

News Release

27 March 2017

DREAM TO OWN A HOME FOR MALAYSIA'S MILLENNIALS IS STILL ALIVE

However, affordability challenges can derail this

The dream of owning a home for many Malaysian Millennials are well and truly alive but the stumbling 'brick' to these hopes and dreams are the affordability challenges which includes slow salary growth and rising property prices, according to HSBC's first *Beyond the Bricks* study which represents the views of more than 9,000 people in nine countries around the world.

Millennials are defined as people born between the year 1981 and 1998. 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% group who don't own homes. Looking at the 71% of millennials who don't own a home but requiring higher salaries before they can own their own, the combination of slow salary growth and rising property prices makes it a significant challenge for them to achieve their goal in that five-year period.

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

"This study demonstrates a fact that a large portion of the millennials intend to buy a home for the next five years but the combination of slow salary growth, rising property prices and not saving enough for a deposit presents a massive hurdle for them to buy homes. Their next option would be to defer their dream to own a home until they have enough cash as it is a big commitment to own a home," said Lim Eng Seong, Head of Retail Banking and Wealth Management, HSBC Malaysia.

The study also indicated that many millennials do not have proper financial planning for a home purchase where only 16% have set a precise budget. The 64% group sets an approximate budget while the 20% group has no overall budget in mind.

In view of the lack of cash to afford a home, many millennials are willing to make quite a number of sacrifices - a total of 62% would consider spending less on leisure and going out, 41% would be prepared to buy a smaller than ideal place, 23% would consider buying with a family member and the same percentage would be prepared to

This news release is issued by

HSBC Bank Malaysia Berhad

(Company No. 127776-V)

Registered Office and Head Office:

2 Leboh Ampang, 50100 Kuala Lumpur, Malaysia.

Web: www.hsbc.com.my



rent out one of their rooms to help with costs. Even 14% would be prepared to delay having children while 10% would move in with a relative to save for a deposit.

The well-known 'Bank of Mum and Dad' or financial support from parents can make a difference when saving for a home and 29% have used 'Bank of Mum and Dad' as a source of funding. Additionally, 23% of millennials moved back with their parents to save for a deposit.

However, the millennials are not the only generation finding the cost of buying homes higher than expected. Sixty three percent of all non-owners intending to buy in the next two years have only an approximate budget in mind and two percent have no budget in mind!

Overspending is also caused by not budgeting for the additional costs of home ownership beyond the property purchase price. The common reasons for overspending are renovation (93%), legal fees (47%) and buying furniture (43%). To cope with unexpected costs, 67% of new home buyers withdrew money from their savings, 56% cut back on their spending, 30% took out a new or larger mortgage, 25% borrowed money from family and eight percent borrowed from friends.

HSBC's research identified four actions that millennials can take to help make their home ownership dream a reality:

1. Plan early and don't underestimate the deposit:
Start planning early to make home ownership a reality sooner. Include saving for the deposit, usually the first payment you will need to make. Find a competitive mortgage to help make borrowing the rest more affordable.
2. Budget beyond the purchase price:
Think about the extra things that will make the house you buy the home you want to live in, and make sure to include them in your home purchase budget.
3. Consider what sacrifices you can make:
Consider cutting back on your day-to-day spending. Think outside the box about what could help you to buy a home, such as buying with a family member or friend.
4. Get a full view of your finances:
Think of your mortgage as part of your long-term financial plan, not as a one-off transaction. Different types of home loan suit different needs and situations. Seek professional financial advice if you need help to make the right choice.

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Media enquiries:

Marlene Kaur	+603 2075 3351	marlenekaur@hsbc.com.my
Gary Mark Nagan	+603 2075 3595	gary.mark.nagan@hsbc.com.my

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