

Addressing home ownership issues

The plight of Malaysians, especially the younger generation, who are unable to afford a home has been a long-standing issue with many parties often quoting a report released by Khazanah Research Institute to highlight the severity of the problem.

According to the report, median house prices at the national level were found to be 4.4 times the median annual household income in 2014, placing the country's housing market under the "seriously unaffordable" category.

The report goes on to state that an affordable market should have a median multiple (median house prices as a multiple of median annual household income) of three times.

PropertyGuru Malaysia country manager Sheldon Fernandez says the challenge of home ownership among Malaysians is no secret.

"Affordability is a big issue. Admittedly, it is not just a Malaysian problem as each country has its own set of problems when it comes to this matter," he notes.

The PropertyGuru Consumer Sentiment Survey III 2018 disclosed that 71% of those aged 22 to 37 are unable to afford homes even

though they were looking in the affordable segment, namely, those priced from RM300,000 to RM500,000.

It also found that a majority of those in the bottom 40% (B40) and middle 40% (M40) income segments were generally unable to buy a home.

The B40 group refers to Malaysian households earning RM3,900 a month or less, while the M40 segment is categorised as households with a monthly income ranging from RM3,860 to RM8,319.

Driven by sentiments

The Real Estate and Housing Developers Association's revelation in 2017 that the rejection rate for housing loan applications was as high as 60% only served to aggravate home ownership concerns.

Despite the spate of gloomy news, Fernandez notes that there is a silver lining as the sentiment survey shows that 92% of Malaysians show a preference of owning a home – something he relates to the Asian cultural belief that owning a home is seen as a milestone in life.

"Based on the sentiment survey done every six months, after obtaining less optimistic results for about two years where only about 20% of respondents express positive sentiments about the market, now, for the first time, it has gone past 40%."

"The thing about property is that it is about sentiments because of supply and demand, which is why once people feel good about the market, we will see activity in terms of searches and visits to show galleries, among others," he says.

From a global perspective, Property PriceTag CEO Chaly Koh points out that Malaysia has a high home ownership rate when compared to other countries.

"With the exception of Singapore which has over 90% home ownership, Malaysia's 72% rate is relatively high by global comparisons to the United States, United Kingdom and Canada which are all under 70%," she says.

She believes the underlying issue of home ownership rests with the quality of homes and whether they appreciate or depreciate in value.

Getting in on the act

Both Koh and Fernandez laud the government's commitment to tackle housing affordability issues, with the former emphasising the importance of consolidating efforts and resources scattered throughout the country.

Although she agrees with the setting up of the National Affordable Housing Council to ensure efficiency, Koh is concerned over rushing into decisions, adding that the country's

affordability issue is not due to a lack of supply but is a case of accessibility.

"The government needs to be careful to take the time to gather the necessary information on current and planned stock of affordable housing in the market before taking action. Too often, decisions are made without the full set of information," she says.

Minimising the risks

Koh believes all parties can play a role when it comes to addressing home ownership issues. For example, as an industry player, Property PriceTag aims for transparency to help the public understand the value of the asset they are paying for and minimise the risk of home buyers.

"All city players and key stakeholders should be involved to better plan the supply of housing for the different income groups and to make sure assets appreciate instead of depreciate in value.

"Over or undersupply and increasingly vacant assets pose threats to not just home buyers but local councils and governments as well," she points out.

Moving forward, Fernandez notes the announcement of Budget 2019 will shed more light on the government's direction.

"The next big thing is to wait and see what's coming out in the budget. That's a tell-tale sign as to what to expect from the new government in terms of initiatives and regulations for the coming year," he says. **FocusM**

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by
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Malaysians' inability to afford a home is no big secret and has been an issue for some time