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**A**RE the Malaysian government's housing initiatives, such as the national Home Ownership Campaign (HOC) and programmes under the National Affordable Housing Council, able to bridge the gap between home availability and pricing?

PropertyGuru Malaysia country manager Sheldon Fernandez feels that these initiatives are not enough to address the financing issues faced by the "Generation Rent" in purchasing properties.

Generation Rent are millennials who rent houses for long periods, mainly because they cannot afford to buy a house due to their income and lifestyle.

Home ownership in Malaysia is increasingly becoming out of reach for young people — a situation aggravated by the challenging labour market for youth, rising student debt and higher cost of living. Millennials also tend to spend more on cars, smartphones, food and travel. These make it more difficult for them to leave the comfort of their nest and move on to have their own home.

"Housing availability and ownership concerns have taken centre stage in the national spotlight in recent years, hitting younger house buyers hard. Millennials and subsequent groups such as Gen Z are eager to move out of their nest and into own home, but they cannot afford it," said Fernandez.

#### WEALTHY FAMILY VS LOW INCOME GROUP

Income and family background have a huge impact on millennials in the housing market.

"Young people with rich parents are more likely to own a house. Not only will they get financial assistance, their parents are also more likely to have housing wealth to pass on.

"When a girl or a boy turns 18 and as they move into their next stage in life, which is college, their parents will give them an apartment as a gift. Some children of wealthy parents get a house as a gift on their wedding day. As years go by, they themselves will start to buy properties as an investment and pass them down to their children, and this trend goes on," said a senior market consultant.

On the converse, young people from low-income households cannot rely on their parents to buy a house, he said.

"They have to work hard and save enough over many years only to be able to afford a house that costs below RM300,000. By the time they are able to do that, they are in their late 30s or 40s, married with children and have a household income of RM6,000 and below. This is why many people still prefer to rent than buy."



Younger Malaysians are finding it harder to get home financing. FILE PIC

# Gen Rent still facing financing issues



**“Millennials and subsequent groups such as Gen Z are eager to move out of their nest and into own home, but they cannot afford it.”**

**SHELDON FERNANDEZ**  
PropertyGuru Malaysia country manager

The consultant said purchasing power among most Malaysians is still generally low because of the rising cost of living.

"The problem in Malaysia is that the income level of the people is not in line with the rising cost of living. Malaysians are paid lower than those in benchmark countries, even after taking into account productivity differences."

In an article "Are Malaysian Workers Paid Fairly?: An Assessment of Productivity and Equity" in Bank Negara Malaysia's Annual Report 2018 released in March, it is stated that Malaysian workers receive lower compensations relative to their contribution to the national income, from productivity and equity perspectives.

#### HOME FINANCING WOES

Getting rejected after all the hard work that you have put in in applying for a housing loan can be disheartening.

Loans get rejected for a number of reasons such as not having a steady job, having too many loans (car/personal/home) and commitments, having a bad credit score, as well as failure to submit all the relevant documents and details.

Interestingly, a loan can also be rejected if a developer or a project is in the bank's blacklist.

There are a few steps potential house buyers can take to get their loan approved.

Firstly, if the loan was rejected, get details from the bank on why the application was denied.

If the rejection was based on wrong submissions, then quickly organise the relevant documents and details required by the bank.

Apply for a new loan, but before that talk to the bank's representative to see what you're actually eligible for.

According to Fernandez, lack of knowledge about the home loan process is a concern among first-time and younger purchasers.

"Many Malaysians do not know how much home

loan financing they are eligible for. They apply for loans they cannot afford and their applications are rejected, leaving them a black mark for future applications. This black mark is tracked by Bank Negara Malaysia's Central Credit Reference Information System, which banks can access to months after a rejected application. During this time, other loan applications by the buyer are less likely to succeed," he said.

Fernandez said the easiest way to understand the home loan financing situation in Malaysia is to refer to national statistics tracking the issue.

"The numbers reported by Bank Negara paint a rosy picture, with 70 per cent of loans approved by volume in 2018. This is supported by the recent PropertyGuru Consumer Sentiment Survey where by 30 per cent of respondents found it increasingly difficult to get home loans.

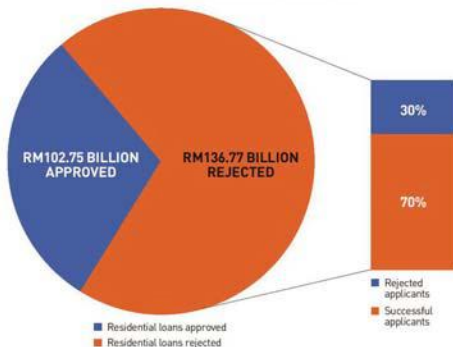
"However, digging deeper into Bank Negara's own data turns up a very different take-away... nearly 60 per cent of loans are rejected by value. This means that seven out of 10 Malaysians are getting their loans approved. However, the remaining three are applying for loans much higher than they can afford.

"Why is this important? The answer is that the large amount of rejected loans by value points towards significant demand for housing that remains unfulfilled," he said.

Fernandez said to put something into perspective, Malaysians applied for RM239.5 billion in residential loans last year. Of the applications, 70 per cent were approved, with a total residential loan value of RM102.8 billion. This means that the remaining 30 per cent of applicants had tried to borrow RM136.7 billion.

"Some of these may have been existing owners who no longer qualify for high margins of financing for their next property purchase. The value of rejected loans in 2018 fits the profile of property investors targeting upscale projects," he added.

#### HOME LOAN APPLICATIONS AND REJECTIONS IN 2018



Source: Monthly highlights and statistics in January 2019, Bank Negara Malaysia.

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