

COVER STORY: A ‘homeless generation’?

GO FIGURE: HBA throws up some statistics to support their view that a homeless generation is imminent if home prices continue spiralling upwards

Table 1
AVERAGE MONTHLY HOUSEHOLD INCOME IN SELANGOR

	2004	2009	2012
	RM	RM	RM
Average Monthly Household Income (1)	5,175	5,962	
Growth Rate (%)	-	15.2%	
Max eligible Housing Loan based on 30-year loan tenure (2)	336,490	387,663	
Max value of Property based on 90% financing	373,878	430,737	

Notes:
1) Average monthly Household income for 2004 and 2009 are from Dept. of Statistics Malaysia. Household income for 2012 is based on 2009 multiplied by assumed rate of 15%.
2) Housing Loan is based on a 30-year Tenure at a rate of 4.60% per annum (Base Lending Rate of 6.60% less 2.0%)
3) Selangor enjoys second highest monthly household income in 2009 after Putrajaya at RM6,747

It's a known fact that statistics can lie and can easily be manipulated. But some figures are too straightforward and generally too well-known to be fabricated. Such are the figures from the National House Buyers Association (HBA) that it becomes a matter of public interest.

Granted that the prices of properties mentioned for the sample locations of Kajang, Puchong and Kota Damansara are on the high side, the fact remains that even at lower property prices, across the board, prices have become very unaffordable for the average household in Malaysia with a median income of RM7,000 per month. See Tables 1, 2, 3, 4, and 5.

Gross mismatch: The mismatch is made all the more pronounced when you factor in the daily expenses of an average household with two children.

Based on Table 7, the expenses for Car Loan at RM800 per month and Dining out at RM200 are grossly underestimated. A household of four including two children nowadays requires two working parents, and in many cases, both have cars. This means the car loan expenses are at least double at RM1,600. And this is for the Made-in-Malaysia Protons and Peroduas. If the young adults have rich parents to subsidise them, they might be lucky enough to buy a locally made Peugeot.

As for dining out, notice nowadays how shopping malls are becoming the choice hangout places for families during weekends. When families go to shopping malls, they inevitably end up eating there. Even a 'cheap' Kentucky Fried Chicken family meal can end up with a RM60 bill. That's one meal for one day of the weekend. If the family eats out twice during each weekend, the bill can be a conservative RM100. Multiply that by four (or five) weekends, and you get at least a bill of RM400 for dining out expenses. The RM200 may be okay for eating out at hawkers food, but how many of us eat out 90 per cent at hawkers stalls or even coffee shops these days?

If you increase the car and dining out expenses to RM1,600 and RM400 respectively, that is an additional RM1,000 expenses for the month. Deduct that from the Net pay available for housing loan (RM1,480 – RM1,000), and you get a net pay of RM480 for your housing loan. So, can you afford to buy a house or not even with a household income of RM7,000? Maybe renting might be a better idea if you can't afford to buy. In fact, some quarters have suggested that people should just rent and not buy creating a situation of lack of demand. When there is a lack of demand, prices will naturally come down.

For a single-income household, the situation is even more dire. See Table 6. They can only afford lower end condos in locations far from the city centre such as Kajang and Rawang.

Is nothing affordable? Based on Housing Affordability Scales used worldwide (See Table 9), it seems no decent property is affordable anymore for even those with household income of RM7,000 per month.

Something is obviously amiss.

Win-win for all? As HBA secretary-general Chang Kim Loong said recently in a roundtable discussion on Affordable Housing, "Buying a house is one thing, Buying a suitable house is what we should be taking about. You can buy a bungalow in Sekincang/Ulu Yam/Bukit Beruntung but not a suitably located property without having to spend the bulk of your salary on transport cost, tolls charges as well as prime time lost on the road: travelling." Chang warned that due to excessive speculation resulting in steep rise in property prices in recent years, young adults are slowly becoming the urban sprawl and homeless generation.

He added that the rise in household debts, which now stands at RM667 billion can lead to more bankruptcy cases as consumers are unable to repay their loans. "The Insolvency department has affirmed that the top reason for household debts is housing loans. Bank Negara Malaysia too has confirmed these housing indebtedness". Citing a total of 19,167 bankruptcy cases registered last year by the Insolvency department, Chang urged the government to come up with concrete steps to stem the problem.

With the Budget and general election just around the corner, most people are hopeful that some good news will come out from the government which would be a win-win situation for all.

All tables are sourced from HBA.