to be created in order to make things work in terms of attracting new higher-income residents and new businesses, in addition to not causing displacement among lower-income households. It is far from the solution towards structural problems that foster income inequality, but if done right, a mixed-income community creates a rare opportunity for people who may otherwise have lived completely parallel lives to share and interact.

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## **REFSA NOTES**

REFSA Notes is a collection of thoughts, reflections, and ideas from our research team. They aim to provide the groundwork for further discussions, commentary, research agendas, and policy recommendations.

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Valuable comments and editorial assistance were provided by Tan E Hun.

Tan E Hun is Chairwoman of REFSA.

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