



**NATIONAL HOUSE BUYERS ASSOCIATION**

**PERSATUAN KEBANGSAAN PEMBELI RUMAH**

**IN SEARCH OF AN AFFORDABLE HOME:  
A HOUSE BUYER'S PERSPECTIVE**

16 JULY 2012

Introduction

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## INTRODUCTION

- The Average Rakyat is struggling to buy their dream home with the ever rising price of properties which has far outpaced the increases in their Salaries.
- The average monthly Household Income of Selangor in 2009 of RM5,962 will not be able to qualify for a 90% loan over a 30-year period to buy a Double Storey Link in the Kota Damansara / Puchong area.
- Assuming a 15% increase in the average monthly household income from 2009 to 2012, this will not even be enough to buy a new Double Storey Link in Kajang area, which is considered not a 'hot area'.
- The Government needs to take proactive measures to stop the steep rise in properties prices due to false demand and excessive speculation fuelled by easy mortgages and low RPGT.
- A 'Homeless Generation' will emerge and various social problems will arise if the average Rakyat cannot afford to buy their own homes.

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## AVERAGE MONTHLY HOUSEHOLD INCOME IN SELANGOR

	2004	2009	2012
	RM	RM	RM
Average Monthly Household Income <sup>(1)</sup>	5,175	5,962	6,856
Growth Rate (%)	-	15.2%	15.0%
Max eligible Housing Loan based on 30-year loan tenure <sup>(2)</sup>	336,490	387,663	445,793
Max value of Property based on 90% financing	373,878	430,737	495,326

### 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

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## SELECTED PROPERTY PRICES IN SELANGOR

Kajang Area	2004	2009	2012
	RM	RM	RM
Intermediate Double Storey Link	239,800	327,600	558,800
Growth Rate (%)	-	<b>36.6%</b>	<b>70.6%</b>

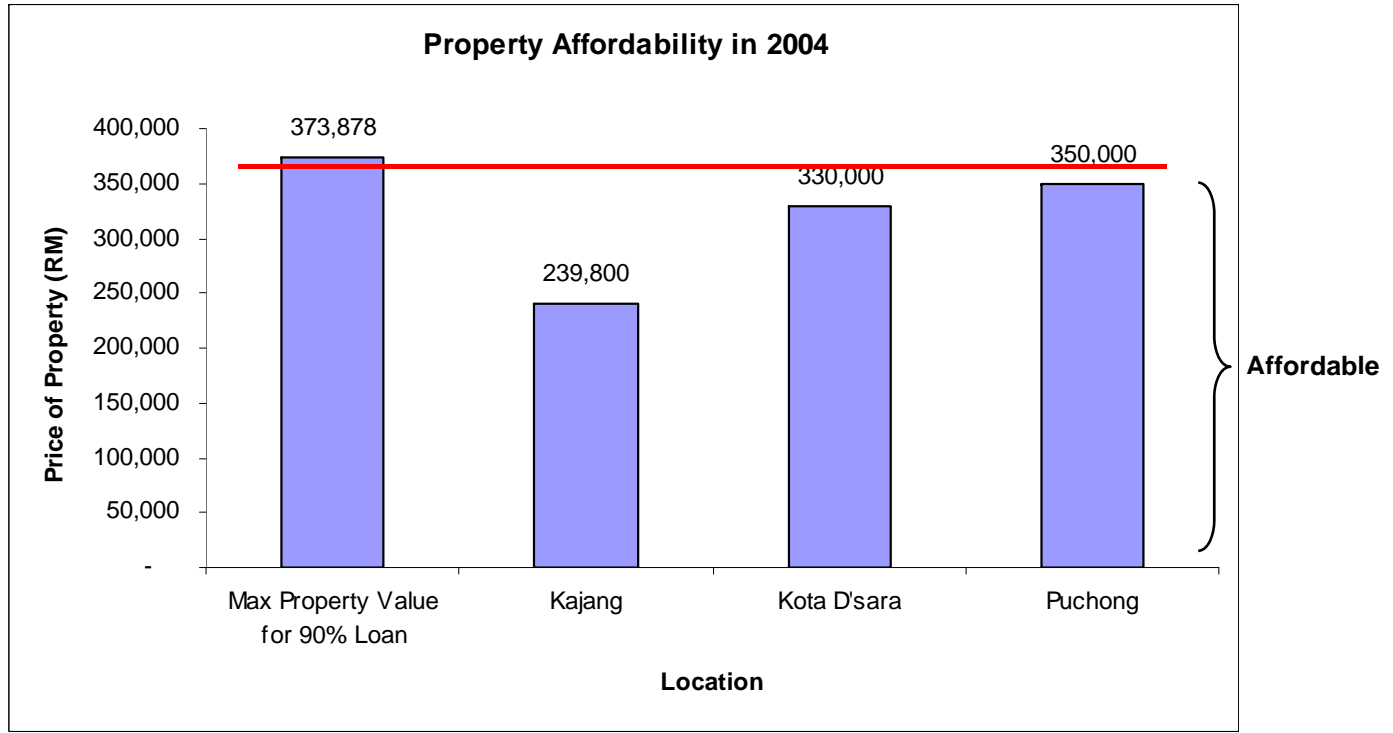
Kota Damansara Area	2004	2009	2012
	RM	RM	RM
Intermediate Double Storey Link	330,000	600,000	800,000
Growth Rate (%)	-	<b>81.8%</b>	<b>33.3%</b>

Puchong Area	2004	2009	2012
	RM	RM	RM
Intermediate Double Storey Link	350,000	600,000	750,000
Growth Rate (%)	-	<b>71.4%</b>	<b>25.0%</b>

- The above properties comprise of Double Storey Link Intermediate Units only
- Increases in Property Prices have far outpaced increases in household income
- As a result, many are unable to afford to buy their own properties and Malaysia faces a potential homeless generation.

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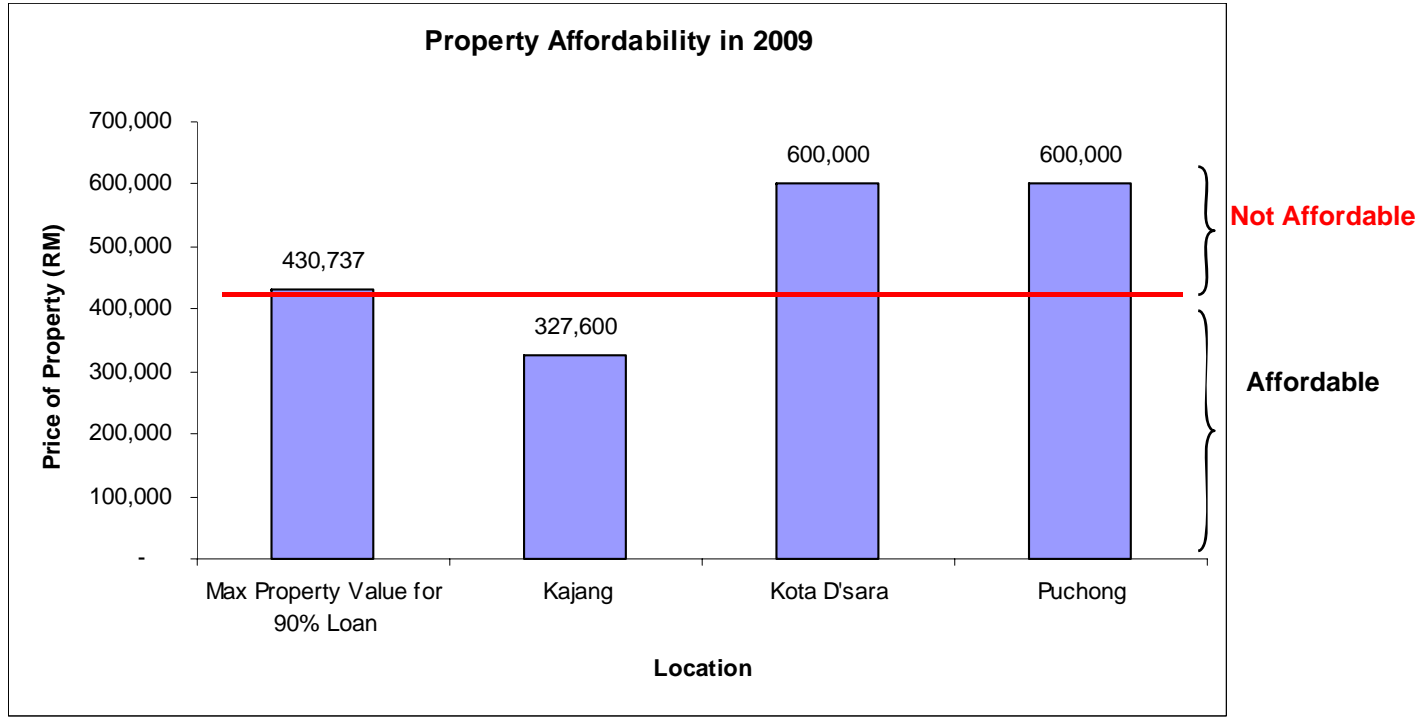
## AFFORDABILITY OF SELECTED PROPERTY PRICES IN SELANGOR IN 2004



- Average monthly household income in Selangor in 2004 is adequate to buy the above selected properties in Kajang, Kota Damansara and Puchong

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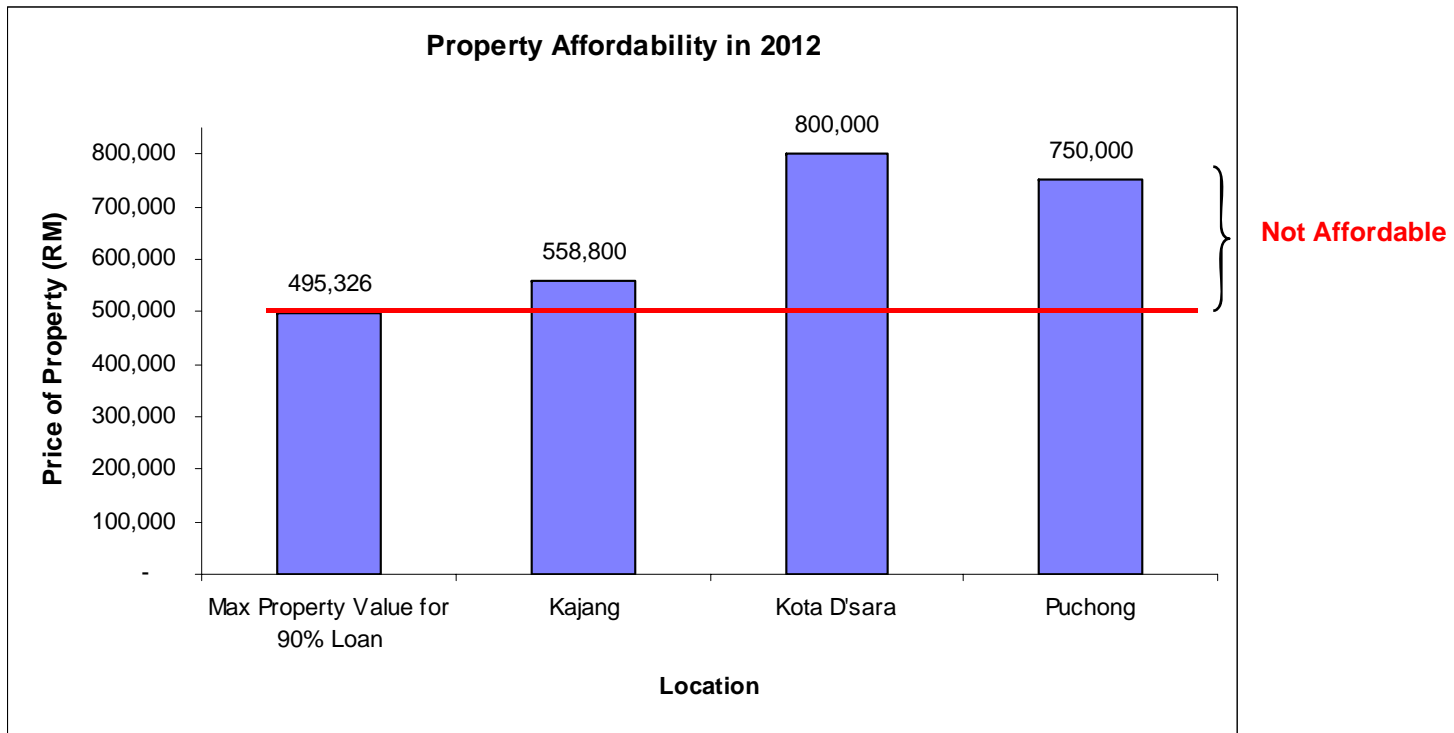
## AFFORDABILITY OF SELECTED PROPERTY PRICES IN SELANGOR IN 2009



- Average monthly household income in Selangor in 2009 is only adequate to buy the selected properties in Kajang
- Property prices in Kota Damansara and Puchong has exceeded the affordability of the average household income

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## AFFORDABILITY OF SELECTED PROPERTY PRICES IN SELANGOR IN 2012



- Average monthly household income in Selangor in 2009 is not enough to buy selected properties in Kajang, Kota Damansara or Puchong
- Malaysia faces a potential homeless generation

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## AFFORDABILITY BASED ON ANNUAL HOUSEHOLD INCOME

- The Median of Property Price as a multiple over annual household income is widely used for evaluating urban markets, and has been recommended by the World Bank and the United Nations and is used by the Harvard University Joint Center on Housing.

Category	Property Price as multiple of annual household income (times)
Severely Unaffordable	5.1 & Over
Seriously Unaffordable	4.1 to 5.0
Moderately Unaffordable	3.1 to 4.0
Affordable	3.0 or Less

Average Monthly Household Income (RM)	Property Location	Prices in 2012 (RM)	Multiple of Annual Household Income (times)
6,856	Kajang	558,800	6.79
6,856	Kota Damansara	800,000	9.72
6,856	Puchong	750,000	9.12

**All Severely Unaffordable based on International Standards**



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## FURTHER MISMATCH IN PROPERTY PRICES

- There is a difference between being able to buy a Property and being able to afford the monthly mortgage repayments. In theory, household income of RM7,000 a month can afford a house worth RM500,000 and take Mortgage of RM450,000 (90% Margin of Financing) with monthly repayments of RM2,307.
- However, in reality, such the household may not be able to afford such an expensive home:

Monthly Household Income	(RM)
<b>Gross Income</b>	<b>7,000</b>
Less:	
EPF Deductions	(770)
Income Tax Deductions	(250)
Groceries & Household exp	(500)
Car Loan	(800)
Petrol & Car Maintenance	(600)
Food (dine out)	(200)
Baby Sitter	(700)
Allowance for Parents	(400)
Children related expenses (food, milk powder, etc)	(500)
Insurance	(600)
Savings / Emergencies	(200)
<b>Net Pay available for Housing Loan</b>	<b>1,480</b>
<b>Maximum Loan based on 90% Financing for 30-ys</b>	<b>285,000 vs 450,000 in theory</b>
<b>Value of House</b>	<b>320,000 vs 500,000 in theory</b>

- Further mismatch between property prices and what house buyers can really afford
- Proactive measures are needed for more Affordable Homes to be build for the Lower and Middle Income

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## FURTHER MISMATCH IN PROPERTY PRICES

- An illustration of how much an household with monthly income of RM7,000 can afford with what is being offered in the market.

Assumed monthly Household Income of RM7,000 a month	Maximum based on actual cashflow	Theoretical maximum based on Gross Income	Double Storey Link in Kajang	Double Storey Link in Kota Damansara	Double Storey Link in Puchong
Price of Property (RM)	320,000	500,000	558,800	800,000	750,000
Multiple of Annual Household Income (times)	3.81	5.95	6.65	9.52	8.93
Remarks	Moderately Unaffordable	Severely Unaffordable	Severely Unaffordable	Severely Unaffordable	Severely Unaffordable

- **The Government must do more to ensure more affordable homes of risk facing a ‘homeless generation’.**

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## CONCLUSION

- The average household is finding it ever more difficult to buy their own property with the ever rising property prices coupled with the rising cost of living.
- There is a huge mismatch between what the average household income can afford to buy and what is available in the market, either directly from Developers or the Secondary Market, i.e. completed homes.
- Property prices have risen rapidly in recently years not due to real market forces (demand and supply) but false demand through excessive speculation fueled by easy mortgages and undeterred by low RPGT.
- The Government must take concrete and proactive measures to:
  - Stem the rapid rise of property prices due to false demand and excessive speculation
  - Ensure steady supply of Affordable Properties to cater for the demands of the Lower and Middle Class Income
  - Prevent a 'Homeless Generation' from emerging which will bring along many social problems.

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**THANK YOU**

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**QUESTIONS AND ANSWERS SESSION**