

Millennials less focused on home ownership

The younger generation's inability to afford a home is exacerbated by the fact they are buckling under the skyrocketing cost of living

THE financial stretch continues to keep Malaysians living in major cities from realising their dreams of home ownership.

Among the younger generation, their major concerns are the property prices that are now multiple times more than the annual household income.

It is not easy for those with no fixed income or low salaries to secure a home loan.

While money issues are already weighing heavily on people's minds, the younger generation's inability to afford a home is exacerbated by the fact that they are buckling under the skyrocketing cost of living.

Until today, housing affordability remains a conundrum in Malaysia despite the various initiatives taken by the government, among others, through the National Affordable Housing Policy. The initiative aims to enable the housing affordability issue in the country to be tackled in a holistic way.

In fact, millennials, aged between 25-40, and even those up to 45, are delaying the purchase of their first home.

What's keeping them from buying homes at the rate of previous generations?

Overcommitment

According to a lecturer at the Urban and Regional Planning, Security and Community Development Department of Social and Development Sciences, Faculty of Human Ecology, Universiti Putra Malaysia (UPM), Dr Mohammad Mujaheed Hassan, a study has shown that other factors also contributed to the issue.

Citing a study entitled "The Variations in Preferences of the Young Generation in Klang Valley Towards Housing Property Demand" conducted by UPM in mid-2022, Mohammad Mujaheed, who was also involved in the research, said that today's younger generation has high financial commitments.

A total of 2,523 respondents aged 25 to 45 in Kuala Lumpur (KL), Selangor and Putrajaya with individual monthly income of RM4,360 to RM9,620 were interviewed in the study aimed at identifying this group's financial level, in terms of their ability to save, invest, as well as their financial liabilities.

He said that out of the total, 1,697 respondents or 67.3% were committed to monthly car instalments of between RM800 and RM1,200.

"For them, owning a car is a benchmark of their success in life. Ironically, some of them take the public transport to work and leave their car at home," he told *Bernama* recently.

Besides that, Mohammad Mujaheed said the study also shows that 1,833 respondents or 72.7% have credit card commitments with at least two banks.

"Having a credit card is a 'responsibility' for the younger generation as an alternative for them to have regular access to credit and as cash advance.

"The study also reveals that 843 (33.4%) of respondents were renting with monthly rental of RM500 to RM1,200," he said, adding that 73.9% of the respondents had no disposable income for savings or investment.

Wrong Estimates

Elaborating on the issue, Mohammad Mujaheed said based on the study, the younger generation prefers to rent due to several factors, although they can afford to buy their own home based on the monthly rentals they paid for.

"They argue that the location of the house that they can pay for is far from their workplace, on top of other payments such as tax assessments, maintenance fees, etc that will further add to their financial burden.

"By renting, they only have to fork out for their rent and utility bills. They said that their rented house is only for them to rest and sleep at night. Much of the time is spent outside their house and at work," he added.

At the same time, some of these millennials are tied to personal loans, among others for their wedding, while others are caught



Source: Mohammad Mujaheed's LinkedIn

According to Mohammad Mujaheed, today's younger generation has high financial commitments

in the credit card debt trap.

This situation is not surprising as the Credit Counselling and Debt Management Agency (AKPK) has earlier highlighted that the majority of youth who were declared bankrupt in the country was due to credit card debts.

Worrying

According to Mohammad Mujaheed, the tendency for the younger people to give other priorities rather than home ownership has caused many to be saddled with longstanding debts, hence preventing them from buying a house despite getting older.

"The situation is rather serious and has largely contributed to cases of being blacklisted by financial agencies, living in debt, bankruptcy and perhaps problems such as stress, borrowing from 'Ah-long (loan sharks)', etc," he said.

He said while it is not wrong for the younger generation to own a car or apply for personal loan, they should give priority to home ownership as it is an asset compared to a vehicle which is a liability as it



Source: Azizul's Facebook

Azizul urges the govt to play a more effective role in helping millennials own their 1st home at a younger age

depreciates in value each year.

"A house is an asset with its value appreciating every year. While it is not wrong to rent, but in hindsight, through monthly rentals, it seems that we are 'helping' the owner to settle his housing loan repayment," he argued.

He said if the problem persists, this group will continue to delay the purchase of their home to meet other needs, noting that it is feared that they will not be able to own their own house in the future given the consistent upward trajectory in residential property prices.

"The younger generation should no longer adopt a wait-and-see approach. The longer they wait, the higher the prices of houses given that the growth of household income is not on par with the growth in property or house prices," he said, adding that what's worrying, this group will end up "homeless" when they reach their golden age.

Without ruling out the possibility that this group would "share" a home with their parents or other family members, Mohammad Mujaheed said that this could only be realised if their parents have their own house.

"Otherwise, a family will be faced with the possibility of being homeless or continuing to rent permanently (from one generation to another) as they do not own any property," he stressed.

He said the younger generation should not use high property prices as an excuse for not buying a house as there are affordable home schemes offered by the federal and state governments, such as My Selangor Home, The Federal Territory Affordable Housing Programme and the Malaysia Civil Servants Housing Programme.

Housing Affordability Gap Meanwhile, senior lecturer at

the Faculty of Architecture, Planning and Surveying, Universiti Teknologi Mara (UiTM) Seri Iskandar, Dr Azizul Azli said the huge gap between income levels and house prices has prevented the younger generation from owning a house.

"For example, annual salary increments are about 2% while property values increase between 6% or 8% each year. Just imagine, in only two years, property prices have risen by 12% while salaries have only increased by 4%.

"Despite the price fluctuations in the post-Covid-19 property market recently, prospective buyers are still not able to 'catch up' as their income is still at the minimum level," he said.

As an example, he said average starting salary for fresh university graduates is around RM2,500 a month and if they buy a house worth RM300,000, their monthly commitment will be about RM1,500, and that is not viable when the escalating cost of living is factored in.

Hence, he also urged the government to play a more effective role in helping the group own their first home at a younger age.

Among others, incentives should be given to developers to build more landed houses so that this type of residential property can be sold at lower prices.

"We still have an abundance of land to be developed by developers. However, they (developers) are obviously profit-driven by building double-storey houses as this only involves small built-up areas but with larger profit as developers can sell hundreds of units for small land lots," he said.

He cited as an example, Indonesia has undertaken measures to build affordable landed homes for the younger generation.

"In Indonesia, various house sizes at affordable prices are offered, and if converted to our currency, the price is below RM100,000," he said, adding that despite its small size, the house is comfortable for the younger generation to live in.

Azizul also said that the current practice of allowing developers to provide basic amenities at housing areas contributed to the hike in house prices.

To reduce the costs, he said the government can take over the construction of such facilities in addition to providing subsidies for building materials and others that may be deemed necessary.

"At the same time, there is also a need to reduce the bureaucratic red tape as this has also contributed to higher construction costs, causing developers to hike their selling prices," he added. — *Bernama*



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Pics by Muid Amin Naharul