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FACTORS INFLUENCING HOUSING AFFORDABILITY FOR GENERATION Y

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Abstract:

In recent years, housing prices have increased tremendously thus affecting people's purchasing power. In Malaysia, Generation Y prefers to live in the city because of convenience and lifestyle. However, living in cities with many facilities provided results in higher housing prices. As a response to these, the government has introduced housing programs to increase affordability by providing affordable homes for every state in Malaysia. Nevertheless, the supply of affordable houses still cannot cater to the needs of far too many Malaysians. There are still many who faced problems to own and buy affordable housing because of their financial constraints or their low levels of income. Meanwhile, housing affordability in various states and countries across the globe has considerable attention from year to year. For instant, the State of Perak, Malaysia (District of Perak Tengah) has been recorded as the worst issue in housing affordability. Each country will experience different factors on affordability matters due to the socio economic profile of the country. Therefore, the aim of this research is to identify and rank the main factors influencing housing affordability for Generation Y, focusing among Generation Y in Bandar Seri Iskandar, State of Perak. In this study, the quantitative method will be employed by distributing questionnaire survey to 100 public respondents. The distribution of questionnaire among Generation Y used simple random sampling. Through SPSS analysis, the study has analyzed the main factors contributing to housing affordability. This study has found out that demographic is the main factor influencing housing affordability for Generation Y in Seri Iskandar.

Keywords: Factors influencing; Housing affordability; Generation Y

1.0 INTRODUCTION

Generation Y has remained controversial because of the starting and ending dates among demographers (Bujang et al., 2015). Fry (2015) defined that Generation Y is referring to the young population who were born from 1980 to 1997. According to Li (2014), home affordability has led to the rise in the rate of home ownership worldwide. Housing affordability is a potential condition whereby an individual saves a sum of his/her income to buy a house and is still able to pay for other expenditures. There are a lot of factors influencing housing affordability for people to purchase a house. For example, if the person has less financial eligibility and could not afford to buy a house, they can only afford to rent for a long term and this is actually detrimental in terms of property investment. Various states and countries across the globe are also facing housing affordability issues. Housing has been ranked severely unaffordable in Australia such as in Sydney and Melbourne. In China especially in Hong Kong, the housing affordability problem is closely related to higher house prices. This also happened in Malaysia whereby the housing prices continue to increase. The Malaysian government plans to control the increasing cost of living by focusing on the need for affordable housing under the 11th Malaysia Plan. As a response to these, the government introduced housing programs to increase affordability by providing affordable homes for every state in Malaysia. Nevertheless, affordable houses supplied cannot cater for the needs of far too many Malaysians. There are still many who faced problems to own and buy affordable housing because of their financial constraints or their low levels of income. This study is therefore necessary to investigate the factors influencing housing affordability for Generation Y in Seri Iskandar, Perak.

2.0 LITERATURE REVIEW

2.1 *Housing Affordability*

Housing affordability is referred to as the potential of individual savings based on their incomes for another consumption other than housing cost (Anirban et al., 2006). In other words, it is referring to the capability of someone in buying a property or house. This issue is about the insufficient number of affordable homes provided by the public and private sectors to low and middle income groups. For example, people rent a house because they could not afford to own a house because of the high financial commitment, especially among the younger generations. The problem is getting worse especially among fresh graduates because they need to bear other financial commitments such as education loans or car loans. Table 1 shows the housing affordability index based on the median housing prices divided with the annual median income of the population. The level of affordable houses is 3.0 affordability and below.

Table 1: Housing affordability as ratio of price to annual income.

Rating	House price multiple annual household income
Severely unaffordable	5.1 and over
Seriously unaffordable	4.1 to 5.0
Moderately unaffordable	3.1 to 4.1
Affordable	3.0 or less

Source: Demographic International (2015)

2.2 *Factors influencing housing affordability for Generation Y*

2.2.1 Demographic

According to Idrus and Ho (2008), demographic factors is an important variable that can determine the housing price in the local market. Referring to Rossi (1955), the factors influencing Generation Y housing include location, price, and population socio economic environment. However, the demographic and housing affordability elements are still not clear and need review. According to Vermeulen and Van Ommeran (2006), people will migrate to a place that has houses but it is not necessary to build houses in the area for people to live in. The study conducted by Plane (1993), examined demographics consisting of density, growth and the number of people in certain areas; these were correlated with fertility, mortality and marriage. In Malaysia, there is a lack of affordable housing for the younger population that forces them to rent and other informal settlement that can increase the urbanization and population growths in certain areas.

2.2.2 Age

People who were born from the years 1965 to 1979 are referred to as Generation X. Thence, the years from 1980 to 1994 are known as Gen Y. Generation Z is described as youths who were born from 1995 to late 2012 (Robinson, 2017). Based on Shelter (2015), age influences housing affordability in term of household income levels. The high housing affordability is related to the ages of people (Wong et al., 2010). If the household age is more than 60 years, it is more difficult to purchase a house. This is because the average people within this age bracket are already retired from working. The source of income is limited and the continuous savings has stopped. For Generation Y, this group of household income has less experience and low savings than other groups. This can decrease the housing affordability because of the lower income and little savings (Law & Meehan, 2012).

2.2.3 Lifestyle

The changing lifestyles and quality of life influence a home buyer to own a house whereby they are more likely to focus on value-added not on the functional aspects of a house. Value-added factors influenced

the increase in housing prices such as swimming pool, security, privacy and others. There are types of gated developments created for “lifestyle community”, “community safety zones” and “elite community”. These reflect privacy and high security to the owner.

2.2.4 Household Income

Gyourko (1997) found that it is important to determine the housing affordability variable by referring to the household income such as salary, wages, other monetary payments from the government, interest income and self-employment salaries (Zakari, 2014). In 2016, mean income for Perak has increased and exceeded the national growth rate of 6.2%; that was 8.6%. According to Bank Negara Malaysia, income is the main driver to rising house prices in Malaysia. The feature of housing imbalance is based on its location and also price segmentation. This has made housing affordability become even worse and has also led to an increase in household debts. The median income has increased from RM3,451 (2014) to RM4,006 (2016) with a growth rate of 7.5%; and the mean income has also increased from RM4,268 (2014) to RM5,065 (2016) with a growth rate of 8.6%, yet people still cannot afford to buy any property.

2.2.5 House Price Factor

A research made by Tse (1999) about the housing price fluctuations has given impact to the economic condition especially to the population and society. From 2012 to 2014, there has been drastic changes in housing prices that have affected housing affordability for household income levels. This has made many people concerned in terms of population and stakeholders. Based on the index, the range of affordable housing is below RM120,000 to RM140,000. The monthly income median of RM2,665 are discouraged from buying a house and have to face challenges at pricing for home ownership according to the national definition.

2.2.6 Financial

Not many people can afford to buy a houses in cash. According to Khazanah Research Institute (2015), people need more credit in purchasing a house. The Government has its own policy and intervention in the availability and cost of credit in order to make low monthly instalments, but the price of houses continue to increase. The biggest concern on housing affordability is the young millennials (Kalil, 2017) whereby their monthly income is less than RM3,800; which is categorized as low income group. This shows Generation Y are not able to buy a terrace house or a condominium with the prevailing credit requirement especially in the urban areas where houses cost more than RM500,000. Monthly installment is also another aspect that should be taken into account in measuring housing affordability as potential buyers have to bear this matter in mind before they make any decisions. Besides that, monthly rental is also proposed to be examined since young professionals might rent a house. Besides these seven attributes, there are three other attributes that need to be studied such as down payment source, transportation cost and education loan.

2.2.7 Housing Loan

Securing a housing loan is one of the core issues faced by Malaysian citizens. This issue occurs due to dealing with extreme housing prices, high interest rates, low increase in real income, and price inflation of living goods. The high value of house prices had actually, made buyers delay their decisions to own houses, or forced them to consider other than their preference, or suffering with high housing loan. Property prices will increase until they reach unsustainable levels relative to incomes and other economic elements. Banks will be short on capital, while cases of non-performing loans start to show up. When banks start cutting back credit, it will in turn affect the economy, as the move will affect the price of property as well

2.2.8 Housing Policy

In Malaysia, housing policy is subject to the national development plans. The objective is to provide adequate affordable housing for a certain group of low income earners only. This has affected other income groups facing challenges to buy houses; even a medium cost house. Past research has evidence that affordability problem that faces household groups is from housing policy especially for Generation Y. It is important to take this problem seriously to avoid from speculation activities in the housing market and over-borrowing more than a person's current income and savings level. Several programs have been set up by the Malaysian government to help and encourage Malaysians to buy their own houses. In the 2011 Budget, My First Home Scheme was announced for young generations to own a first home. In the 2013 budget, an amendment was made due to increasing housing prices; the limit of the monthly income was increased from RM3,000 to RM5,000 and certain criteria were needed to qualify on 1st January 2013. Another program is the 1Malaysia People's Housing Program which is to help middle income households in key urban centers known as PRIMA.

3.0 METHODOLOGY

To achieve the objectives of this research, the quantitative method was employed. Through a questionnaire survey, information was gathered from respondents to collect data and to determine the suitable method in doing research. This research used simple random sampling. Then, the researcher used the non-probability sampling technique whereby stratified sampling was used to understand the characteristics of Generation Y. The total number of respondents selected was 100 but only 84 respondents were from Generation Y. The data will be analyzed by the using Statistical Package for Social Sciences (SPSS).

4.0 ANALYSIS AND FINDINGS

In this research, it was found that from the analysis of mean for the main factors contributing to housing affordability, demographic factor scored the highest mean of 3.35 in the index. This was followed by housing loan factor at 3.05 mean, and housing policy at 2.97 mean. This showed that Generation Y has emphasized about demographic, housing loan and housing policy more than the other factors to purchase a house in Seri Iskandar. The lowest mean factor is financial at 2.18. From this research, financial factor is not the main problem to own a house in Seri Iskandar for Generation Y.

Table 2: Ranking of factors influencing housing affordability for Generation Y

Rank	Factors	Mean Score
1	Demographic	3.35
2	Housing loan	3.05
3	Housing Policy	2.97
4	Lifestyle	2.87
5	House Price	2.83
6	Age	2.80
7	Household Income	2.53
8	Financial	2.18

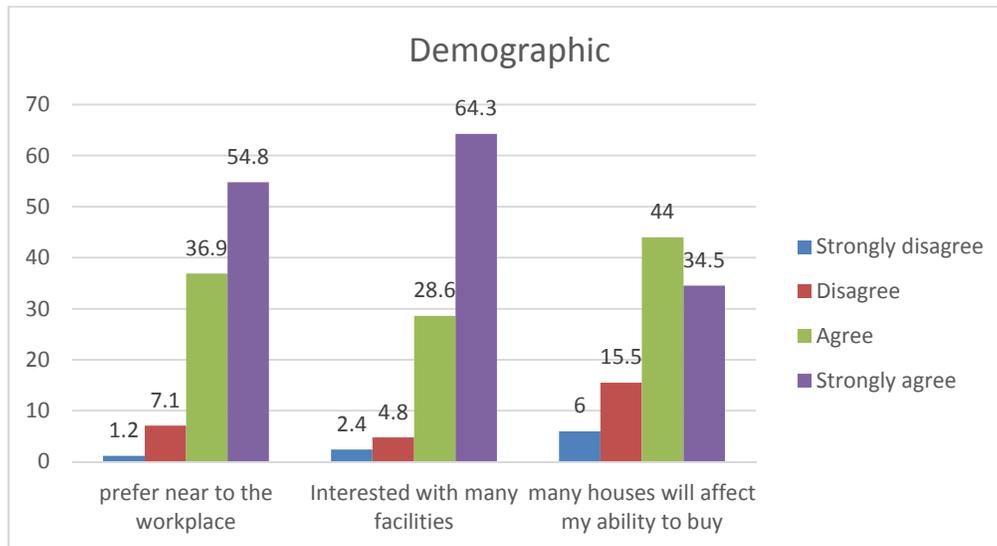


Figure 1: Percentage based on demographic factor influencing housing affordability for Generation Y

Figure 1 above shows the percentage based on demographics factor influencing housing affordability for Generation Y. It shows that most of the respondents strongly agree with demographics as the main factor influencing them to buy a house. From the data above, 64.3% respondents were interested with many facilities in a housing area to buy a house. Then followed with 54.8% of respondents who prefer a house near to the workplace, while the remaining 34.5% strongly agree that more houses in an area will affect their ability to buy a house. Therefore, we can conclude that most members of Generation Y agree that demographics is the main factor influencing their ability to buy a house. The demographics factors were directly related to proximity of dwelling to the workplace, facilities in the area and the density of housing.

5.0 CONCLUSION

This research has met the objectives which are to identify factors influencing housing affordability for generation Y, and to rank factors influencing housing affordability for Generation Y in Seri Iskandar. Based on the analysis of data from respondents, it was found that the highest ranked factor influencing housing affordability for Generation Y is demographics. The majority of Generation Y preferred to buy a house which has many facilities surrounding it and also located near to their own workplace. So, this research is important to gather knowledge related to housing affordability and can also be used by the Ministry of Housing in the government sector to implement housing policy which is more focused on Generation Y to help them gain a better quality of life and have the ability to own a house. Bank Negara Malaysia (BNM) must also take this problem seriously to reduce bank interest on housing loans and loosen conditions for loan applications. This will help Generation Y get approval and they will finally be able to apply for their housing loans.

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