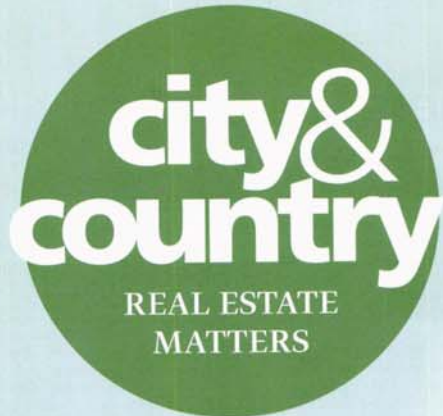
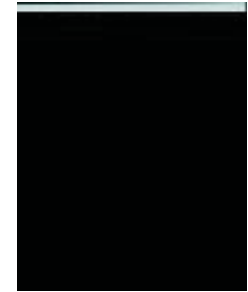


Headline	TO BUY OR TO RENT?		
MediaTitle	The Edge		
Date	29 Apr 2019	Color	Full Color
Section	City & Country	Circulation	25,910
Page No	CC1,CC4,CC5	Readership	77,730
Language	English	ArticleSize	3028 cm ²
Journalist	ETHEL KHOO	AdValue	RM 52,136
Frequency	Weekly	PR Value	RM 156,408



THE EDGE MALAYSIA | APRIL 29, 2019

Should millennials buy or rent a home?

For many young working adults, buying a home seems like a distant dream because of rising property prices and the mismatch between their salaries and affordability. Government initiatives offer some help, but one solution may be to look at renting instead of buying a property, say experts.

Ethel Khoo has the story on Page 4.



Headline	TO BUY OR TO RENT?		
MediaTitle	The Edge		
Date	29 Apr 2019	Color	Full Color
Section	City & Country	Circulation	25,910
Page No	CC1,CC4,CC5	Readership	77,730
Language	English	ArticleSize	3028 cm ²
Journalist	ETHEL KHOO	AdValue	RM 52,136
Frequency	Weekly	PR Value	RM 156,408

BY **ETHEL KHOO**
city.country@bizedge.com

“ I dream of owning a 2-storey house in Damansara or Petaling Jaya. I have yet to buy one but I will probably be able to do so in five years,” Ron says hopefully. He is 25 and started working two years ago.

The question is, are millennials like him, most of whom join the workforce at 22 or 23, asking for too much too soon, especially when the prices of property (landed and high-rise in good locations) have gone through the roof?

Interestingly, Warren Buffett — renowned investor and one of the world’s richest men — once said of the US: “Our country’s social goal should not be to put families into the house of their dreams but rather, to put them into a house they can afford.”

In a recent Bloomberg article, 30-year-old Alex Shih, who is heir to Hong Kong’s biggest real estate agency, Centaline Group, revealed that he will not be inheriting his father’s US\$400 million stake in the group and that he doesn’t own a house.

Shih, a millennial, is saving up to buy his first home. Although he is the vice-chairman of the group, he is quoted as saying that he earns only a regular salary.

He aims to buy a 2-bedroom apartment in a middle-class neighbourhood in West Kowloon, or in the slightly more upmarket Ho Man Tin if his parents chip in.

His advice to his peers is to be realistic. “The first home may not be the one you want the most. But at least you get on the property ladder and then you slowly climb up.”

Data provided by The Real Rockstars Coaching founder Raphael Wong show that millennials currently dominate the workforce (see pie chart). As they slowly build their careers — and for some, their families — the need to find a place of their own becomes urgent. Many of them, like Ron, have big dreams of owning homes but unless they win the lottery or come into an inheritance, the current market situation makes it very difficult for them.

In his presentation at *The Edge’s Real Estate Investment Forum* last year, Wong said statistics indicated that there were 8.4 million millennials in Malaysia, and only 33% said they could afford to buy a property.

To address this problem, the previous government introduced some affordable housing schemes such as Rumah Selangorku and RUMAWIP. Apart from that, some incentives, discounts and exemptions were announced in Budget 2019 and National Homeownership Campaign 2019.

Under Budget 2019, first-time homebuyers get an exemption on stamp duty for properties priced from RM300,000 to RM1 million, for a period of six months, starting from Jan 1.

Stamp duty exemption on sales and purchase agreements as well as loan agreements for properties priced up to RM300,000 has been granted to first-time homebuyers for two years, until December next year.

The National Homeownership Campaign 2019, which was launched on March 1, ends on June 30. During the campaign period, potential buyers can enjoy stamp duty waivers and a minimum 10% price discount from developers.

“The government has been playing a good role in helping young working adults through the various affordable housing schemes. The ongoing free stamp duty initiative has reduced the upfront cost,” says Wong.

Knight Frank Malaysia managing director Sarkunan Subramaniam concurs, but adds that bankers should cooperate to encourage homeownership.

“I can understand why the bankers are still reluctant to overly ease credit. But I believe the local banks and the government can look at putting out good loan schemes and have a bit more foresight and leniency when they look at the applicants,” he says.

However, all these initiatives and schemes will be of little use if young working adults do not know how to utilise them.

In this article, property experts will offer some advice for those who wish to own a property.

Check your finances

It is important to review your financial position before buying a property, say property experts. “Don’t buy something because you get emotional over the marketing strategy and promotion offered by the developer. Do your calculation to see what is the instalment you can really afford,” says Wong.

He points out that the expenses of buying a home are more than the instalments and upfront cost. The renovation, maintenance fee and utility bills are other expenses to keep in mind.

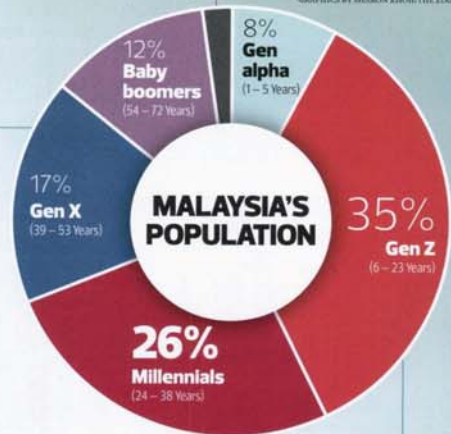
Wong shares the painful experience of his friend who purchased a condo in the Jalan Klang Lama area and had to sell it off with almost no profit.

His friend, Wong relates, was earning about RM6,000 a month and decided to buy the condo, at a low upfront cost, from a developer who offered some freebies. After it was completed and handed over, his friend began servicing the loan, which came up to about RM3,000.

But, he forgot to calculate the other expenses — renovation, maintenance fee and utilities. So, instead of RM3,000 every month, he ended up paying almost RM4,000.

2%
Silent generation
(and more)
(73 and Above)

INFO BY THE REAL ROCKSTARS COACHING
GRAPHICS BY SHARON EKHOO@THEEDGE



TO BUY OR TO RENT?



He found himself in a tough situation when he lost his job three months after he got the keys. He eventually found a new job but it didn't pay him well enough and he ended up selling the property.

“Even if you qualify for a loan, it doesn't mean you can afford the property,” Wong cautions.

So, what can be done to ensure young working adults are financially ready?

A basic introduction to personal financing at a relatively early level of education will help to prepare young adults for the real working world, says Rahim & Co International Sdn Bhd director of research Sulaiman Saheh.

He wants to highlight the point that shelter as a basic necessity does not mean one has to own a home, and that renting is an option.

“This is especially true for individuals in their early working years who are still in the process of saving up for their dream home,” he observes.

Wong agrees that financial education is important and sees a growing trend of renting instead of buying. However, he feels young adults should still invest in property.

“For investment, the property doesn't have to be in a good condition or location. All you need is

Headline	TO BUY OR TO RENT?		
MediaTitle	The Edge		
Date	29 Apr 2019	Color	Full Color
Section	City & Country	Circulation	25,910
Page No	CC1,CC4,CC5	Readership	77,730
Language	English	ArticleSize	3028 cm ²
Journalist	ETHEL KHOO	AdValue	RM 52,136
Frequency	Weekly	PR Value	RM 156,408

RAISING AWARENESS THROUGH EDUCATION

Learn from other people's experience

Start small by buying a cheaper property

Partner an experienced person to buy a property

When forming a partnership, be cautious about:

- The partner's track record
- Don't accept verbal agreements, put everything down on paper.
- Get a legal adviser to execute the paperwork



What other paperwork is there apart from the Sales and Purchase Agreement and loan agreement?

Trust bit — An agreement that states the sharing ratio of the property interest

Power of attorney — A document that assigns each party's power

Joint-venture agreement — An agreement that lays out all the terms and conditions. Put down an exit strategy or clause in this agreement.



Making property more affordable

Rising property prices are a common lament among young working adults throughout the country. So, what can be done to make property more affordable?

One way would be to reduce the built-up, which would bring down the overall pricing, says Rahim & Co International Sdn Bhd director of research Sulaiman Saheh. "This would suit young working adults who may not need large spaces, only what is sufficient to meet their current needs."

Another solution is to prioritise the development and further enhance public infrastructure to help reduce the overall cost of living, he suggests.

"An example that would embrace both of these points would be an affordable transit-oriented development (TOD), which aims to provide a more affordable pricing range for this particular group, likely via high density to share out the cost," he says.

"To make this happen, the government should enhance some of its housing initiatives, specifically on TODs, to make them more affordably priced yet still be feasible for developers through higher densities."

The Real Rockstars Coaching founder Raphael Wong, on the other hand, feels the main focus should not be on trying to make property more affordable through various schemes. Rather, the government should look into educating the people to increase and develop their skill sets and mindsets.

"There is this saying, 'Give a man a fish and he

will be fed a day; teach him to fish and he will be fed a lifetime". So, the government should spend money on giving young working adults real education, such as on managing their finances.

"When their skill sets and mindsets are increased, they will be able to make more money and their standard of living will be raised. Then, the government won't have to spend money on building affordable housing. This is teaching them to fish instead of giving them the fish," Wong explains.

Knight Frank Malaysia managing director Sarkunan Subramaniam looks at it from the perspective of the young working adults' salaries. "The biggest mismatch is their salaries and what they can afford. House prices have shot up so much and salaries have not increased in tandem. This is a situation the government has to address."

He says many years ago, the position was to keep the cost of living down but he questions whether this is effective and the correct thing to do. In his view, the government needs to look again at remuneration, which is a bigger issue than real estate.

Another approach to bringing down the housing cost would be to look into using the industrialised building system (IBS).

"This can reduce costs tremendously. I think this is an area the government is targeting directly and it should look into giving incentives to developers to use IBS. I think this is the key — look at IBS and similar technology to bring down housing costs," Sarkunan says.

to have a tenant to pay rent so you can build your wealth. After a few years, you can sell the property and buy another that you really like," he says.

Renting as an option

"We Asians have this mentality that 'I must own the house that I live in'. But what is wrong with renting? As long as you have income to be able to rent, you should not think adversely about a whole lifetime of renting," Sarkunan says.

Another Asian tendency, he says, is to think that after buying a home, we feel we are the owners and that no one will be able to throw us out.

"If you think about life, I am here temporarily for, maybe, 90 years at the most and perhaps I am the kind who likes to travel and go away for extended periods. So, why do I want to own a house?"

He doesn't see a problem in renting a property for life. Many in the West, he points out, are happy to do so. It gives one the freedom to change and not be stuck to a single property, he says.

Sarkunan is now seeing a paradigm shift as trends change over time.

"Now, people don't really look at owning a car because there is Grab. In 15 to 20 years, housing will go through the same thing." You may not want to own cars and houses because you want to be free, he explains.

However, for those who wish to own a house but are not in a financial position to do so, the rent-to-own scheme is a good option, he says. Under these schemes, buyers can rent a unit from a developer for a period of time and later, convert the rent paid into part payment of the selling price.

The upside, says Sarkunan, is the low upfront payment. "In most cases, potential buyers don't need to put down a 10% down payment. They just need to come up with the rental deposit."

With this scheme, potential buyers can lock in the property price and subsequently have a higher chance of getting a loan approved.

The downside is that the rent will be higher than the market price. "The developer will have to price in the purchase repayments, so, the rental will be higher," Sarkunan says. Wong agrees that such schemes are



Wong: Do your calculation to see what is the instalment you can really afford



Sarkunan: Many in the West are happy to rent a property for life



Sulaiman: Shelter does not mean owning a home... renting is an option

a good choice for potential buyers who do not have a lot of savings. They can try out the property to see if they like it.

"If the property is suitable, I would advise them to go for this scheme," he says.

However, do a survey and research the property before jumping in, he warns. "Do not go in solely because of this strategy. After you have done what needs to be done, then this scheme is an added bonus as it provides an easier entry."

Where and what is a good start?

For young working adults who plan to take their first steps to home ownership, what type of property and which location should they look at?

High-rise developments are a good start, says Sulaiman, especially transit-oriented developments, with public transport facilities and amenities within easy reach. The convenience should help to keep the cost of living down.

Location-wise, he says it would be good to choose homes close to commercial or business areas to reduce commuting time and cost.

For Wong, any property priced under RM200,000 will be alright, considering that the average salary of young working adults is RM3,000 to RM4,000.

Properties around that price, mainly apartments, can be found in areas such as Kepong, Sungai Buloh, Kajang, Cheras (on the Selangor side) and the outer areas of Subang, he notes.

He tells potential buyers to look at the secondary market instead of the primary market, unless a property is under the government's affordable housing scheme.

Buying a house

The experts have some advice for young working adults who are planning to purchase their dream home.

Sulaiman lauds their ambition of wanting to own a home at a young age. However, he cautions that careful planning and a period of preparation is necessary in view of the cost of living and rising house prices.

"It is one thing to desire owning a house but it is another to structure your current situation towards your future goal," he says.

He has a few suggestions. First, find out the relevant information and latest insights on the property market. Next, draw up a list of priorities based on one's current financial situation and needs, keep a look out for good buys, and talk to property professionals to get their advice and the latest developments in the market.

Wong's advice is to start small. "You can always think big but try to start with buying something small first." He says if the purchase price is RM800,000 or RM1 million and it turns out to be a mistake, it will be very painful, so it is better to start with a cheaper property.

"It may not be one's ideal property but from there, one can start learning about owning a property and all the expenses that comes with it," he explains.

Sarkunan says potential buyers should do their own due diligence and buy within their means. He underlines the importance of managing one's finances.

"Maintain a good credit record because when you really want to buy a house and you default on your credit card, you may find yourself unable to get a loan." Someone who is not creditworthy may not be able to get a bank loan no matter how much he or she earns.

Ultimately, he says, if you really want to own a house, the most important thing is to get a great job that pays well. "Study hard, work hard and get a good job to grow. Don't get into dead-end jobs. Of course, you must be able to save as well."

Sarkunan quips that "the best advice I can give is to marry a rich spouse. Find a rich man or woman." He explains that this is because a double-income household is better than one with a single income. "So, the richer your spouse is, the better it is," he says with a laugh.

As a millennial myself, I definitely hope to own a property one day.

My father recently gave me invaluable advice. He said it is alright to start with something small and work your way up. If you can't afford to buy, then rent first!

For me, having dreams and goals will motivate me to work hard to achieve them. But, as Shih said, be realistic. ■