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Houses below RM500,000 face single digit growth

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KUALA LUMPUR — Property units priced below RM500,000 are expected to grow by single digits in the next five years, according to HSBC.

“Over the past decade, the property industry has faced quite an increase in terms of prices which caused an inflation. For the first time last year, the industry was flat and will remain flat in the next five years,” HSBC Bank Malaysia Bhd head of retail banking and wealth management Lim Eng Seong said.

He was speaking to the press at the bank’s briefing on home ownership among Malaysians here yesterday.

Location and pricing will continue to be the main factors driving purchasing decisions, particularly in the Klang Valley, Lim said.

He added that the property industry in the next five years will attract home buyers — with demand rising from millennials — for the mid-market segment with prices ranging from RM300,000 to RM400,000 per unit.

However, he believes higher-end properties will be challenged by oversupply.

Average property prices in Malaysia rose 3.2% in 2016 while real wages in 2017 are only expected to increase by only 3.9%, showing a disconnect between salary growth and rising property prices.

The study found that many millennials intend to buy a home in the next five years but the combination of slow salary growth, rising property prices and not saving enough for a deposit are hurdles.

The study found that 35% own their own homes while those who intend to buy a home in the next five years are part of the 94% who currently don’t own homes.

HSBC’s study surveyed the views of more than 9,000 people in nine countries around the world including Australia, Canada and China.

The study also indicated that many millennials do not have proper financial planning for a home purchase, whereas only 16% have set a precise budget.

Another 64% group have planned an approximate budget while 20% have not budgeted for housing.

Many millennials are willing to make sacrifices to save money for housing: 62% would consider spending less on leisure, 41% would be prepared to buy a smaller than ideal place, 23% would consider buying with a family member and another 23% would be prepared to rent out one of their rooms to help with costs.

Additionally, 14% of respondents are prepared to delay having children while 10% would move in with a relative to save for a deposit.