Assessing Malaysia's Effectiveness in Alleviating Home Buying Challenges for Young Malaysians

Yu Shu
Universiti Kebangsaan Malaysia

ABSTRACT: This study analyses the current status of home ownership among young Malaysians and assesses the effectiveness of the scheme in improving housing affordability among young Malaysians. The study examines the target population, income profile, and loan interest rates to provide a comprehensive overview of the current status of home ownership among young Malaysians. The findings show that housing market conditions, especially among the B40 income group, have been deteriorating since 2016, with house prices growing faster than income growth. This has significantly reduced housing affordability, making it difficult for many to realize their dream of home ownership. The continued growth in money supply and volatility in the overnight policy rate have further exacerbated affordability. Although the MFHS has provided substantial support by offering loans with no down payment of up to 110%, rising house prices and interest rates have undermined its effectiveness. Policy recommendations include adopting a long-term housing policy framework that takes into account demographic and economic trends, establishing a strong monitoring and evaluation mechanism, and adopting flexible loan terms. It is also recommended to work with private sector stakeholders to improve housing accessibility and affordability through innovative financing solutions and increasing the supply of affordable housing.

KEYWORDS: MyFirst Home Scheme, Malaysia, Young People, HousingPolicy, First-time Home Buyers

INTRODUCTION

With the development of economy and urban population, housing has become a major part of living expenses for new residents invading cities. At the same time, the

Malaysian government is facing an increasingly severe housing affordability problem. Therefore, the "my first home scheme" housing welfare policy can greatly help low-income and middle-income families solve their housing problems. My First Home Scheme (My First Home Scheme) is a housing program launched by the government in 2011. Its purpose is to help B40 and M40 first-time homebuyers apply for housing loans of up to 110%, so that they can realize their dream of buying their first house without having to pay a downpayment. This welfare policy reduces the financial burden of low-income people when buying a house for the first time by reducing down payments and preferential loan interest rates. The importance of studying housing subsidy welfare policies lies in the fact that according to surveys, housing expenses account for 30%-40% of all expenses. This is a huge expense that young people have to pay. The release of this welfare policy has maintained social stability, reduced population pressure, and improved the government's credibility. It has a profound impact on the country's economic development and urban planning. Therefore, this study of housing welfare policies is crucial. This article will study the importance of my first home scheme through quantitative analysis. Through the application and approval of the benefit, such as the number of applications submitted, the number and proportion of approved applications. Loan data: loan amount, loan interest rate, loan term, down payment ratio. Demographic and economic background data: applicants' age, income, employment status, etc. for comparative analysis. In this way, the effectiveness and impact of MFHS in helping young people purchase their first home can be evaluated. . By systematically evaluating the implementation effects of these policies, it can help the government better understand the pros and cons of the policies, identify existing problems and improve them. In addition, in-depth research can also provide a scientific basis to guide the formulation and adjustment of future policies, ensure the effective allocation and utilization of resources, and maximize the social and economic benefits of policies.

LITERATURE REVIEW

With the rapid economic development and urbanization in Malaysia, housing affordability in Malaysia has become a major problem, especially for low-income people. The Malaysian government is committed to solving the housing problem for this group, but the high down payment and loan interest rates make it unaffordable for this group, and no one consumes affordable housing. (Liu &

Assessing Malaysia's Effectiveness in Alleviating Home Buying Challenges for Young Malaysians

Ong, 2021) In 2019, Malaysia enacted the National Affordable Housing Policy (DRMM) to improve the affordability of housing for low-income groups. The reasons for low housing affordability include low income, high land prices, high construction costs and contract fulfillment costs, mismatch between supply and demand, unstable national economy, low housing financing capacity and imperfect housing planning.(Ebekozien et al., 2022) According to data from the Malaysian Department of Statistics, the Malaysian housing price index has continued to rise in recent years. Especially in big cities such as Kuala Lumpur, Penang and Johor. House prices have increased significantly. In 2019, the median house price in Malaysia even exceeded MYR 300,000, but the average annual median household price nationwide that year was only MYR 60,000. House prices are five times what families can afford. According to housing affordability standards for the international population, housing prices should be three times the annual income ratio. ("16. Housing Policy in Johor: Trends and Prospects," 2020) Since 2015, the interest rates of home loans of Malaysian banks are based on the benchmark rate (BR). As of the time of this article, the average benchmark rate (BR) of Malaysian banks is 1.75% to 2.75% per year. (Nasir et al., 2022) Since 2015, the interest rates of home loans of Malaysian banks are based on the benchmark rate (BR). As of the time of this article, the average benchmark rate (BR) of Malaysian banks is 1.75% to 2.75% per year. "My First Home Scheme" (MFHS) is an important housing policy launched by the Malaysian government for young people and first-time homebuyers, aiming to help them realize their dream of buying a house and alleviate housing affordability issues. This plan was proposed by the Malaysian government in 2011. Under this plan, MFHS will provide young people who meet the conditions of the plan with loans with a down payment ratio lower than 5% or 10%. This alleviates the down payment pressure of many young people.(Baqutaya et al., 2016)

PROBLEM STATEMENT

According to surveys and relevant research data, it can be found that young people are facing increasingly severe housing problems. The growth of income is not proportional to the growth of housing prices, which has led to excessive pressure on housing burden for young people in Malaysia. Especially for the B40 income group. They are under tremendous economic pressure in buying and renting houses. This affects the quality of life and financial stability of young people, and has a negative impact on the overall stability of society and economic development, so effective housing policies need to be formulated.

OBJECTIVE

Evaluate the specific impact of MFHS on first-time homebuyers
Detailed interpretation of the housing benefits adopted by the Malaysian government for young people, taking MFHS as an example. Malaysia First Home Scheme (MFHS) is a policy launched by the government to help first-time homebuyers, especially young people, reduce the financial burden of buying a house. Explain the financial burden of homebuyers, homebuyers' qualifications, and determine the effectiveness of this housing benefit on young people's housing burden.
Analyze market trends and their impact on housing affordability
Study historical housing trends, such as housing price trends, market fluctuations, and regional differences. Evaluate how these factors affect the affordability of income groups, especially young people. Housing price trends reflect the supply and demand relationship and economic environment in the housing market, and have a direct impact on the financial burden of homebuyers. Market fluctuations may lead to housing price instability, which in turn affects homebuyers' confidence and home purchase plans. In addition, regional differences are also important factors, because different levels of economic development, infrastructure construction and population density in different regions will lead to differences in housing prices and housing purchase conditions. Changes in these factors may lead to fluctuations in housing affordability, which will have an important impact on the housing affordability of young people and other income groups.
Discuss the impact of economic factors on home affordability
Discuss the economic factors that affect home affordability, such as income growth rate, interest rate changes, etc. Assess the impact of these factors on young people's home affordability. Economic factors that affect home affordability, such as income growth rate and interest rate changes, are crucial to young people's home affordability. First, income growth rate directly affects homebuyers' ability to pay. As income grows, homebuyers have more funds to pay mortgages, thereby increasing their home affordability. However, if income growth is slow or stagnant, homebuyers' ability to pay will be limited, thereby reducing their home affordability. Second, interest rate changes also have an important impact on homebuyers' home affordability. If interest rates rise, homebuyers' loan costs will increase, resulting in an increase in monthly repayments, which increases the burden of buying a house. Conversely, if interest rates fall, homebuyers' loan costs will decrease, helping to reduce the burden of buying a house. Therefore, interest rate changes have a direct impact on homebuyers' home affordability, especially for groups such as young people, who usually rely on loans to purchase properties.

METHODOLOGY

This study adopts a quantitative research method to evaluate the implementation and impact of the My First Home Scheme. The evaluation is mainly based on a descriptive review and comparative analysis of data from the iProperty and MalaysiaHomie

Assessing Malaysia's Effectiveness in Alleviating Home Buying Challenges for Young Malaysians

websites. Data collection covers various aspects, including applicant qualifications, application and approval status, loan statistics, housing market trends, and demographic and economic background data.

Data Sources: The main data sources for this study are the iProperty and MalaysiaHomie websites, which provide comprehensive information on housing listings, loan products, and market trends in Malaysia. Data Types: The data collected include but are not limited to: Applicant qualification criteria. Application and approval status of the My First Home Scheme. Loan statistics, including loan amount, interest rate, and repayment terms. Housing market data, such as property prices, housing types, and location trends.

DATA ANALYSIS

First, what are the eligibility criteria for My First Home Schedule?

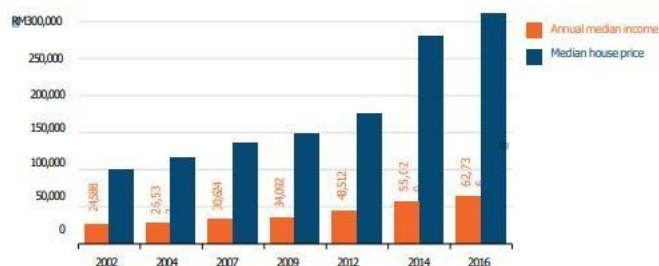| Project	Details
Goal	Help first-time homebuyers realize their dream of buying a house, lower the threshold for buying a house, and promote the active housing market
Loan amount	Up to 110% loan, including 10% additional funds on top of the purchase cost
Purchase scope	New and second-hand houses
Applicable objects	Must be a first-time homebuyer, i.e. first-time homebuyer
	- Only for Malaysian citizens
Income requirements	- Individual loan applicants must have a monthly income of less than RM5,000
	The total monthly income of joint loan applicants cannot exceed RM10,000

B40 MONTHLY INCOME (RM)	ANNUAL SALARY RANGE (RM)	(%)	ESTIMATED MONTHLY INSTALLMENTS (RM)	RELATIVE HOUSING PRICES IN THE MARKET (RM)
2,500 – 3,333	30,000 – 40,000	40	398.47 - 531.30	90,000-120,000
1,666 – 2,500	20,000 – 30,000	40	265.65 - 398.47	60000-90,000
833 – 1,666	10,000 – 20,000	10	132.82 - 265.65	30000-60000
833 and below	10,000 and below	10	<132.82	30,000 and below
TOTAL		100		

Percentage of B40 income group in Malaysian urban population

According to the chart, the current housing affordability situation in Malaysia. Since 2016, the housing market in Malaysia has become very serious. The data provided shows the monthly income range, annual salary range and the ratio relative to the housing

market price of the B40 income group in Malaysia. The monthly income of this group ranges from RM833 and below to RM2,500 to RM3,333, and the corresponding annual salary range is below RM10,000 to RM40,000. The estimated monthly payment ranges from RM132.82 to RM531.30, reflecting the relationship between income level and loan capacity. In addition, the ratio relative to the housing market price ranges from RM30,000 to RM120,000, showing the affordability of this group when buying a house.

CAGR (%)

	2002	2004	2007	2009	2012	2014	2016
Median Income	6.1%	3.8	4.8	5.4	8.1	11.7	6.6
Median House Price		7.0	5.3	4.9	5.4	23.5	5.6

Note: Years presented based on availability of the Household Income Survey data.
Source: CEIC (n.d.), DOS (various years.a) and author calculations

Household income versus house prices, 2002 -2016 (RM)
Source: Khazanah Research Institute KRI (2019)

The data provided shows the compound annual growth rate (CAGR) of median income and median house price in Malaysia between 2002 and 2016. During this period, the CAGR of median income gradually decreased from 6.1% to 6.6%, while the CAGR of median house price fluctuated greatly, ranging from 7.0% to 23.5%. This shows that in the past decade or so, the growth rate of median house price in Malaysia has been significantly higher than the growth rate of median income, reflecting the rapid changes in the housing market and the pressure of rising house prices.
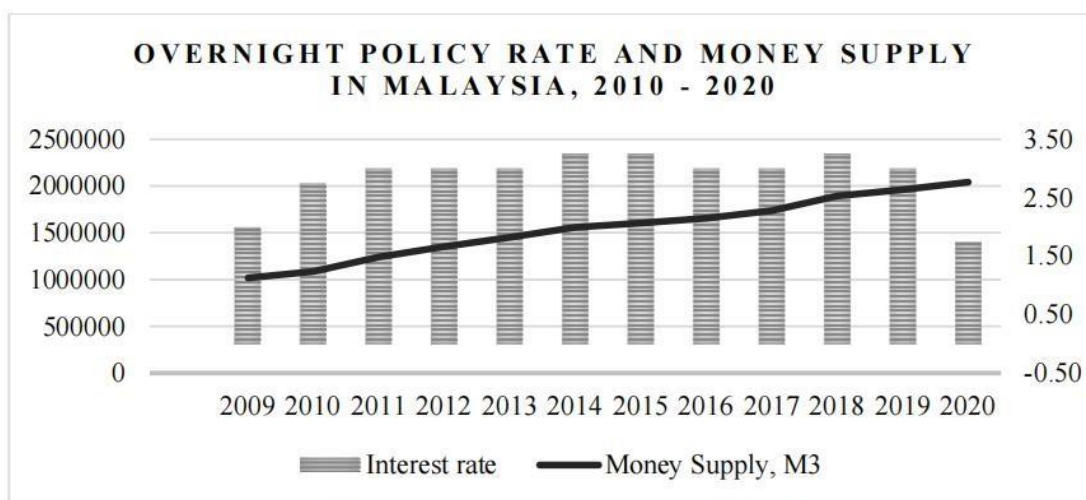
Figure 1: Overnight Policy Rate and Money Supply, M3 in Malaysia, 2010 – 2020
Source: Bank Negara Malaysia, 2021

In 2017, Malaysia's money supply increased by 4.9% to RM1,736,440 million from
RM1,655,220 million in 2016. In 2018 and 2019, the money supply increased by
8.3% (to RM1,894,520 million) and 3.5% (to RM1,961,550 million) respectively. In 2020, the money supply increased further by 4% to RM2,040,993 million. The OPR is an interest rate benchmark set by the Bank Negara Malaysia that influences banks' lending rates and borrowing costs, which in turn affects housing affordability. In 2009, the OPR was 2.00% before rising to 2.75% in 2010. In 2011 and 2014, the OPR rose to 3.00% and 3.25% respectively. In 2016, the OPR fell slightly by 0.25% but remained above 3.00% and rose again to 3.25% in 2018. In 2019, the OPR fell slightly to 3.00% before plummeting to 1.75% in 2020.

CONCLUSION
From the data and analysis provided, we can draw the following findings on the My First Home Programme for Malaysians: Grim housing market conditions, which have become increasingly grim since 2016, especially for the B40 income group. Their income

levels are relatively low, and the affordability of home buyers is greatly challenged compared to the market prices of homes. House prices have grown faster than incomes, with median house prices in Malaysia growing much faster than median incomes over the past decade. This has led to a steady decline in the affordability of home buying, making it difficult for many people to achieve their dream of buying a home. Money supply continues to grow, and Malaysia's money supply continues to grow, which may have an impact on inflation and asset prices, which in turn affects the affordability of home buyers. Fluctuations in the overnight Policy Rate (OPR) : Fluctuations in the OPR have an important impact on homebuyer affordability. Higher interest rates increase the cost of loans, making it harder for home buyers to afford mortgages. While the My First Home Programme has provided a degree of support to first-time home buyers, in the face of Malaysia's challenging housing market conditions, the Government and relevant agencies need to take further steps to improve housing affordability to ensure people can live and work in peace.

POLICY SUGGESTION

The My First Home Scheme (MFHS) has become an important tool to address Malaysia's housing affordability crisis, especially for low- and middle-income households. This welfare policy has significantly reduced the financial burden on first-time homebuyers by providing substantial assistance in the form of no-down-payment housing loans of up to 110%. However, the year-on-year increase in housing prices and interest rates will reduce homebuyers' enthusiasm for purchasing a home, while also adding a lot of pressure. The government should take a long-term approach to housing policy planning, taking into account demographic trends, urbanization patterns, and economic development. This will ensure the sustainability and relevance of housing welfare policies such as the MFHS in the face of changing challenges. The government should establish a robust monitoring and evaluation framework to continuously assess the effectiveness and efficiency of the MFHS. Regular reviews will allow policymakers to identify shortcomings in the program or areas for improvement. At the same time, consideration should be given to introducing more flexible loan terms to accommodate the different financial capabilities of applicants. This may involve adjusting interest rates, loan repayment periods, and down payment requirements to better suit the needs of different income groups. Collaboration with private sector stakeholders such as banks and real estate developers can further improve the accessibility and affordability of housing under the MFHS. Public-private partnerships can lead to innovative financing solutions and increase the supply of affordable housing units

REFERENCES

1) Housing Policy in Johor: Trends and Prospects. (2020). In Johor(pp. 424–446). ISEAS Publishing. https://doi.org/10.1355/9789814881289-027
2) Baqutaya, S., Ariffin, A. S., & Raji, F. (2016). Affordable Housing Policy: Issues and Challenges among Middle-Income Groups. InternationalJournalofSocialScienceandHumanity, 6(6), 433–436. https://doi.org/10.7763/ijssh.2016.v6.686
3) Ebekozien, A., Samsurijan, M. S., Aigbavboa, C., & Awo-Osagie, A. I. (2022). Developing a framework for building maintenance: a case study of Malaysia's low-cost housing via soft system methodology. International Journal of Building Pathology and Adaptation. https://doi.org/10.1108/IJBPA-04-2022-0055
4) Liu, J., & Ong, H. Y. (2021). Can Malaysia's national affordable housing policy guarantee housing affordability of low-income households? In Sustainability(Switzerland) (Vol. 13, Issue 16).
5) MDPI. https://doi.org/10.3390/su13168841
6) Nasir, Z. A., Yusof, R. M., & Mazlan, A. R. (2022). THE IMPACT OF MONETARY POLICY ON HOUSING AFFORDABILITY IN MALAYSIA. In JournaloftheMalaysianInstituteofPlanners VOLUME(Vol. 20).