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Research paper

Housing Affordability Among Generation Y

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Abstract

The Affordable housing is a prerequisite element to showcase a country is well-developed in terms of social economy growth and social welfare. While in the view of affordability, it is not a characteristic of housing – it is a relationship between and people. In fact, housing affordability issues happened in every world cities of the planet but no one envisages it properly especially when this issues fall upon on young generation, so-called Generation Y. Generally, this generation is the descendant of Baby Boomers/ Generation X, who born between the years 1979 and 1994. Gen Y is a cohort made up of about 60 million individuals and now make 44% of the population in Malaysia. The Malaysia government has introduced several housing schemes especially for those new workforces in nationwide to ensure every of them are able to afford a home. Those housing schemes are included Housing Loan Scheme, My First Home Scheme, Perumahan Rakyat 1 Malaysia (PRIMA), Rumah Idaman Rakyat, My Home Scheme and Youth Housing Scheme (YHS) which are beneficial to the first-homebuyers. Despite the efforts by Malaysian government, housing affordability still remains an issue among Malaysian Generation Y. Thus, this questionnaire survey have been distributed to Generation Y in order to investigate the effectiveness of the government initiatives to assist Gen Y in homeownership. It is hoped that this study will contribute to the knowledge and understanding on housing affordability level for the young generation to further improve Malaysia housing scheme and boost up the housing market.

Keywords: *Housing; Affordability; Generation Y; Malaysia; Housing Scheme; Homeownership*

1. Introduction

Housing is the main necessities for human being [1]. Issues relating to affordable housing is not new but it consistently raised concern among societies and government [2]. House ownership will always be an issue that relevant to be discussed [3]. Hence, it is important to address this issue and necessary actions need to be taken instantly [4].

There are no fixed definition of housing affordability, the most used definition is centered on the idea of a "households should pay no more than 30% of their income for housing, including utilities" [5] [6]. There are eight factors that have been summarized which responsible for housing affordability problems, including "geography, demography, migration/immigration/ethnicity, income recipients, income source, employment and education" [7].

The housing affordability issue of Generation Y is an area that needed to be explored [5]. Generation Y is the demographic age group which born between the years of 1979 and 1994, which has been known as "Echo Boomers", "Generation Next", or "Millennials". Young adults of this generation are children of either "Baby Boomers" or "Generation Xers" [8][9]. Generation Y is a cohort made up of about 60 million individuals who are all said to have unique character than that of their predecessors. The age or life-stage of this generation makes them different from other age groups [10] [11].

2. Definition of Gen Y

The definition of Generation Y are those who born from 1977 – 1980 [12][13][14]. Gen Y is the demographic cohort which has been dubbed as "Echo Boomers", "Generation Next", "Next Generation", or "Millennials". Young adults of this generation are children of either "Baby Boomers" or "Generation Xers" [15] [16]. Generation Y are socialized in a digital world and are technically literate. This generation are also known the dot com generation [17][18]. Most of them are independent, require prompt feedback, thrive on difficult work and dislike micromanagement [18].

3. Generation Y in Malaysia

Millennials have taken up some 40%-50% of the current workforce, according to a 2012 report by Pricewaterhouse Coopers (PwC) Malaysia. That makes them the driving force of the economy and puts them at the forefront of the Malaysian consumer population. They are expected to overtake the Baby Boomers in worldwide population size by 2028 and will continue to be dominant in offices which they will try to adapt new cultures, styles and skills that can be applied in workplace [19].
In Malaysia, Gen Y are facing critical financial tension early in their life in which many living beyond their means and trapped in overspent culture, according to a study by the Asian Institute of Finance (AIF) The survey stated that many of Gen Ys were depending on high cost borrowing, with 38% reported to be taking personal loans and 47% engaged in expensive credit card loans, while only 28% felt confident in their financial management. The report said although making up the largest consumer pool and having high spending power, the Gen Y were lacking confidence in financial management as most of them (58%) ranked themselves as average in financial knowledge awareness. Hence, the purpose of this research is to examine where the housing affordability level lies is in young generation for the sack of growth rate of property.

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Nowadays, it is acknowledged that Generation Y is increasingly excluded from the housing ladder [20][21][22] [23]. It has highlighted that this happened due to different and changing socio-economic environment of higher housing prices, longer period of education, fewer job opportunities, employment on contract term, postponed marriage and departure from parental home [24].

As it turns out, no surprise here, Generation Y is concerned that real estate has gotten too expensive [25]. And that would leave the buyer with a very hefty mortgage, assuming he or she had the income to qualify. But earnings have not kept pace with the growth in home prices [26]. Generation Y is thus are blocked from their ascent by the high cost of homes, which makes it difficult if not impossible to save up a down payment, and their insufficient salaries keep them on the ground gazing upwards [22].

The question is what are the implications if more of Generation Y are not able to own a house due to expensive price If they have no housing wealth how they to secure their future in the context of are further state retrenchment? The effects of this disregard towards younger and future generations are just beginning to emerge [27]. The exclusion of Generation Y from owning a house is therefore a critical issue that requires immediate attention from the government [21].

4. Generation Y in Malaysia

4.1 Housing Loan Scheme (Budget 2008)

In the 2008 Budget, YAB Dato' Seri Abdulla Bin HJ. Ahmad Badawi had stated the Housing Credit Guarantee Scheme (SJKP) to assist those without fixed income for homeownership. Under the Scheme, borrowers can obtain housing loans from Bank Simpanan Nasional and Bank Islam Malaysia Berhad to purchase low and medium cost houses. RM50 milli fund was allocated for this purpose. Under this scheme, SJKP will stand guarantee for banks that provide housing loans to approved eligible applications. This housing loan scheme aims to assist fixed income and self-employed Malaysians to purchase their first house. Eligible properties shall be restricted to residential properties that are low cost, low medium cost and medium cost.

The applicants must be a Malaysian citizen aged 18 years old and above, non-fixed income earners such as petty traders, farmers, taxi drivers, fishermen etc. or fixed income earners (subject to the first RM200.0 million only). This scheme allowed joint application and open to newly completed/under construction or sub-sale or auctioned residential property.

4.2 My First Home Scheme/ Skim Rumah Pertamaku (Budget 2011)

The scheme is one of the measures announced by the Government in the 2011 Budget aimed at assisting young adults to own a home. The scheme allows homebuyers to obtain 100% financing from financial institutions, enabling them to own a home without having the need to pay a 10% down payment. This scheme is open to all Malaysian citizens aged 35 years old or less (age next birthday is 36 years old or less) with gross income of not more than RM5,000 per month for single borrower and gross income of not more than RM10,000 per month for joint borrowers (based on gross maximum income of RM5,000 per month per borrower).

4.3 PRIMA 1 Malaysia People's Housing programme (Act 2012)

Perbadanan PR1MA Malaysia was established under the PR1MA Act 2012 to plan, develop, construct and maintain high-quality housing with lifestyle concepts for middle-income households in key urban centres. PRIMA developments are located in major cities across Malaysia. This programme is open to all Malaysian citizens at least 21 years of age at the time of application and an individual or family with a combined household monthly income of RM2,500 to RM 15,000

4.4 Rumah Idaman Rakyat SPNB 2014

Rumah Idaman Rakyat SPNB is a program to insist Malaysian to own affordable houses. The listed type of houses includes bungalow, terrace, double terrace, apartment, and shop lot. The price of these unit ranged from RM70,000 to RM25,000. While for shop lot cost will not exceed RM1,000 000. To apply, applicant must be a Malaysia citizen with age between Malaysian citizen 18 until 65 years of age and the gross income for individual monthly below RM7,500 and household monthly income below RM10, 000. In addition, the area of land must not exceed 2,800 sq ft and priority is given to first home buyers, disable citizen (OKU) and single mothers.

4.5 My Home Housing Scheme (2014)

My Home is a scheme by Malaysian government to encourage private sector to build more affordable homes and was announced by the Prime Minister. MyHome scheme offers incentive up to RM30,000 per home unit which benefits home buyers and private home developers. In 2014, the government will allocate RM300 million for the purpose of building 10,000 units of affordable homes around the country. The applicant must be a Malaysian citizen, 18 years of age and above and only for first home purchasers. Applicants must fulfill the monthly household income as shown in Table I.:

Table 1: Household Income For My Home Housing Scheme (2014)

	Market Selling Price (RM)	Actual Buyers Price (RM)	Min. Size (sq ft)	Total Household Income (RM)
My Home 1	80,000 – 120,000	50, 000 – 90, 000	800	3, 000 – 4,000
My Home 1 (Sabah & Sarawak)	90,000 – 120,000	60, 000 – 90, 000	800	3, 000 – 4,000
My Home 2	120,001 – 200,000	90, 001 – 170, 000	850	4,001 – 6, 000
My Home 2 (Sabah & Sarawak)	120, 001 – 250, 000	90, 001 – 220, 000	850	4, 001 – 6,000

4.6 Youth Housing Scheme (YHS) or Skim Khas Bantu Belia Miliki Rumah (Budget 2015)

Youth Housing Scheme is a first-time home ownership scheme for married youth aged between 25 to 40 years with household income not exceeding RM 10,000 per month. Through this scheme, BSN will provide financing / loan up to RM500, 000 with a financing tenure up to 35 years or at the age of 65, whichever is earlier to the eligible borrower. This scheme is limited to 20,000 buyers only on the 'first come first served' basis. BSN will also provide financing / loan amount of 100% of the purchase price and an additional 5% of purchase price to finance takaful / insurance (MRTT / MRTA). The Government is also to aid monthly instalments of RM200 per month for a period of 2 years from the date of first disbursement to the developer / vendor. The eligible buyers must be a Malaysian citizen aged 25 to 40 years old (subject to age limit of not more than 65 years old at end of tenure). Married with household income no more than RM10, 000.00 per month and first time purchaser.

5. Research Methodology

In this study, questionnaire survey are distributed to working Generation Y who are staying in Kuala Lumpur, Selangor, Penang and Johor. The selected regions are the most developed states in the nations and thus has the most number of young work forces. A total 150 respondents are targeted and thus there were 150 questionnaire surveys were distributed via email, WhatsApp, Telegram and face-to-face hand out. Follow up and warm reminders were carried out to increase the response rate. However, out of 150 questionnaires, there were only 122 replies which indicate a response rate of 81.33% in total.

6. Effectiveness of Government Housing Schemes

Table 2 shows the Relative Importance Index (RII) for the effectiveness of government housing schemes in assisting young generation to homeownership.

Table 2: Relative Important Index Of Effectiveness Of Housing Affordability

No	Aspects	RII	Rank
1.	The qualified applicant under government housing initiatives is limited and competitive for young generation.	0.75	1
2.	The terms and conditions of proposed housing schemes does not meet the financial capability of young people	0.75	1
3.	The supply of affordable housing is highly inadequate.	0.72	3
4.	Housing built by government is quite expensive and out of your acceptable range	0.67	4
5.	Government does not provide suitable down payment assistance option for first-home purchasers	0.63	5
6.	Most of the housing locations under government initiatives are not strategic and attractive	0.61	6
7.	The buying process is vague and bias among applicants.	0.60	7
8.	The quality of houses under government initiatives is unacceptable and not within your preference.	0.58	8
9.	The provided housing schemes does not well-advertised.	0.54	9
10.	The information of housing policy introduced by government is vague and insufficient.	0.54	9

The main issue is the qualified applicant under government housing initiatives is limited and competitive for young generation with RII of 0.75. PR1MA was set up in late 2012 to provide affordable housing for middle-income urban residents. It received 500,000 applications for 80,000 houses as the end of quarter of 2015 [28]. However, there are 33% of the respondents did not qualify for any "affordable home", while 39% did not even bother to apply. "Only 18% of the respondents applied for the PR1MA scheme.

Meanwhile, it has the same RII with the terms and conditions of proposed housing schemes do not meet the financial capability of young people, which has a RII of 0.71. These two issues clearly showcase the inefficiency of government housing schemes in assisting Generation Y to own a home. Most of the respondents think that the scheme may not help the one with lower salary which does not match the requirement of the scheme and hence cannot be benefit able from the scheme. This is just unfair for those with salary with are not as high as the salary required to have qualification to loan in order to buy a house [29].
In a recent interview, PR1MA's CEO Dato' Abd Mutalib Alias, announced that some people would be allowed to buy second homes under PR1MA. Due to these kinds of situation and coupled with the restriction in access to credit imposed by Bank Negara, it is found that few first-time homebuyers only taking advantage of PR1MA and more people who already have an existing property and can get access to credit, ending up buying a second home via PR1MA.

The third ranking would go to 'The supply of affordable housing is highly inadequate,' with a RII of 0.72. With that, the central bank said the issue of affordable housing, which reflects the supply-demand imbalances in Malaysia, worsened during the 2012 to 2014 period. They said that the new housing supply feel short of the increase in demand during these years. According to Bank Negara Malaysia's 2016 Annual Report, the shortage of affordable housing could exceed one million units. "Among the four states with the highest concentration of urban population, the shortage of affordable housing was largest in Kuala Lumpur, followed by Penang and Johor. On the other hand, Selangor was found to have a surplus of affordable houses [30].

Meanwhile, 'Housing built by government is quite expensive and out of your acceptable range obtained the forth place with RII of 0.67. In fact, housing prices Under the Housing Facilitation Fund which amounted RM500 million provide by PR1MA will used to build houses with the selling price ranging between RM 100,000 and RM 400,000. This range of price is 20 per cent lower than the previous market price under this programme. Although the price of the housing unit is cheaper now, it is still not affordable for those low and middle income groups especially those who have family even the small one [29].

Next, 'Government does not provide suitable down payment assistance option for first-home purchasers,' placed the fifth ranking with a RII of 0.63. There are many young people interested to buy a house, but normally disqualified for loans. This statement is referred to the 9th Asia Property Market Sentiment Report by iproperty.com. It shows the calculations of My First Home Scheme are in fact driving Generation Y into more debts instead of solving their hardships.

At the same time, 'Most of the housing locations under government initiatives are not strategic and attractive ranked sixth place with have a RII of 0.61. As PR1MA chief executive officer Datuk Abdul Mutalib Alias says location is essential but state governments often allocated land in areas where they have projected to urbanize but these areas are inconvenient to access amenities and transportation links. Their survey shows respondents want to be close to school have access to transportation, close to clinics and shops. Therefore, the location of houses provided government would be one of the fundamental considerations to purchase a house. However, most of the houses offered are normally far away from MRT link, highways and other facilities.

However, 'The buying process is vague and bias among applicants,' ranked seventh ranking with RII of 0.60. This is due to the allocation of PR1MA is through an open balloting process. If one gets a PR1MA house, a 10-year period is obligatory in which the property is not permitted to be sold or transferred to other party without blessing from PR1MA.

Furthermore, the eighth ranking is fell into 'the quality of houses under government initiatives is acceptable and within your preference,' with a RII of 0.58. Based on a private property developer in the Klang Valley who named as Low Oon Jin, he claimed that the cheap housing prices offered by the government but the quality is not within the preference of buyers. This is due to the perception of 'cheap price produce a low quality product' that had been in most of the buyers.

'The provided housing schemes are well-advertised and 'The information of housing policy introduced by government is clear enough.' placed the second last and last place with same indexes of 0.54 respectively. The result represents that most of the respondents are known about the housing schemes that promoted by government. The details information of housing schemes are available online and reachable for anyone. Thus, the most of the respondents are agreeing with that and understand about the housing policy.

7. Conclusion

Everyone desires to have one roof over their head. However, it is a tough journey for most of Malaysian Generation Y to homeownership, whose income growth has no way kept pace with house price inflation. Housing supply hardly equates with demand, even though there is a surplus of housing, most of the people still out of reach of homeownership. For such reasons, the government has tried in the past and is still trying to solve the housing problem by launching several policies and strategies. This research is important to look into the challenges facing by Generation Y enter homeownership.

Generation Y are much different with their parent generation today. Many said they are graduated with lots of loan yet started career path with low wages. The economic fluctuation on living costs especially on fuels cost, food and beverage cost and the implementation of Good and Service Tax had consumed a large portion of their monthly income. The sky-rocketing housing prices had made the dream to homeownership even tougher and longer for Generation Y.

In short, housing affordability is a long-term battle which required contributions, efforts and sacrifices from every organization. Even if the Generation Y is able to catch up to the homeownership rate, the problem would be repeated again in the following generation. Thus, shaping an effective housing policy requires the knowledge from expert and perceptions of every income groups and ought to be updated periodically as the preference, trends and standards towards homeownership are changing in any minutes. It requires a significant attention on it to work the most affordable housing for the betterment of the nation.

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