

Can The New Generation OF B40's Afford To Buy Their Own Home?

BY WIKI IMPACT TEAM | Feb 2021

This article is a 'work in progress'. All statistics and facts mentioned are based on existing studies. When new research comes to light, this article will be updated.

Currently at: Level 1

Level 1: Independent secondary research (desk research) and fact-checked by 1 person.

Level 2: Updated with info from new secondary research and fact-checked by 2 people.

Level 3: Contributions from academic researchers or credible practitioners with reliable data.

Level 4: Article revised based on primary research findings by Wiki Impact and reviewed by 2 people.



As the first quarter of 2020 ended, there were a total of 163,011 unsold housing units (66%) throughout Malaysia. This is more than twice the average of unsold houses from 2004 - 2015 (71,472 units), and the numbers are expected to keep rising^[1].

States that had the most unsold properties were Kuala Lumpur, Selangor, Johor and Penang. These four urban states alone accounted for 64% of the total. The vast majority of these unsold units were high rise units (66%) such as apartments, condominiums and serviced apartments, and the other 34% were landed properties. Data also showed that although there were low-cost units (under RM250,000), only 27% were unsold^[1].

Before we dive into the question of why there are so many unsold properties in Malaysia and whether the B40 community have roofs over their heads - let's take a look at who the major house buyers are in Malaysia.

Millennials Make Up The Majority



Source: [Property Guru](#)

According to transaction data from real estate network IQI Global, millennials (born 1981 - 1996) have accounted for 70% of purchases of new housing projects, 53% of subsale real estate purchases (purchasing from the existing owner) and 55% of rentals, since the start of 2020^[2].



This statistic is consistent all over Malaysia with millennials accounting for the largest share of new house purchases in both Sarawak (88%) and Kuala Lumpur (70%). In Sabah, millennials have purchased 53% of all new homes sold and less than half in Melaka and Penang at 48% and 25%, respectively^[2].

Although millennials are the current largest influencers in Malaysia’s property market, this was not always the case. Back in 2017, when HSBC had released the “Beyond the Bricks” report, the reality was very different.

Only about one third (35%) of Malaysian millennials owned their own homes^[3]. Many were previously held back by their ability to save enough money for a deposit (75%), whereas others needed to earn higher salaries to afford the monthly loan repayments (71%). **It was not that long ago, when the millennials’ ability to become homeowners was in question.**

How Did Millennials Afford Their Own Home?



Source: [Economic Times](#)

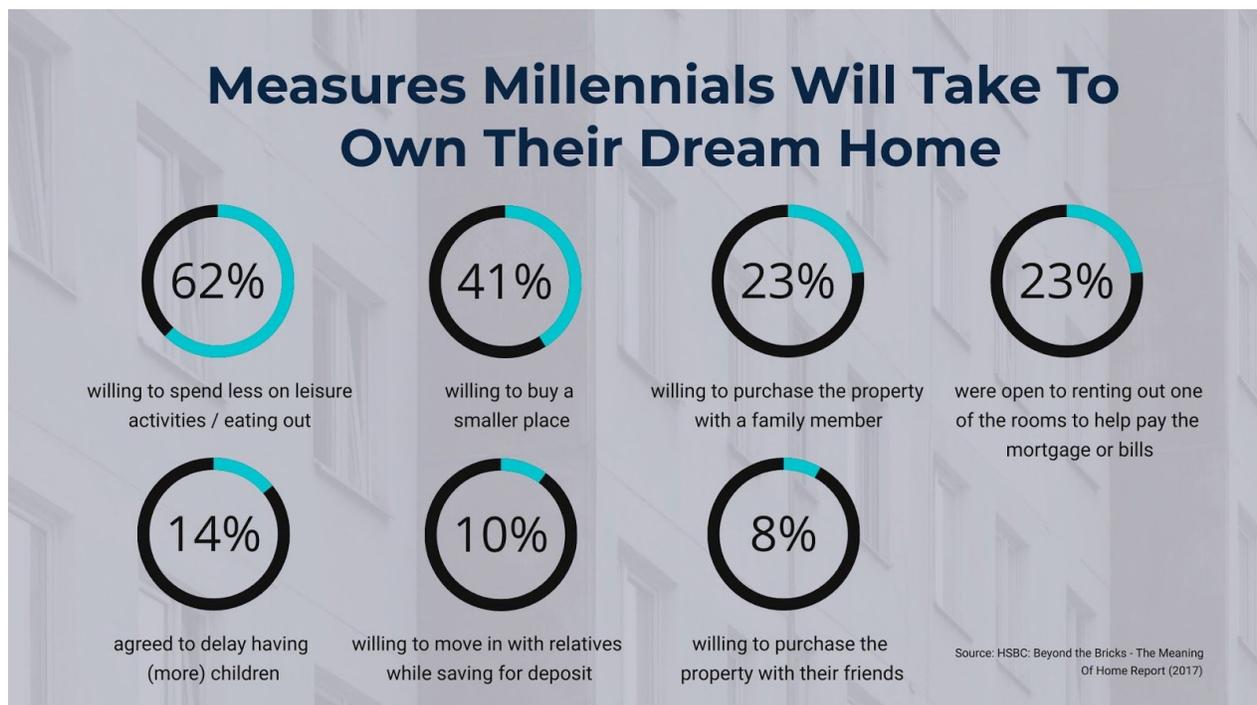
The HSBC report did not disclose the income groups of home purchasers, so there is no way of determining whether they belong to the B40, M40 or T20 income group. Nevertheless, there were some trends that were observed. These trends have allowed us to make assumptions on how they were able to become homeowners.

The first trend was that some might have overspent on their houses thus stretching their pockets to pay for loan repayments over a long period of time.

“ More than two-thirds (68%) of millennials who bought a home in between 2015 - 2017 ended up overspending on their initial budget^[3].

Other millennials had it easier with the help of their ‘Mum and Dad Bank’ as referred to in the report. In 2017, 29% of existing homeowners had used their parents as a source of funding in one way or another.

Some had moved back in with their parents to save up for a deposit, while others referred to their parents to borrow money to cover unexpected costs or help with the down payment.



Regardless of the way millennials became home owners, it has proved that they are capable of becoming homeowners. What can be said of this group is also that they tend to look for properties that are value for money, convenient (close to amenities and easy road access) and are spacious enough for future family expansion or renovations.

“ Studies show that the properties that are more likely to sell like hotcakes range between RM400,000 and RM800,000 with the size between 800 sq ft to 1,000 sq ft^[2].

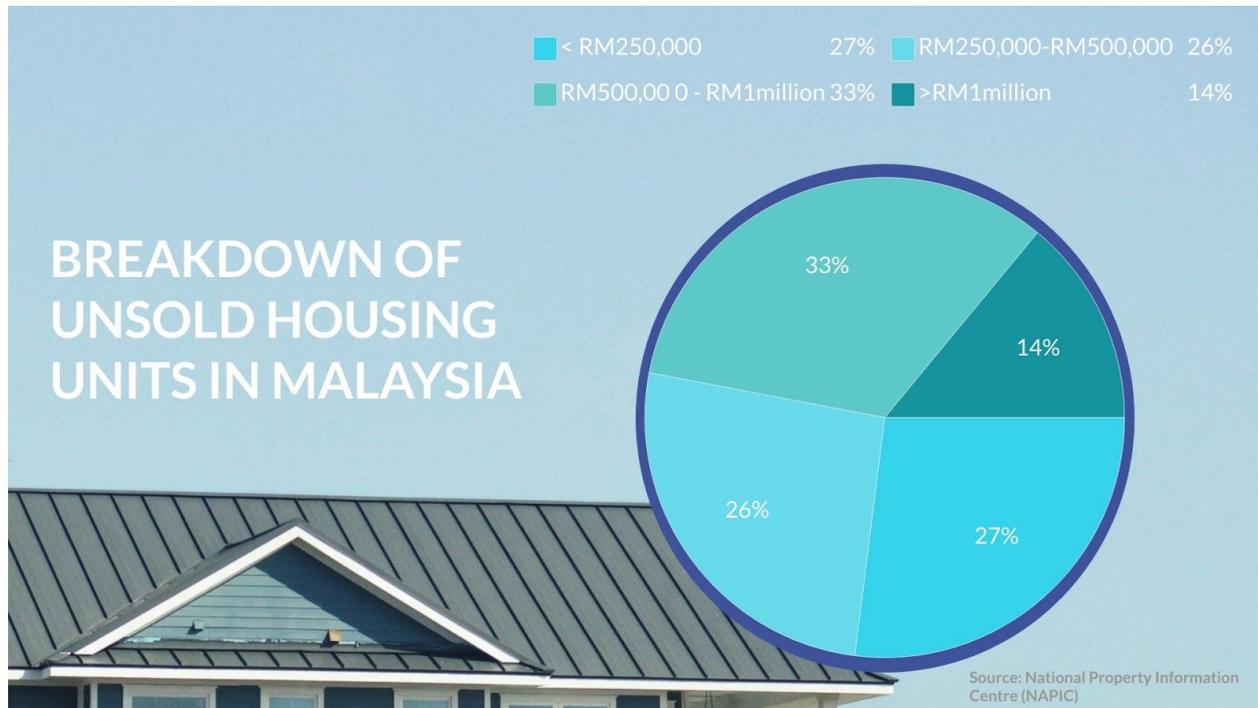
With the privilege of dipping into parents' bank accounts or falling into the bad habit of overspending, it can be assumed that most of the millennial homeowners come from middle-income. In order to be able to overspend, one needs to have the backing of a credit card and existing salary that is high enough to have home loans approved.

Mystery Of Unsold Properties: Is There A Supply and Demand Crisis?



Source: [Malay Mail](#)

Yet, why are there still so many unsold properties. According to the National Property Information Centre (NAPIC) the breakdown of the unsold units are as follows^[1]:



With the existing unsold units, there is also a simultaneous increase in the number of highrise units from the price category of RM500,000 – RM1,000,000 being built despite lack of demand. This begs the question that perhaps there could be a mismatch between the prices of new launches and households' affordability^[4].

Could there be too many high priced units and insufficient options for those who cannot afford to pay high monthly repayments?

Exploring The Possibility Of Young B40 Households Owning Their Own Home



Source: [Bernama](#)

If the working class were having trouble affording houses that cost more than a quarter of a million ringgit, imagine the struggle faced by those on the lower end of the earning spectrum. Are there enough options for them to become homeowners?



According to a Bank Negara Malaysia report, only 21% of new residential properties were priced below RM250,000 in 2017^[4]. The presence of an undersupply of residential units priced below RM250,000 could explain why many low-income earners' cannot own a home.

To ensure homeowners do not splurge all the money away on just their housing loan, the majority of financial experts would recommend that no more than one-third of your total monthly income be

set aside. This is known as the Housing Cost Burden (HCB) approach, in which a house is affordable if housing costs are less than 30% of monthly household net income.

If we use the unsold houses' previous price as a reference (RM250,000), the total down payment would be RM25,000, with the total loan amount coming to RM225,000. If the candidate has no prior commitments such as car loans, personal loans, credit card bills, etc., and a market rate of 4.5% p.a., then for the next 35 years, the homeowner needs to commit RM1,065 per month.

***calculations done using HongLeong Bank Loan Calculator*

The Department of Statistics Malaysia had previously released that the median household income for a B40 family in 2019, was only RM3,166, with a mean of RM3,152 per month. If members of this demographic were to proceed with the loan, they would only be left with RM2,101 to cover other expenses such as food, education, transport, medical bills, etc.



The one-third advice for housing expenses would work if the B40 household earn more than RM3,000 per month, however in reality, many of them do not and monthly expenses take up more than two-thirds of their income.

This does not take into consideration the amount of time needed to save up for the 10% downpayment of RM25,000, nor is it inclusive of all the other fees and legal charges. Any costs required for renovation, repairs, home furnishing are also not factored in.

Buying Within Your Own Means

To ensure that the B40s don't riddle themselves into overspending problems stated above, Bank Negara and DOSM released "Maximum affordable house prices" using the Housing Cost Burden (HCB) approach in 2016^[5]. Estimates were based on the officially available data on household income. Other factors considered include prevailing interest rates and loan tenure of 35 years. Calculations assume the disposable income of households (gross minus EPF, SOCSO and income tax).

The chart below helps new B40 homeowners to shop within their budget.

Maximum affordable house price by household income

Household Income Brackets ¹ , RM	Percentage of Households by Income Brackets ¹ , %	Maximum Affordable House Price ^{2,3} , RM
≤ 1,999	8.8	112,200 - 124,700
2,000-3,999	26.1	222,150 - 247,200
4,000-5,999	22.6	318,600 - 354,100
6,000-7,999	14.6	408,300 - 453,600
8,000-9,999	9.3	493,500 - 556,100
10,000-14,999	11.3	699,560 - 777,600

Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates

From the data presented it suggests that households earning RM4,000 and below should only look for houses with a maximum price of RM250,000. Anything beyond that would be overspending and increasing the burden of a heavy debt.

 **Khazanah Research Institute also agreed with the findings and had previously stated that unaffordability would be a significant issue if prices of houses continue to rise. It foresees that B40 and M40 households will not be able to afford homes if these trends continue.**

Housing affordability issues are even more concentrated in individual states. With house prices being 'severely unaffordable' like in Sabah, Johor & Penang (median multiple of 5.5). Such a wide disparity between affordable homes' supply and demand has worsened the housing market's imbalances. This spells nothing but trouble for the upcoming generation of homeowners (the young millennials & the old Gen Z) who are also still new to the working world.

Stepping Stones For B40s Towards Owning Their Own Home

The government has acknowledged that purchasing a property and calling it your own is a goal for everyone, regardless of your monthly income. If you belong in the B40 or M40 category, the following schemes are meant to help you own your own home. There are at least nine housing schemes that you can leverage on.



Source: [New Straits Times](#)

Rent-To-Own Scheme (RTO)^[6]

Announced during Budget 2020, the Rent-to-Own-Scheme (RTO) caters to aspiring homeowners who find it difficult to come up with the initial 10% downpayment. Application details include:

- Applicants can rent up to 5 years and will have the option to purchase the house in the sixth year.
- Financial Institutions will provide RM 10 billion financings, in which 30% of RM 3 billion is guaranteed by the government.
- Applicable only for properties up to RM500,000.

- Applicants can rent up to 5 years, before deciding whether to purchase at an agreed price.
- Exemption on stamp duty for SPA and loan agreement.

Some of the rent-to-own initiatives available in Malaysia are **Maybank HouzKEY** and **Smart Sewa**.

Residensi Wilayah (RUMAWIP)^[7]

RUMAWIP is the affordable housing programme by the government to help lower and middle-income groups to be a first-time homebuyer. Also targeting first-time homebuyers, a total of 80,000 units of RUMAWIP homes are expected to be built all over Kuala Lumpur, Putrajaya, and Labuan.

- RUMAWIP applicants must be a Malaysian citizen of at least 18 years old. Priorities are granted for those who:
 - were born,
 - Work,
 - or live in any Federal Territories upon the application, especially those who do not own any property in the Federal Territories area.
 - Retirees are also eligible for RUMAWIP but are subject to the terms and conditions from time to time.
- The household gross income for individual applicants (single) must not exceed RM 10,000 per month while married couples must have a total income of no more than RM 15,000 per month.
- The husband or wife may apply for RUMAWIP. Nonetheless, only one offer will be given to each household. Not just that, the units are selling below the market price and they are available in three categories:
 - Low-priced house
 - Built-up: 700 sq ft
 - Price: RM 63,000 (KL and Putrajaya), RM 52,000 (Labuan)
 - Medium low-priced house
 - Built-up: 800 sq ft
 - Price: RM 63,001 – RM 150,000
 - Medium-priced house
 - Built-up: 650 sq ft
 - Price: RM 150,001-RM 300,000

More information: <https://www.rumawip.com.my>

Rumah Selangorku (RSKU)^[7]

The income threshold for B40 and M40 is greater in Selangor. There's also the fact that the state is highly populated. This results in many properties in the area sold at astronomical prices. RSKU is designed to assist middle-income groups in purchasing affordable houses in key urban centres within the state of Selangor.

The properties under this scheme include highrise apartments and landed houses. The prices depend on the type of property and range from RM 42,000 to RM 250,000.

Under the RSKU scheme, the houses are categorised into five types A, B, C, D, and E with different eligibility criteria depending on the applicant's monthly household income.

Application criteria:

- Applicants must be at least 18 years old
- He or she must be a Malaysian citizen and a resident of Selangor
- Rumah Selangorku is for first-time homebuyers only
- The maximum household income (married couple) must not exceed RM 10,000
- The husband or wife may apply for Rumah Selangorku. However, only one offer will be given to each household.
- For a single individual, the household income must not exceed RM 3,000 per month

More information: <http://lphs.selangor.gov.my>

Youth Transit Housing (MyTransit)^[7]

Its main focus is to provide housings for B40 youth. Instead of for purchase, the properties here are only for rent. However, its rates are promised to be 30% lower than the market rate. 2,010 studio units are to be built and they will be equipped with essential facilities and furniture. The location of these units will be at Mukim Batu and Kepong, Kuala Lumpur. Interestingly, there's also a "forced savings" element. This means that a percentage of the monthly rental will be set aside and returned to the tenant as a lump-sum after their maximum stay. Other details about the Youth Transit Housing include:

- The rental rate per unit is 30% lower than the market price
- RM 400 per month for a 400 sq ft studio unit
- RM 500 per month for a 2-room unit of 550 sq ft
- The units are furnished with essential furniture and facilities like a gymnasium, shop lots and WiFi

More information: <https://www.kpkt.gov.my/index.php/pages/view/458>

Perumahan Rakyat 1 Malaysia (PR1MA)^[7]

PR1MA is an affordable housing scheme under the PR1MA Act 2012. It is introduced for affordable developments in key strategic urban areas nationwide. The purpose is to develop and maintain high-quality, affordable houses, as well as to help Malaysians, especially the younger generations to own their first homes.

They are priced between 100,000 to RM 400,000 and available in various sizes and layouts. Here are the eligibility for PR1MA applicants':

- A Malaysian citizen
- An individual or combined monthly household income of RM 2,500 – RM 15,000
- At least 21 years upon application
- You or your spouse must not own more than one properties
- the application is completely FREE of charge. There's no fee charged for signing up and a lawyer fee isn't required. The application can be made online or visit any PR1MA offices and sales galleries.

More information: <https://www.pr1ma.my>

Skim Perumahan Mampu Milik Swasta (MyHome)^[7]

When it was first launched, the federal government allocated RM 300 million for the MyHome scheme. The initial target was to build 10,000 low-cost homes across the country.

The MyHome scheme is open to those who fulfil the following conditions:

- A Malaysian citizen of at least 21 years old
- A first-time homebuyer
- It must be a first-time home purchase for a household. A household refers to a married couple or a single individual.
- Only one offer will be given to each household.
- The household income must not exceed RM 10,000.
- Buyers will be given up to RM 30,000 rebate per unit when purchasing homes under this scheme. Buyers will be required to pay a 10% down payment to the bank when purchasing a house but under the MyHome scheme, essentially the government pays that down payment for you as long as it is equal to RM 30,000 or below.
- MyHome application must be done online at Sistem Pengurusan Perumahan Negara (SPRN) websit

There are few restrictions that MyHome owners need to adhere to.

- Buyers will have to adhere to a moratorium period of 10 years. This means that they can't sell the property until after 10 years has passed.
- The purchased house cannot be transferred or sold to a new owner, unless the immediate family members or heirs like spouses or children.
- The MyHome unit cannot be rented out within the moratorium period of 10 years.

More information: <https://ehome.kpkt.gov.my/index.php/pages/view/62>

Rumah Mesra Rakyat (RMR)^[8]

Rumah Mesra Rakyat (RMR) is a government program that helps lower income earners like fishermen, farmers, poor families without a place of residence or run-down homes. This program gives them access to land, to build and own comfortable, affordable homes. Requirements to qualify for Rumah Mesra Rakyat (RMR):

- Malaysian citizen
- 18 years old and above
- Monthly household income below RM5,000
- Applicant and spouse does not own any property OR owns a run-down house
- Owns a suitable land that is free from mortgage/burdens
- Land size must be bigger than 3,600 sqft
- Subject to financing budget

Malaysians can apply via the SPNB website online for a single storey house with 3 bedrooms and 2 bathrooms.

- For Malaysians in Peninsular Malaysia, the house will be RM75,000;
- For Malaysians from islands in Peninsular Malaysia, it will be RM85,000;
- For Malaysians from Sabah/Sarawak/Labuan, it will be RM75,000 – RM106,000.

More information: <https://spnb.com.my/rumah-mesra-rakyat-rmr/?lang=en>

Bank Negara Malaysia's (BNM) RM1 Billion "Fund For Affordable Homes"^[9]

This financing scheme by BNM has recently extended its reach to help even more buyers better afford homes. Here's what the fund entails:

- Extended loan repayment period up to a maximum of 40 years, or until the applicant reaches 70 years of age.
- Financing rate of up to 3.5% per annum (which is incredibly low – most are at least 5%).
- Waived financial application processing fee.
- Down payment support.
- Exemption from stamp duty fees.

- And interestingly, free financial education by AKPK (Agensi Kaunseling & Pengurusan Kredit) to help homebuyers understand the financial nitty-gritty involved in buying a home.

Now, this is where the recent enhancements come in. Previously, buyers were only eligible if their monthly household income did not exceed RM2,300, and the property they were looking to purchase was no more than RM150,000.

Now, the monthly household income has been raised to RM4,360, while the maximum property price has been increased to RM300,000.

More information:

<http://propertyadvisor.my/blog/index.php/bnm-fund-affordable-homes-2019-full-guide>

Home Ownership Campaign (HOC)^{[10][12]}

The Home Ownership Campaign 2020 is essentially to stimulate the property buying process and the sale of unsold properties. This campaign started in 2019 and will be extended until May 2021. Some of the perks to this campaign include:

- Homebuyers will be able to enjoy full stamp duty exemption on the Instrument of Transfer for residential properties up to RM1 million, and a partial stamp duty exemption (3%) for those priced between RM1 million to RM2.5 million.
 - The stamps duty on the Instrument of Securing Loan will also be exempted for residential properties up to RM2.5 million. And best of all, every homebuyer will enjoy a minimum of 10% discount off the purchasing price.
- To nudge you in the right direction just a little bit more, the Overnight Policy Rate (OPR) has been slashed even further to 1.75% – the fourth time in 2020 alone.
 - If you take out a loan after the OPR decrease, your loan interest rate will cost less for the time being.

More information: <http://rehda.com/hoc2020-2021>

These are various programmes designed to support the new B40 generation to own their own homes. Everyone wants a place that they can call their own. A place to raise their families, host festivities, or just a place to enjoy their quiet days of retirement. Regardless of income disparities, this dream should not be taken away from nor limited to anyone. Times are changing quickly. With the younger millennials and Gen Z's being known as the most stubborn generation, refusing to settle for less, that willpower may be what changes a struggling reality today, to be the lead influencers in the years to come.

REFERENCES:

1. Housing Watch. (2020). Housing Market Development *Unsold Residential Properties*. Retrieved from: [https://www.housingwatch.my/02_market_04_unsoldproperties.html#:~:text=Highlights&text=In%201Q%202020%2C%20total%20unsold,to%202015%20\(71%2C472%20units\).&text=73%25%20o%20the%20total%20unsold,category%20of%20above%20RM250%2C000](https://www.housingwatch.my/02_market_04_unsoldproperties.html#:~:text=Highlights&text=In%201Q%202020%2C%20total%20unsold,to%202015%20(71%2C472%20units).&text=73%25%20o%20the%20total%20unsold,category%20of%20above%20RM250%2C000)
2. N. H. A. Malek. (2020). *Millennials account For 70% of all new home purchases in 2020 to date*. The Malaysian Reserve. Retrieved from: <https://themalaysianreserve.com/2020/03/11/millennials-account-for-70-of-all-new-home-purchases-in-2020-to-date>
3. HSBC. (2017). Beyond the Bricks *The meaning of home*. Retrieved from: https://sp.hsbc.com.my/microsites/mortgage-btb/files/BeyondtheBricks_factsheetMalaysia_FINAL.PDF
4. C. S. Ling, S. Almeida, M. Shukri, L. L. Sze. (2017). *Imbalances in the Property Market*. Bank Negara Malaysia. Retrieved from: <https://www.bnm.gov.my/documents/20124/826874/Imbalances+in+the+Property+Market.pdf/47f3defd-07b4-bf01-6d50-53228dac8225?t=1585033298066>
5. Housing Watch. *Housing Market Development Housing Affordability*. Retrieved from: https://www.housingwatch.my/02_market_03_affordability.html
6. PropertyGuru. (2020). *New Income Classification Alert! How Does it Affect Housing Schemes for you?* Retrieved from: <https://www.propertyguru.com.my/property-guides/housing-schemes-for-b40-based-on-2020-income-classifications-34188>
7. A. Wahab. (2020). *7 government housing schemes available for B40 and M40 groups*. iProperty. Retrieved from: <https://www.iproperty.com.my/guides/government-housing-schemes-for-b40-and-m40-groups/>
8. IQIGlobal. (2020). *B40 and M40: 4 government housing schemes that are available for you*. Retrieved from: <https://www.iqiglobal.com/blog/b40-and-m40-4-government-housing-schemes-that-are-available-for-you/>
9. PropertyAdvisor. (2019). *BNM'S FUND FOR AFFORDABLE HOMES 2019 FULL GUIDE*. Retrieved from: <http://propertyadvisor.my/blog/index.php/bnm-fund-affordable-homes-2019-full-guide/>
10. PropertyGuru. (2020). *Should You Buy A HOC Project? Consider These Pros And Cons!* Retrieved from: <https://www.propertyguru.com.my/property-guides/should-you-buy-a-home-ownership-campaign-hoc-project-pros-and-cons-30905>
11. PropertyGuru. (2020). *The HOC (Home Ownership Campaign) 2020 – All You Need To Know!* Retrieved from: <https://www.propertyguru.com.my/property-guides/home-ownership-campaign-hoc-2020-all-you-need-to-know-15274>



ABOUT WIKI IMPACT

Wiki Impact is an open research platform for the changemaker in all of us. We are a collaborative platform to make evidence-based research readily available to changemakers to drive greater social impact in Malaysia. We believe that significant and sustainable change can happen when paired with comprehensive, clear, and compelling data.

This whitepaper was put together based on a few shorts that we have written on our website. If you have additional data related to this topic or other social issues in Malaysia, please get in touch with us. For more facts and stories, visit www.wikiimpact.com.