



Elusive dream

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PETALING JAYA: Property prices are falling. Yet, the number of people who can afford to buy a home is on a downturn.

It is a grim picture for the medium and low-cost property market.

An analysis by property listing site PropertyGuru showed that homes that cost RM300,000 and below accounted for 86.14% of all property transacted in 2000. It dropped to

65.31% in 2009 and a decade later, it accounted for just 32.37%.

A senior real estate negotiator, Mohd Shariman Mohd Shaari Tan, said an urban 850sq ft apartment now costs no less than RM300,000, way beyond the reach of many Malaysian households whose average monthly

income was only RM3,200 in 2019.

It is worse for those in the B40 or lower income group. An average home in the city costs no less than RM150,000 and that is mostly no larger than 650sq ft of living space.

If the buyer takes a 100% loan at an

annual interest rate of 3.7% over a 35-year term, the monthly repayment comes up to about RM650. That is a huge chunk from the monthly income of RM2,000 in a B40 household.

Freelance real estate negotiator Danial Tan attributes the disparity between property prices and income levels to the fact that salaries have not risen in tandem with the cost of properties.

"In the end, most people end up renting."

To keep prices within the reach of more people, developers are building smaller units.

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'Financing costs add to price of property'

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"Today, there are city apartments with living rooms as small as 60sq ft, which is about the size of a small bedroom or large bathroom,"

Tan said.

The average property price is highest in Sabah, according to a 2014 analysis by PKR think-tank Institut Rakyat. Second is Sarawak, followed by Kuala Lumpur.

Selangor, Penang and Kelantan have the fourth, fifth and sixth highest property prices respectively.

The average size of a low-cost apartment in the Klang Valley has shrunk to 650sq ft, way below the socially acceptable size of 850sq ft, according to Mohd Shariman.

"It is impossible to get a new landed property that costs below RM300,000 these days. The cost of financing also adds significantly to the cost of the property."

Interest rates for home loans have dropped from the 4.2% to 5% range to between 2.9% and 3.7%, but this has done little to help lift demand for property being marketed to those in the low or medium income groups.

A 2016 review of property prices in Johor, Selangor and Malacca revealed that an average home in Johor cost RM525,652 then. It was RM269,987 in Selangor and RM196,046 in Malacca.

"Prices are considered too expensive or unaffordable if they exceed three times the gross annual income of a household," said Association of Valuers, Property Managers, Estate Agents and Property Consultants president, Michael K.K. Kong.

As the association vice-president A. Subramaniam pointed out, living in apartments has become the cheaper option.

All said, Kuala Lumpur remains one of the more affordable cities to live in. In a 2019 Global Living survey, it was listed as one of 34 cities with the cheapest properties.

Yet, data from the Statistics Department shows that as of 2014, about 1.33 million households in the city could only afford to rent.