

TOWARDS THE FORMULATION OF THE MALAYSIAN HOUSING POLICY

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Abstract

Housing development is an important essence in a nation development. The fundamental in a housing development sector is the housing policy undertaken by the government. The main objective of the housing policy as stated in the Malaysian Plan is to provide adequate, quality, affordable housing for all income groups and complete with full basic amenities. When we refer to affordable, adequate and quality houses, we should also focused on other factors that may have strong influence in achieving the Malaysian Plan set out by the government. These factors comprises of land availability, squatters settlements, overhang, unsold properties, poor workmanship and low quality of material, delay in delivery of houses, abandonment of housing projects, poor loan facilities; and the most important factor is the weak enforcement from all levels of the government department particularly at the state level and the local authorities. All these factors should be considered as major factors affecting the housing industry in Malaysia. Nevertheless, the Malaysian federal government has enacted laws to protect buyers and to regulate the standards and practices of the housing industry, but there is no specific law governing the housing industry in Malaysia. However, the private housing developers are governed by the Housing Developers (Control and Licensing) Act 1966, the Housing Developers (Control and Licensing (Amendment)) Act 1988 and the Housing Developers (Control and Licensing) Regulations 1989, which requires them to obtain licenses for advertising and sales permits from the Ministry of Housing and Local Government of Malaysia before they begin any housing projects with more than four housing units. Hence, this research emphasizes on identifying the existing Malaysian Housing Policy and focus into the various problems and issues of housing development in Malaysia such as unsold, overhang properties, oversupply, squatters' settlement in the urban areas and abandoned projects. This paper will recommend new strategies and policies to be identified for the formulation of the National Housing Policy for Malaysia that will be the guidance to the housing industry as a whole.

Keywords: *housing, policy, National Housing Policy, housing development*

1.0 INTRODUCTION

Housing is an important sector in every country in the world. The rationale is that housing sector is not only a physical structure which provide home, accommodation or shelter to its occupant but is also interrelated with the socio economy, politics, locality and adjacent areas of a country (Bourne, 1981). According to Ball (1997), housing sector is very important to the economic growth and development in every country as housing is considered as a product of a customer and it is reported that 15 to 30 percent expenses in European countries are related to the housing sector. Apart from that, it is also considered as an important investment in which 5 percent from a country's income is invested in the housing sector. The importance of housing sector to economic growth in our country can be measured in the form of workers, manufacturers, investors and customers' expenses that are translated into the investment value as part of the contribution to the nation Gross Domestic Products (GDP) and to the service sector. According to the World Bank (1993), housing investment in

developed countries in the whole world comprise between 2 to 8 percent from GDP and contribute about 10 to 30 percent of gross capital form for each country. In the service sector, the housing sector contributes 5 to 10 percent from GDP. As an asset, housing is even more important, making up from 20 to 50 percent of the regenerated wealth in most countries. It is a major motivation for household savings and significantly influences household consumptions (World Bank, 1993). Furthermore, it affects inflation, financial strength, labor mobility, and the balance of payments as well as government budgets through taxes and subsidies.

Housing is an extremely complicated issue. It requires a profound understanding of numerous factors effecting the vicinity and environment of a housing industry. In the last few years, evidence from various parts of the world showed that investment in housing has measurable economic development benefits if the investment is applied through efficient and equitable operation of housing production and delivery system. The evidence showed that the results have improved when housing production and delivery system operate within a structure with the characteristics now defined as "Enabling Framework" (Daniel et al, 1973). Many Asian countries have adopted these principles and several countries have formulated housing policies, with the aim to strengthen the involvement of the private sector in housing production and delivery (Nik Mohd Zain, 1997).

The housing sector must be well managed to be a vital part of the overall economic development of a nation. Unfortunately, in the majority of developing countries, this perception has yet to take hold. Many government in the world too often perceive providing proper housing solely as a welfare issue, requiring to provide subsidies to households and unable to provide adequate housing for the urban poor. As a result, government housing agencies limit their activities to just provide housing to a small minority and ignore most of the population.

Malaysia, just like other developing countries considers providing proper housing as a basic need and as one of the main sectors in the national economy. This is because housing provision is not only to meet the needs of the citizen but it also contributes to the national growth (Ismail, 2002). In this sense, in 1994 the housing industry in Malaysia contributed to 12 per cent of the national income, producing more than RM7 billion in outputs (Azhar, 2000), as well as forming part of the productive economic sector and contributing to the Gross Domestic Products (GDP). It is one of the most productive economic sectors that contribute high gross income to the country. The housing sector has become a prominent sector to the national economy and considered as the nation "growth engine" which is dynamic and fast-moving (Ng, 1988).

2.0 THE MALAYSIAN NATIONAL HOUSING POLICY

Housing development in Malaysia involves several stages of process, involving various government agencies and subjected to various legislations and policies set by the government. Basically, until now there is no specific law governing the housing industry in

Malaysia. However, the Government of Malaysia greatly emphasizes on housing sector policy as it is considered as an important subject matter which has been discussed and elaborated since the First Malaya Plan to the Ninth Malaysian Plan. One of the social objectives of Malaysian housing development is to provide low-cost housing to the public as a basic need in the concept of home owning democracy. This recognition has led to the formulation of new policies and programmes aimed to ensure that all Malaysian, particularly the urban poor to have access to adequate shelter and related facilities. The basic needs besides food and water in human's life is the need for adequate shelter. The various meanings of basic need for shelter or housing are one of the elements, which are supposed to be available to every individual. It is highly enviable that the formulation of any policy by the government would take into consideration the government's responsibility in preserving this basic need of the citizen. This basic requirement has been further recognized as one order of human rights. According to the United Nations, right to housing does not only refer to a simple right to shelter - by having roof over one's head, but also the sustainability and appropriateness of such shelter.

The United Nations therefore has defined housing right as a right to adequate housing. The right is specifically described in Fact Sheet No.21 of The United Nations Documents. The official recognition of housing right began with Article 25(1) of the Universal Declaration of Human Rights (UDHR) 1948 where its contents have been further elaborated by Article 11(1) of the International Covenant on Economics, Social and Cultural Rights (1966). On the other hand, as far as housing rights in Malaysia is concerned, neither the Human Rights Commission Act, 1999 (Act 597, 1999) nor the Federal Constitution have recognized housing as a right. The Act provides no further extension to the protection of human rights in Malaysia other than the traditionally been accepted as fundamental liberties in the constitution (Malaysian Federal Constitution). Therefore, it is clear that the right to housing has not been included as one of the fundamental rights of the citizens in the Malaysian Federal Constitution even though there are several other countries have already acknowledged the existence of this right and have either explicitly or implicitly provisioned it in their national constitutions (Human Rights Commission Act, 1999).

However, the absence of such provision in the Malaysian Constitution may be remedied through the creation of the judiciary bodies. Furthermore, in Malaysia there is no law which requires the government to provide housing accommodation except through section 3 (a) or (c) of the Land Acquisition Act, 1960. The section mentioned above is sometimes used by the state economic development corporations to acquire land for housing development. In the United Kingdom, for example, section 91, Part V of the Housing Act 1957, provides that it shall be the duty of every local housing authority to consider the housing conditions and the needs in their districts with respect to the provision to housing accommodation. Such authorities were subject to ministerial power to require periodic reviews of their housing needs and conditions, but their requirement has been expected by section 26 to the Housing Act 1980. However, in Malaysia under section 69 of the Housing

Developers (Control and Licensing) Act, 1966, local authority may provide housing accommodation by:

- i. the erection of houses on any land acquired or appropriated by them;
- ii. the conversion of any buildings into houses; and
- iii. acquiring house

Therefore, section 91 of the 1957 Act of the United Kingdom and section 70 of the Housing Developers (Control and Licensing) Act 1966, place local authorities under statutory duties to carry out reviews of their housing performance and functions. They could be ordered to discharge these functions by way of mandated order. The Town Development Act 1952, of the United Kingdom was passed to facilitate, as its first amended section provides: "development, in a district...which will leave the effect and is undertaken primarily for the purpose of providing accommodation for residential purpose....".

In Malaysia, with the introduction of section 3(l)(b) of the Land Acquisition Act, 1960 in July 1991 any private individual or corporation may acquire any land for any purpose, which is in the opinion of the state authority that it will be beneficial to the economic development of Malaysia. This includes the power to acquire private land for residential purposes. Furthermore, any land development to be carried out by the private sector must be on alienated land, whereby the title of the land has been issued by the land office to the potential developer. Before a housing developer can develop a piece of land, certain procedures must be abided by the developer. These procedures can either be legal, such as conforming to the requirement of the National Land Code and other related land laws, the Planning Act or the Environmental Quality Act, or the conformity might be in the form of administrative regulations or directives given by the government to fulfill certain policy objectives. As mentioned earlier, there is no specific law governing the housing industry in Malaysia. However, the law applicable to housing developers in Peninsular Malaysia is the Housing Developers (Control and Licensing) Act, 1966 (Act 118), which was enforced on 29 August 1969. The Act was amended in 1972 and then revised in 1973 (Housing Developers (Control and Licensing) Amendment) Act 1972(Act A116)).

The Act however, does not apply to Sabah and Sarawak in the East Malaysia. Apart from the 1966 Act, the law governing housing development in West Malaysia is constituted in the 1989 and 1991 regulations. The Act does not apply to any society registered or incorporated under any written law relating to co-operative societies. This means that housing projects undertaken by cooperative bodies are not governed by the 1966 Act. The Act also does not apply to housing projects undertaken by any statutory bodies or agencies of the federal or state government. Thus, housing projects undertaken by such agencies i.e. the State Economic Development Corporation (SEDCs) are not governed by this Act but the potential projects are governed under the amended Housing Developers (Control and Licensing) Act 1966.

Ever since the Malaysian Independence in year 1957 until year 1997, the country's economy has shown rapid growth in the housing industry. These structural changes in the economy, tied with the emergence of manufacturing, services and construction as the major

growth sectors resulted in a large number of rural population (especially rural Malays) and even foreign migrants, migrating to the urban centres to change their environment and work opportunities. Due to the fast and rapid growth in the township, urbanization process has given an impact towards the country's supply and demand on houses in the urban areas, especially for low and low-medium-cost categories. The lack of adequate affordable housing in the urban areas has led to numerous problems such as overcrowding of existing residential buildings and the proliferation of illegal squatter settlements. Due to the urbanization problems, the Malaysian government began to stressed and focused towards the related issues particularly on the supply of houses under the New Economic Policy (NEP, 1971-1990) until now. One of the main issues been stressed includes the development of low-cost housing and the importance of having other government agencies such as The Urban Development Authority (UDA) to assist Malaysian citizens to own a home in a township area according to their affordability. Simultaneously, other government agencies such as "Syarikat Perumahan Negara Berhad" (SPNB) was also formed and being given the responsibility to develop low-cost housing for Malaysian. However, since year 1971 until 2000, the funds allocation to build public houses has never exceeded 10 per cent from the country's development expenditure. Since then, the housing industry's performance has not been too promising in the country's housing development (Razali Agus, 1993) as per Tables 1 and 2 below. Since the country's recession in the year 1997, the construction sector, mainly the housing industry has shown a downslide in the country's economy. Its growth parallels with the economic climate, experiencing rapid expansion when the economy is buoyant and sharp deceleration when the economy is on the downslide. Consequently, its contribution to the Gross Domestic Product (GDP) fluctuated throughout 1985 till 1995, ranging from five per cent in 1985, fell to a low of 3.2 per cent in 1998 and rose to 4.4 per cent by 1995 as shown in Table 1.

Table 1: Gross Domestic Product by Major Sectors, 1980-2000

Sector	RM million (in 1978 prices)					Average Annual Growth Rate (%)			
	1980	1985	1990	1995	2000	4MP (1981-85)	5MP (1986-90)	6MP (1991-95)	7MP (1996-00)
Agriculture, Forestry, livestock and fishing	10,189	11,854	14,827	16,406	18,460	3.1	4.6	2.0	2.4
Mining and quarrying	4,487	5,958	7,757	8,938	10,023	5.8	5.4	2.9	2.3
Manufacturing	8,932	11,263	21,340	39,825	66,251	4.7	13.6	13.3	10.7
Construction	2,066	2,738	2,832	5,277	8,560	5.8	0.6	13.3	10.2
Non- Government Services	14,465	18,323	24,126	38,185	58,987	4.8	5.7	9.6	9.1
Government Services	4,563	6,957	8,447	11,683	14,354	8.8	4.0	6.7	4.2
GDP at purchasers' value	44,702	57,093	79,329	120,214	176,635	5.0	6.8	8.7	8.0

Source: Fifth, Sixth and Seventh Malaysia Plans

Note: 4MP, 5MP, 6MP and 7MP refer to the Fourth, Fifth, Sixth and Seventh Malaysia Plans respectively

Historically, the Malaysian housing industry has experienced a constant mismatch between housing demand and supply. Although experiencing a gradual progress, the housing development in Malaysia, has been quite impressive. Under the Seventh Malaysia Plan the housing need targeted by the government was 800,000 units; whereas completed housing units were 859,480 or 107.4 percent of the plan's target. The private sector which has targeted to build 570,000 units; completed 737,856 units (129.4 percent). The number of medium and high cost houses built by the private sector far exceeded the plan's target. The medium cost category achieved 187.5 percent and the high cost category 435.3 percent of their respective targets (Eighth Malaysian Plan, 2001). Similarly, in the Eight Malaysia Plan, completed housing units have exceeded the need in housing targeted by the Government by a surplus of 37 percent. The private sector took the lead in housing supply by surpassing the target with a difference of 352,374 units as compared to the public sector which went below the target by 123,331 units (refer Table 2)(Ninth Malaysian Plan, 2006).

Table 2: Housing Target and Achievement 2001-2005

Housing Targets and Achievement 2001-2005			
Programme	Target	Achieved	(%) Of Target
Public Sector	312 000	188 669	60.5
Private Sector	303 000	655 374	216.3
Total	615 000	844 043	137.2

Sources: Ninth Malaysian Plan, 2006

Unfortunately, many constraints and weaknesses hindered and often perturbed the achievement of housing targets especially for the lower income group as shown in Table 3. The housing performance between 2001 and 2005 has shown a drastic achievement between low cost houses and medium to high cost houses. One of the main highlighted housing issues has been the housing for the poor. Since then, in the Seventh Malaysia Plan and later in the Eighth Malaysia Plan the government formed a Housing Policy with an objective of an affordable housing for every citizen.

Table 3: Housing Performance, 2001-2005

Category	Target	Achievement	%
Housing For The Poor	16,000	10,037	62.6
Low Cost	232,000	200,513	86.4
Low Medium Cost	131,300	83,910	63.9
Medium Cost	110,700	252,121	227.8
High Cost	125,000	297,483	238.0
Total	615,000	844,043	137.2

Source: Ninth Malaysian Plan, 2006

Now, in the Ninth Malaysian Plan, the national imperative is to provide adequate, quality and affordable housing for all income groups in Malaysia (Ninth Malaysian Plan, 2006). As seen in the Table 4, housing for the poor, low cost and low-medium cost houses are still below the country's achievement. The Malaysian government took the correct approach when it tried to intervene in the property sector, particularly in the supply for low-cost housing. However, that remains a problem, which is unresolved to this day. One of the

reasons is because the supply of houses, especially for the medium and low-cost units, has persistently been outpaced by the huge demand arising from the rapid economic growth and the consequent massive rural-urban migration (Ninth Malaysian Plan, 2006).

During the colonial administration, housing problems in Malaysia were associated with squatter dwellings and overcrowded accommodation (Draft of The Development of the Federation of Malaya, 1950). After Independence in 1957, the federal government paid more attention to the housing needs of the lower income groups. The public sector, especially through the various state agencies, initially took up the challenge to build low-cost housing as one of its primary activities. Public sector agencies have been building subsidized low-rent houses for decades but eventually found the challenge daunting, leaving the government with no choice but to urge the private sector to take up the leading role. Notwithstanding, the shortage has remained intractable in the rapid economic and urban growth. With the introduction of the NEP in 1971, housing programmes undertaken by both public and private sectors have been directed towards meeting the specific needs of the population. Under the NEP, the housing industry was envisaged to play a leading role in stimulating economic growth and in spearheading the industrialization and urban development. In 1987, the United Nations General Assembly endorsed a 'Global Strategy for Shelter' up to the year 2000. Pursuant to it, all governments were asked to play an 'enabling role' under its own national housing industry. Malaysian Governments were also urged to make the necessary adjustments or paradigm shifts in their National Housing Policies, based on the shared experience of other countries at the Habitat I Conference in Vancouver, 1976. Malaysian governments were encouraged to be more decentralized, broad-based and community-focused in implementing their national housing projects and were reminded of the need to allow more players in the housing industry. In terms of the 'enabling role', the United Nations General Assembly urged governments to offer more incentives to the housing industry and adopt measures that will facilitate rather than hamper the participation and growth of the housing industry.

2.1 The Importance of Housing Policy

'Policy may be defined as a set of measures aiming to achieve the goals formulated by the public authority' (Malpass and Murie, 1999). Policy also implies as a process involving an initial formulation of a problem and a planning or policy making stage, followed by execution implementation of policy, which may itself be followed by an appraisal or evaluation' (Singh, 1995). In other words, the formulation of a policy is a result from a problem or and later transferred into laws to govern, protect and resolve the problem. To measure whether a policy is successful is by seeing the results from the implementation and execution of the policy. Therefore it is vital to have a policy for every sector in the Nation. The purpose of housing policy is 1) to optimize housing land uses, 2) to ensure housing ownership for all citizen, 3) land allocation and location of the housing development and 4) special needs for housing, such as providing low and mid-cost houses for the poor and affordable housing to all citizen. As we heard over and over again before and even after independence, problems

related to the housing industry have never failed to become an issue or talk of the Nations. As we know, there is no specific law or policy that governs the housing industry in Malaysia. It is therefore, the roles of the government to formulate and establish a housing policy that will be the guidance to housing industry in order to achieve the government's Malaysian Plan and thus create effective enforceable laws.

3.0 PROBLEMS AND ISSUES OF THE HOUSING INDUSTRY IN MALAYSIA

As per all industries alike, the housing industry are faced with various issues and problems, some of which are immediate while some are more deep-seated or long term in nature. Similarly, there are problems which are simple and straight forward while others by nature are complex and complicated being interlinked with other factors or sectors of the economy. Among the problem or issues of the housing industry in Malaysia are as per the following paragraphs:

3.1 Oversupply

Oversupply issue is regularly being discussed and debated by the housing actors. The scenario of oversupply in residential property in the Malaysian property market occurred when a number of unsold completed housing units constructed between 1996 till 2005 had exceeded the need for housing units targeted by the Malaysian Government under the 7th and 8th Malaysian Plans. Under the 7th Malaysian Plan the housing need targeted by the Malaysian Government was 800,000 units whereas completed housing units were 859,480 or 107.4 percent of the Plan's target. The private sector which was targeted to build 570,000 units completed 737,856 units (129.4 percent) of the target. The number of medium and high cost houses built by the private sector far exceeded the Plan's target. The medium cost category achieved 187.5 percent and the high cost category 435.3 percent of their respective targets (Eight Malaysian Plan, 2001). Similarly in the 8th Malaysia Plan completed housing units had exceeded the need in housing targeted by the Malaysian Government by a surplus amounting to 37 percent. The private sector took the lead in housing supply by surpassing the target with a difference of 352,374 units as compared to the public sector which went below the target by 123,331 units (refer Table 4) (Ninth Malaysian Plan, 2006).

Moreover, based on Housing Technical Report, National Physical Plan (2002), data on housing surplus as recorded in most states in Peninsular Malaysia in the year 2000 to 2005 also depicted an unhealthy scenario in housing development in Malaysia. Figure from 2000 indicated that out of a total 5,338,000 units of housing supply (including existing and committed housing units), essentially only 3,941,000 units are required to match the households housing need in Peninsular Malaysia. This figure indicates that around 1,396,000 units approved by the planning authorities, as oversupply. The issue of oversupply also existed in year 2005, indicating a surplus of new housing approvals at 755,000 units (Housing Technical Report, *DUPR Peninsular Malaysia*, 2002).

Table 4: Housing Target and Achievement 2001-2005

Housing Targets and Achievement 2001-2005			
Programme	Target	Achieved	(%) Target
Public Sector	312 000	188 669	60.5
Private Sector	303 000	655 374	216.3
Total	615 000	814 043	137.2

Source: Ninth Malaysian Plan, 2006

Moreover, based on the report produced by the Department of Statistics Malaysia 2001, showed that the number of housing supply in Malaysia in year 2000 exceeded the households. Based on the report, analysis shown that 751,759 units of housing surplus in Malaysia where 468,657 units in the urban area and 283,102 units in the rural area (refer table 5).

Table 5: Number of Housing Units and Households in Urban and Rural Area by State, Malaysia 2000

State	No. of Housing Unit			No. of Households			Housing Surplus		
	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total
Kedah	168 005	232 891	400 896	137 153	205 010	342 163	30 852	27 881	58 733
Kelantan	102 791	193 289	296 080	88 193	168 721	256 914	14 598	24 568	39 166
Pahang	135 419	171 040	306 823	121 590	154 559	276 149	13 829	16 481	30 674
Perlis	18 328	32 884	51 212	15 498	29 389	44 887	2 830	3 495	6 325
Sabah	241 057	282 281	523 338	225 451	252 187	477 638	15 606	30 094	45 700
Sarawak	216 283	262 860	479 143	197 179	226 765	432 944	19 104	36 095	46 199
Terengganu	100 117	100 808	200 925	87 455	87 624	175 079	12 662	13 184	25 846
Johor	465 427	233 713	699 140	383 165	197 258	580 423	82 262	36 455	118 717
Melaka	123 366	52 502	175 868	92 347	43 243	135 590	31 019	9 259	40 278
N.Sembilan	137 118	107 055	244 173	102 681	84 163	186 844	34 437	22 892	57 329
Perak	340 172	232 741	572 913	287 629	184 086	471 715	52 543	48 655	101 198
P.Pinang	296 372	61 315	357 687	231 949	53 020	284 969	64 423	8 295	72 718
Selangor	873 013	107 549	980 562	827 267	102 804	929 871	45 746	4 745	50 691
K.Lumpur	357 732	-	357 732	310 508	-	310 508	47 224	-	47 224
Labuan	12 813	3 375	16 188	11 291	2 936	14 227	1 522	439	1 961
Total	3,588,013	2,074,667	5,662,680	3,119,356	1,791,565	4,910,921	468 657	283 102	751 759

Source: Department of Statistics Malaysia, 2001. (Table 8) in *Kajian Dasar Perumahan Negara*, 2005

3.2 Overhang property

Another pressing problem facing the housing and Malaysian property market is the stock of overhang properties in the Malaysian property market that are holding up billions of dollars, resulting in many developers or property companies facing severe financial problems. Even though the situation has improved with the recovery of Malaysian economy, there are still many areas in Malaysia where houses are left unoccupied or unsold. This is especially true of high-priced houses such as condominiums, 2-3 single terraces, apartments and in certain cases, low and medium cost houses that had been in unsuitable locations.

In many ways, this situation was brought about by the indiscriminate building during the boom years (1990-1997) when developers had mistaken the artificial demand or defying the peculiar needs or demands of a particular locality, simply built in the belief that there is no end to demand. This situation leads to the oversupply phenomenon and what was more unfortunate, when our country was facing economic down fall, demand towards housing decreased offensively (Thuraiya, 2003; Kunasuntare 2002; Saiful, 2001). The value of

property transfers or transactions at that time had fallen down. A report produced by Status on Market Report 1998 stated that the value of transfers for all types of property in Malaysia in the year 1998 reduced to 47.8 percent compared to the increased in 1997 i.e. 7.8 percent. According to Datuk Dr Shafie Mohd Salleh, an excess in supply in the year 1997 was worth 39.2 billion and from that amount, RM14.15 billion were residential properties (*Berita Harian*, 16th August 2000).

The economics implications of the overhang houses and properties are indeed serious as the large amount of funds that are being 'locked-up' that could otherwise be released into the market for other productive purposes. Apart from that, this problem was also caused by wrong location (Azrina, 2007), Bumiputera quota policy (Thuraiya, 2003; Saiful, 2001), and highly priced (Thuraiya, 2003; Azrina 2007).

Official figures published by the Malaysian National Property Information Centre (NAPIC) from year 2001 to 2007 showed that the issue of overhang continuously existed in the Malaysian housing property market (refer Table 6). A total of 40,977 housing units were identified as overhang in the year 2001 with a total worth of RM5.5 billion. Year 2005 also showed that there are 19,577 units or 20.45 % from the total 95,714 units launched, in the category of overhang with a total worth of RM2.63 billion. The overhang figure in 2005 slightly increased from 15,558 units (18.9 %) in 2004 and 9,300 units (13.3 %) in 2003, worth RM1.34 billion and RM1.87 billion respectively. The latest figure in 2007 showed that there are 26,432 units or 19.56 % from the total 135,132 units launched with a total worth of RM4.19 billion (NAPIC, 2001-2007).

Table 6: Overhang Housing Units in Malaysia From 2001 to 2005.

Year	Unit Launched	Overhang Unit	Overhang Value (RM Million)	Overhang Rate (%)
2001	179,030	40,977	5,528.68	22.90
2002	277,231	59,750	7,882.03	21.60
2003	69,805	9,300	1,336.15	13.30
2004	82,343	15,558	1,817.70	18.90
2005	95,714	19,577	2,632.89	20.45
2006	144,938	25,645	4,183.55	17.69
2007	135,132	26,432	4,194.38	19.56

Source: Adopted from Malaysian Property Market Reports from year 2001 - 2007.

Unfortunately, even though there are numerous measures and intervention from many government agencies to encounter overhang property problems, our country is still facing this problem and more unfortunate, the problem escalated over the years. Statistical data produced by NAPIC which clearly showed that the value of overhang properties increased annually (2003; RM1.33 billion, 2004; RM1.81 billion, 2005; RM2.63 billion, 2006; RM4.18 and 2007; RM4.19 billion) (Status Report on Property Market 2002-2007).

3.3 Abandoned Projects

The Malaysian Government has made efforts to provide housing for all income groups in Malaysia. In doing so, the government has relied on the performance of private developers to meet housing needs. However, the existence of abandoned housing projects by the private sector has tarnished the image of the housing industry. The Ministry of Housing and Local Government (MHLG) reported the first case of a Malaysian abandoned housing project in 1983. In 1986, a detailed report was produced. Firstly, the existence of abandoned housing projects was reported to have been affected by the Malaysian economic slump in 1983, resulting in a huge property overhang and abandonment of projects. Since 1986, MHLG has monitored the abandoned housing projects from time to time and noted a fluctuation in the number of abandoned housing projects. Table 7 shows the accumulative number of abandoned housing projects in Malaysia from 1989 to 2001 with the potential to be revived. In relation to this, MHLG reported that in 2003 there were 99 abandoned projects consists of 48,073 units, involving 30,797 homebuyers with the potential of the projects to be revived (refer Table 7).

Table 7: The Accumulative Number of the Abandoned Housing Project in Malaysia from 1989-2001

As at 31 Dec	No of Project (still abandoned)	No. of Houses	No. of Buyers	Estimate Project (RM Million)
1989	249	56,018	33,329	3,171.45
1990	277	63,558	36,131	2,629.50
1991	173	40,363	26,129	1,918.40
1992	118	27,833	18,786	1,285.40
1993	94	20,371	13,122	955.53
1994	87	21,056	13,209	1,014.50
1995	63	14,171	9,435	673.15
1996	52	12,979	8,625	491.12
1997	43	10,027	7,201	491.12
1998	42	10,258	6,944	605.48
1999	46	13,855	9,331	1,313.19
2000	56	21,182	13,514	2,823.69
2001	59	27,164	16,652	3,177.37

Source: The Ministry of Housing and Local Government of Malaysia, 2001

There are many causes to why many projects were abandoned. Among those are: financing problems, bad management or mismanagement of projects, technical problems, lack of buyers due to unsuitable locations and lastly, misuse or misapplication of projects funds. Whatever the reasons may be, the ultimate victims are the house buyers, especially the first time buyers. The problem of these buyers are greatly magnified as many of them have taken bank or government loans and have to service their loans while at the same time have to pay rentals for houses which they are presently occupying. Though the number of projects involved is only 5% or 10% in total, Malaysian government has made efforts to alleviate the sufferings of the victims, as well as in ensuring that such situation will not recur

in the future. In any cases, the existence of such projects invariably affects the overall image of the housing developers as well as public confidence in the industry as a whole.

3.4 Squatters Settlements

Large cities in developing countries are characterized by rapid urbanization and growth that often results in multiplication of squatter colonies on the urban fringes. Malaysian cities are no exception. There are many reasons to elaborate this situation. Urban-rural migration is often cited to be the main cause for the rapid urban growth. Among the associated "pull-factors" are vast job opportunities created through industrialization programs, better urban community facilities and better urban living environment. Most of the immigrants are in the low-incomes segment of the urban population whom are not easily accessible to the formal low-cost housing facility. Furthermore, the supply of low-cost housing is unable to cope with the increase number of immigrants to the cities. The only opportunity that is open to them is to find homes in the squatter settlements that are rather fast and cheap to erect.

In Malaysia, some squatter settlements are as old as most of the cities. In Kuala Lumpur for instance, Kampung Kerinchi, Kampung Puar and Kampung Chubadak, have existed for more than a hundred years. Squatters' problems were more acute in Kuala Lumpur than in other cities in Malaysia due to several reasons. First, Kuala Lumpur, being the capital city of Malaysia, as the centre of administrative and commercial activities, attracted large numbers of rural urban migrants. Second, the Malaysian Government emphasizes to ensure that Kuala Lumpur had balanced ethnic composition of population (Kuala Lumpur structure Plan, 1984). Third, as a part of the Malaysian government strategy to create new Bumiputera community whom actively participated in commercialization and industry activities. The process of squatter relocation was a difficult exercise due to the lack of available and suitable land in urban areas. Nevertheless, such relocation exercise did take place wherever possible. Kuala Lumpur City Hall (CHKL) has carried out relocation of squatters' settlement under the public and private partnership since the second half of the Fourth Malaysian Plan to ease overcrowding in these settlements. There were a slight decline in the total squatters' settlements population and relocation of selected squatter settlements between 1980 and 1992 were result of City Hall Policies. Squatter movements were monitored regularly and inspection imposed both on the expansion of existing squatter settlements and on the formation of new ones. Table 8 shows the statistics done by CHKL on number of squatters in Kuala Lumpur, Malaysia.

Table 8: The Number of Squatters in Kuala Lumpur, Malaysia.

Year	1970	1976	1980	1992	1998	2003
No. Of Settlement	-	106	177	255	197	181
No of Housing Unit	20,674	29,308	40,934	34,353	23,230	20,827
No. of Person	103,370	175,360	243,150	190,899	129,129	115,770

Source: City Hall Kuala Lumpur, 2004

4.0 RECOMMENDATIONS TO OVERCOME PROBLEMS AND ISSUES OF THE HOUSING INDUSTRY IN MALAYSIA

4.1 To Overcome Oversupply and Overhang Properties;

4.1.1 Role of Local Government Authority

The best way to tackle the problem of oversupply and unsold properties is by looking at the process of property development itself through a development control mechanism. It can be done by controlling and restricting a requirement for approval for a new housing development and also to the existing development. By doing this, excess housing supply phenomenon and the problem of unsold properties can be reduced. In this context, the parties directly involve are developers and Local Government Authority (LGA). Prior to development of housing project, a developer shall undergo an application process for a development from the relevant authority. A planning control shall be imposed by LGA based on certain factors such as a need for a housing development, policy and standard of a development. It is no doubt that LGA plays an important role from the very beginning of the housing development process i.e. the planning stage of a housing project. LGA shall give full cooperation and exercise their power diligently and carefully before giving their approval on any housing project. They must be sincere, accountable and efficient in performing their duty. Minister of Housing and Local Government must also monitor LGA in the process of enforcing regulations, circulars, policy and laws in housing development planning.

Two most important Acts enforce by LGA in a development activities are Town Planning Act and Local Government Act. These Acts should be reviewed, amended and improved to ensure that the terms and conditions which need to be fulfilled by developers are consistent with the current situation. Presently, the Act states that a LGA shall give approval to any application which fulfills a requirement set by the authority. A provision should be improvise to give a power to LGA to reject an application based on current economic situation even though it has fulfill all the requirements set by the authority. If this provision is added to the Act, a problem of excess supply can be reduced since the LGA has an exclusive power to decide on a supply of residential properties in their administration area.

Apart from that, LGA should also, held a frequent dialogue with developers to review and determine the status of supply and demand in property market to ensure that there will be no excess of housing supply and thereafter the problems of unsold properties can be reduced. This dialogue provide opportunities to LGA to explain in detail on the government policy and create a good understanding and rapport between both parties or any other parties involved in the development activities, particularly the developer. Thus, a developer will be aware of changes in the property market and plan enforced by LGA.

4.1.2 Bumiputera Quota Policy

The Bumiputera quota is undoubtedly an effective way of promoting social integration and

assisting house ownership by the Bumiputera. However, in view of the various issues related to the quota, which could adversely affect the growth of housing construction industry, a review of various procedure and requirements of the quota is necessary to ensure that the objective of the quota is met without jeopardizing the industry as a whole.

4.1.2.1 Review of Bumiputera requirements

A review of the Bumiputra Quota requirements in this sector is therefore necessary. As there is no problem of uptake by non-Bumiputra in the low and low medium cost housing sector, it would help to facilitate the Bumiputra 30% quota. In areas where the population density is primarily non-Malay, the Bumiputra 30% quota should be reduced, whereby the developers should be allowed to submit proper independent market studies on a project basis as to ease the 30% Bumiputra quota on a case-to-case basis.

4.1.2.2 Discount for Bumiputera purchaser

Discounts for Bumiputera purchaser should be limited to properties of a certain price range as the buyer of the higher-end properties are the ones who have actually achieved a certain level of economic status and therefore does not require special discount in prices.

4.1.2.3 Service charges with regard to release of Bumiputera quota

Developers, in providing Bumiputera quota housing unit, are exercising their social responsibilities in meeting the objectives set by the Government. Therefore, it is only fair that state authorities or other agencies representing them undertake to exercise the same gesture by not charging exorbitant fees with regard to the release of the unsold Bumiputera units. Whilst 2 per cent sales commission is fair and reasonable, other registration charges or service fee should not be imposed in the true spirit of Malaysia Incorporation.

4.1.2.4 State Government/federal Government to set up special trust fund State Government/Federal

Government should set up a special trust to purchase Bumiputera quota unit for subsequent rental or sale to Bumiputera purchaser.

4.2 To Overcome Problem of Squatter Settlement;

There are numerous actions to overcome the problems of squatters' settlements:

- i. To demolish all old squatters of more than 26 years (prior to the National Land Code, 1969): build a medium cost houses at suitable location and to offer the new housing to the squatters at 25% discount of normal market price (as incentives for them to leave the squatters for better land development).
- ii. To demolish all squatters build between 1980 and 1995: build a low cost house (flat) at expensive land area or landed properties at suburban areas and to offer houses

for all squatters with 10% discount and to provide adequate loan facilities.

- iii. To demolish all squatters build after 1995: to penalize all squatters, to provide more low cost houses that is affordable to low income earner, to provide better infrastructure and public transportation to continuously commute the suburban population to the cities.

4.2.1 Future Strategies

Among many lessons drawn from experiences is that squatters are united, resolute and strong in order to succeed in their struggle. The danger is that they are often easily weakened by different political interests, ethnic prejudices, and consideration of personal gains, as well as being threatened by fear of the power that be, and easily deceived by leaders who may not have the interests of squatters at heart. Below are the strategies that can be applied in resolving the squatters' issues;

1. Declare forced eviction illegal;
2. Relocate squatters only after agreement is reached through mutual negotiations between the squatters and the developers;
3. Recognize urban pioneers and provide them with basic facilities;
4. Defend individual and property rights of urban squatters and protect them from cruelty and injustice;
5. Eradicate all the unjust laws or unjust provisions in laws that can be used to evict, threaten or arbitrarily arrest urban squatters, such as; 1) Essential (Clearance of Squatters) Regulations, 1969; 2) Land Acquisition Act, 1960 (Amendment) and 3) National Land Code, 1965.

New legislation should be constituted in order to guarantee the squatters are provided with alternative land and housing and/or adequate compensation before they are moved out of their settlements. The success of the eradication programs of the squatters should have strong commitment from the government, coupled with strict enforcement and monitoring by Local Authorities. The costs to be borne by the government to solve the problems created by the squatters in terms of environment, social, economy, and public health are higher than the cost involved in providing public housing and a balanced Regional Development strategy will discourage rural-urban migration and thus, reduce new squatters settlements in the cities.

4.3 To Overcome The Abandoned Projects (Housing Delivery System)

Though abandoned housing projects escalate particularly during economic downturn, Malaysian Government has made effort to revive these housing projects. In reality, Malaysia is the only country in world took effort to lessen the house purchasers' burden by reviving the abandoned housing project, regardless whether it's a government agency or private developer projects, under the '*Tabung Pemulihan Projek Perumahan Terbangkai*'. The Ministry of Housing and Local Government has been monitoring the abandoned project since

the first reported case in 1983 and later instructed Syarikat Perumahan Negara Berhad (SPNB) – a Ministry of Finance Incorporated company, to revive several identified and feasible abandoned housing projects throughout Malaysia. To date SPNB has identified 186 abandoned projects; involving 58,245 units of houses, which require about RM4.3 billion of reviving cost. Among the 186 identified abandoned housing projects, 72 have been revived by SPNB, comprised of 22,453 units of houses, while another 18 projects comprise of 3,882 is still under construction. Nevertheless, the Ministry of Finance has given direction that effective 29 September 2008; all responsibilities to revive abandoned projects throughout Malaysia will be taken over by 'Jabatan Perumahan Negara' (JPN). The effort taken by the Malaysian government has restored the Malaysian housing development image, as well as the confidence of potential house buyers.

4.3.1 Recommendation for 'build-then-sell' concept for sustainable housing delivery

At present, in Malaysia the availability and accessibility of affordable and livable houses are extremely limited, leaving many consumers in the situation of not being able to afford their own home. Overpriced, poor and even defective houses and deteriorating environment are among the common complaints. The future calls for a whole new perspective and approach to ensure that all Malaysian who wish to own their homes is given the opportunity to do so. Many of the malpractices in the housing industry, such as defective houses, substandard workmanship, delays in handing over and even abandonment of housing projects stem from the fact that in Malaysia we do not generally practice the 'build-then-sell' concept of housing development. This concept has been introduced much earlier but without much success. Developers are of the view that such concept is not currently feasible because of the critical shortage of houses and limited funding by financial institutions. Since developer bear greater risks under the "build-then-sell" approach, they are less inclined to invest in the housing industry, thereby restricting supply and pushing prices up further. On contrary, the consumers argue that developers would not bear the risk of unsold units, provided they build houses that are in greater demand and within the affordable range.

To some extent, the "build-then-sell" approach is only a partial solution to many woes faced by the consumers, whereby it allows the consumer to preview the house they wish to purchase, and in this way they are assured of the type and quality of house they will buy. In a way, this approach also helps to reduce the scope for speculative purchasers that will contribute to the inflation of assets. Developers would also be encouraged to build houses that are in greater need rather than those that will ensure higher profit margins. With this approach, the consumers' potential risks are being shifted to the producers, while the producers' overall potential risks are also reduced. At present, developers have to bear the high risks associated with regulatory measures that will delay housing projects and escalates developers' initial costs estimates. The adoption of the 'build-then-sell' approach, therefore, must be implemented along with a package of reform to cut red tape and reduce delays in approvals.

While the private sector requires a more efficient business environment to operate, encumbered by restrictive rules and regulations, proper governance is essential to ensure equitable and quality development of the housing industry. Striking a balance between efficiency and equity requires the active participation of all interested parties, from the consumers to the private industry and at the same time to ensure a sustainable environment. The government on its part can facilitate home-ownership through fiscal measures. For instance, all first time house buyers should be granted tax exemption on interest payments on the housing loans. This would go a long way to ease the financial burden of house buyers, especially those in the middle-income category.

5.0 Conclusion

The housing development is a complex process. It requires profound understanding of numerous factors effecting the surrounding and environment of the industry. Many Asian countries formulated housing policies, which aim to strengthen the involvement of the private sectors in housing production and delivery.

Malaysia, just like other developing countries considers the housing sector as a basic need and one of the main sectors in the national economy. Thus, to create and form an effective housing development, the Government of Malaysia had formed National Housing Policy. The principal objective for the formulation of the Malaysian National Housing Policy is primarily to ensure housing is affordable and with adequate social facilities, utilities and environment by all citizen in line with the National Economic Plan (NEP) of the Malaysian government. The activities in Malaysian housing development sector are not only on how to build new houses but also to develop downscale areas, ways to overcome the housing shortage, oversupply, improvement of the settlements area and so forth.

The various government departments at both federal and local levels should have a significant right in the approval procedures of the various stages in the development process. In fact, their role is so pivotal that much of the efficiency of the delivery system depends on their speed and timely handling of applications and issuance of approvals. Training programs should be provided for employees of local authorities who are dealing with housing development. Cooperation and coordination at the federal, state and local levels should be improved. The Malaysian Federal Government should address any weaknesses of the local authorities and state housing corporations and to look into decentralizing various policies. Standardization of criteria that are applicable to all local authorities and state governments should be formulated and implemented. The developer should be more responsible to supervise the whole housing production process to ensure that the housing projects are successfully marketed and sold. The developer is responsible to harness the financial resources required by the project as well as to ensure that the necessary submission for approvals are done, from land matters to building, and from approval submissions to obtaining Certificates of Fitness for occupation. All the consultants and professionals involved in the housing process such as architects, planners, engineers, quantity surveyors, etc; have to work in close cooperation and to conduct active consultation with their client, the developer, in translating their requirement into technically viable solution. Aside from the

business contract that these consultants have with the developer, as professionals, they are bound by the regulations governing their respective professions in the country. Indeed, an effective and efficient housing development needs cooperation from many parties. The success of housing development can be used as a tool to measure the success of national development and otherwise.

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