



Smaller units are not cheaper

IN the realm of real estate, the allure of a smaller home often carries with it the promise of affordability. Many buyers are drawn to the idea of downsizing or opting for a cozy space that seems easier on the wallet. However, beneath the surface lies a stark reality: Purchasing a smaller home is not necessarily cheaper. In fact, it can often end up costing buyers more in the long run due to various factors that are commonly overlooked.

One of the primary misconceptions surrounding smaller homes is the notion that they offer better value simply because of their reduced size. While it is true that smaller homes typically come with a lower initial price tag, a closer examination reveals that this apparent affordability is often offset by a higher price per square foot (psf). Property developers, aware of the demand for compact living spaces, frequently capitalise on this trend by inflating the psf price, effectively nullifying any perceived cost savings.

Prices averaged

Nearly every developer averages out the psf price of the projects they are selling but the more experienced home buyer would know that by dividing the price of the unit by its size would reveal the actual price of the unit. In every instance, the smaller units would cost substantially more

than the bigger units.

For example, a prominent developer is offering unit sizes of between 600 sq ft and 2,183 sq ft at a pricing of RM780,000 to RM1.5mil respectively. That means that for the smaller units, buyers are paying about RM1,300 psf for the smallest unit compared to RM687 psf for the biggest unit. Of course, the developer advertised their property at an average of RM910 psf so it always sounds good for the buyers of the smaller units who are actually coughing out the biggest sum.

Higher assessment rates

Furthermore, the financial burden associated with owning a smaller home extends beyond the purchase price. Local councils often levy higher assessment rates on smaller units, viewing them as more rentable and thus capable of generating higher rental income. As a result, homeowners of smaller properties find themselves saddled with higher property taxes, eroding any potential savings that may have been gained through downsizing.

The sad truth is that this holds true for Kuala Lumpur City Council (DBKL) and other local councils, which often charge higher assessment rates for smaller units of the same condominium within their jurisdiction. Instead of helping out those who cannot afford a bigger unit, councils are inadvert-



Property pulse

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Higher
price tag per sq ft

Councils
charge more

ently preying on the lower income earners, affecting their capacity to elevate their living standards.

No doubt that investors would also target smaller homes as they are easier to rent out and councils are targeting this group. But why should genuine home owners be penalised? A simple verification would easily show the same person or individual buying multiple units to indicate if the buyer were an investor or not. After all, a genuine home buyer would not be buying multiple units. The

Undoubtedly, investors often gravitate towards smaller homes due to their higher rental potential, making them a prime target for councils as well. However, why should authentic homeowners bear the brunt of such policies? A straightforward verification process could readily distinguish between individuals purchasing multiple units for investment purposes and genuine homebuyers. Typically, authentic homeowners have no reason to acquire multiple properties simultaneously. Given that the necessary data is readily available to councils, a simple analysis would suffice to discern between the two categories with minimal effort.

Developers also play a role in perpetuating the illusion of affordability when it comes to smaller homes. By marketing these units as cheaper alternatives to larger properties, they create a false sense of value that fails to account for the disproportionate cost psf. Buyers, lured by the promise of affordability, may overlook the long-term implications of their purchase and fail to fully consider the true cost of ownership.

Perception only

Moreover, the notion of smaller homes being inherently more affordable is further compounded by societal perceptions of size and value. There exists a prevailing belief that smaller equates to cheaper, leading buyers to overlook the potential hidden costs associated with downsizing. This misconception is perpetuated by developers and marketers who exploit the psychological appeal of affordability, despite the financial realities suggesting otherwise.

But ultimately, the decision to purchase a smaller home should not be made solely on the basis of upfront cost. While the initial price tag may seem enticing, buyers must be vigilant in considering the long-term financial implications of their investment. By recognising the factors that contribute to the true cost of ownership, including higher price psf, elevated assessment rates and developer tactics, buyers can make more informed decisions and avoid falling prey to the myth of cheaper units.