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TINY HOME OWNERSHIP AMONG FRESH GRADUATES

Nabilah Fuzi[1], Norakmarwati Ishak[1]*, Nur'Ain Ismail[1], Adnin Syaza Jaafar[1] and Noraidawati Jaffar[1]

[1] Department of Built Environment Studies and Technology, Faculty of Built Environment, Universiti Teknologi MARA, Perak Branch, Malaysia

*Corresponding Author: norak912@uitm.edu.my *

Abstract
The rising cost of housing in Malaysia has made homeownership increasingly unattainable, particularly for fresh graduates and young adults who face low wages and high property prices. Urbanisation has further exacerbated the demand for affordable housing in cities like Kuala Lumpur and Selangor, where land costs are prohibitive. The Tiny House Movement (THM), which promotes compact, minimalist living spaces ranging from 100 to 600 square feet, has emerged as a potential solution to this crisis. THM aligns with the growing trend of one-person households (OPHs), which now account for 12% of Malaysian households. Despite its potential, THM faces significant challenges, including limited awareness, lack of government support, and reluctance from financial institutions to provide loans for tiny houses due to their perceived low resale value. This study explores the criteria influencing fresh graduates' adoption of THM, including structural design, economic affordability, environmental sustainability, and social sustainability. It also investigates the eligibility requirements for securing financing for tiny houses, highlighting barriers such as low income, insufficient documentation, and high urban property prices. Findings reveal that while tiny houses offer a promising alternative to conventional housing, systemic challenges must be addressed to make this option viable. By increasing awareness and addressing financial and regulatory hurdles, THM could provide a sustainable and affordable housing solution, alleviating urban poverty and housing stress among Malaysia's young adults.

Keywords: (Tiny Home Movement, home ownership, fresh graduates)

1. INTRODUCTION

A home is not only a place to live but also a valuable asset that provides security and stability (Olsson, 2020; Shearer & Burton, 2021). Access to affordable housing is a fundamental right, yet many young adults, especially fresh graduates, find homeownership unattainable due to high property prices (Zyed et al., 2014). As a result, renting becomes the only viable option. In Malaysia, urbanization has led to a significant migration of people from rural areas to cities like Kuala Lumpur, Selangor, and Penang for better job opportunities (Fatin Aziz et al., 2022). This migration has increased the demand for affordable housing, particularly in urban areas where land costs are high.

The Tiny House Movement (THM) has emerged as a potential solution to the housing affordability crisis. A Tiny House is a small, stationary, or movable dwelling typically ranging from 100 to 600 square feet, significantly smaller than conventional houses (Scally et al., 2020; Shearer & Burton, 2021). This concept, which gained popularity after the 2008 Global Financial Crisis, promotes minimalism and affordability, making it particularly appealing to one-person households (OPHs). In Malaysia, OPHs have grown significantly, accounting for 12% of households, with Selangor having the highest percentage at 10.7% (DOSM, 2022).

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Despite Malaysia's economic growth, young adults, particularly fresh graduates, struggle to afford housing due to high property prices and low wages (Rangel et al., 2023). The average monthly wage in Malaysia is RM2,600, close to the poverty line income of RM2,589, making homeownership unattainable for many. The Median Multiple, a measure of housing affordability, indicates that housing in Malaysia has become "seriously unaffordable," with a price-to-income ratio exceeding 4.0 (Megat Muzafar & Kunasekaran, 2021). This has forced many young adults to rent, often in cramped and uncomfortable conditions.

Tiny houses, with their lower construction costs and smaller size, offer a potential solution to the housing affordability crisis (Glumac, 2021). However, there are challenges, including the reluctance of banks to provide loans for tiny houses due to their perceived lack of resale value. Additionally, the THM has received little attention from the Malaysian government and society, making it difficult for this housing concept to gain traction. Thus, the objective of this research is to identify the criteria of THM that influence the chances of fresh graduates owning a house and to investigate the banks' eligibility requirements for owning a tiny house.

2. LITERATURE REVIEW

A tiny home is a compact housing that normally runs from 100 to 400 square feet, although a tiny house can reach as large as 600 square feet (Mangold & Zschau, 2019). A tiny home is an architectural and social movement that advocates for downsizing and simplifying living areas to create a more sustainable and straightforward lifestyle (Owen, 2023). Tiny houses are not just about physical size; they reflect a "less is more" concept, focusing on what adds value to one's life and frequently include a conscious decision to let go of extra goods and space.

The THM exists because there is a great need to reduce average ecological footprints and respond to the housing industry's difficulties today in terms of affordable housing option for low-income residents and environmental effects on humans (Olsson, 2020). Tiny houses promote sustainable living by reducing energy and water consumption significantly compared to traditional homes (Ford et al., 2017).

3. METHODOLOGY

For the first objective since THM is quite recent, secondary data from literature reviews are used to highlights the potential benefits of the Tiny Home Movement (THM) for fresh graduates, including environmental and social advantages. However, constraints such as legal, tax, and borrowing issues are noted, as THM differs from conventional housing. Secondary data, while accessible, may have limitations in relevance and quality. As for the second objective, the study involves conducting semi-structured online interviews with bank officers from Petaling District, Selangor Malaysia, focusing on their perspectives regarding the feasibility of financing tiny houses in Malaysia's housing market, particularly for fresh graduates. Targeted banks include two commercial banks and one cooperative bank. Initial challenges in contacting bank officers due to their busy schedules, especially at month-end, led to difficulties in securing participants. Despite efforts to reach out via phone and email, responses were

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limited. The research also explores loan offerings for small amounts (under RM70,000), significantly lower than conventional housing loans starting at RM240,000.

4. FINDING AND DISCUSSION

The first objective of the study is to identify whether the criteria of the THM influence the chances of fresh graduates owning a house. This study found that Malaysians are largely unaware of the tiny house concept, making it difficult for participants to differentiate between tiny houses and conventional homes. As a result, the researcher relied on secondary data to analyse the criteria of THM that could attract fresh graduates. The first criteria is the Structural Design. Tiny houses are typically defined as dwellings below 400 square feet, though some sources suggest they can be up to 600 square feet (Mangold & Zschau, 2019). The design emphasizes space efficiency, aesthetic appeal, and open-concept layouts, often incorporating mezzanine floors to maximize interior space (Fadli & Darmawan, 2022). A survey by the National Association of Home Builders (NAHB, 2023) found that 85% of millennials prefer open floor plans for their flexibility and social appeal.

The second criteria is the Economic Aspect. Tiny houses are seen as an affordable housing option, particularly for low-income earners. However, the lack of financing options for tiny houses in Malaysia makes initial investment and maintenance costs a challenge. Nevertheless, this will become a hindrance for fresh graduates in owning a tiny home. Next criteria is the Environmental Sustainability. Tiny houses are popular among environmentalists due to their reduced ecological footprint, energy efficiency, and use of eco-friendly materials. They also address urban sprawl by utilising limited land resources efficiently. According to a survey by the World Green Building Council (2022), 60% of millennials are willing to pay more for homes with sustainable features. Lastly, Social Sustainability. THM promotes a minimalist lifestyle, encouraging homeowners to prioritise essential possessions and improve life quality. Thus, fresh graduates tend to favour affordable, compact, and modern housing designs that align with their urban lifestyles, financial constraints, and technological preferences. Open-concept layouts, smart home features, and sustainable designs are particularly appealing.

The second objective focused on the eligibility requirements for owning a tiny house. The study found that fresh graduates aged 18–25 face significant challenges in securing housing loans due to low and unstable incomes, insufficient down payments, and incomplete documentation. According to Bank Negara Malaysia (BNM), 57% of housing loan applications were rejected in February 2024, primarily due to these factors (BNM, 2024). The first challenge is the Income and Wealth Constraints. Fresh graduates often earn between RM2,400 and RM2,600 monthly, close to the poverty line income of RM2,589 (DOSM, 2023). Low income, combined with high living costs, makes it difficult to save for a down payment (Kim et al., 2020). Additionally, commitments like personal loans and credit card debt negatively impact Debt-to-Income (DTI) ratios, further hindering loan approval (AKPK, 2018). Secondly, the Documentation and Work Experience. Banks require pay slips, bank statements, EPF statements, and valid work permits for housing loan applications. Fresh graduates often lack sufficient work experience and documentation, which increases perceived risk for lenders (Thomas et al., 2022).

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Thirdly, House Prices and Location. In urban areas like Petaling District, house prices start at RM300,000, far exceeding the affordability range for fresh graduates. Government initiatives like PR1MA Homes offer more affordable options, but these are often located in suburban areas, limiting accessibility for urban job seekers. Lastly, Credit Scoring and Loan Tenure. Credit scoring, based on factors like income, occupation, and relationship with the bank, plays a crucial role in loan approval. A low DTI ratio and good credit history increase the chances of approval. Housing loan tenures typically range from 30 to 35 years, with maximum eligibility extending to age 70 (BNM, 2024). Nevertheless, fresh graduates can improve their chances of loan approval by maintaining good credit scores, managing credit utilization, and ensuring timely repayments. Regularly checking CTOS reports and avoiding document discrepancies are also crucial (BNM, 2024).

5. CONCLUSION

The Tiny House Movement (THM) has the potential to address the housing affordability crisis in Malaysia, particularly for fresh graduates and young adults. Tiny houses offer a pathway to financial freedom by reducing housing costs and providing an affordable alternative to conventional housing. However, there are challenges, including the lack of awareness and financial support for tiny houses. By increasing knowledge and addressing these challenges, the THM could become a viable solution for home ownership dilemma among the fresh graduates and reducing the urban poverty and housing stress in Malaysia.

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