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HOMEBUYERS' PERSPECTIVES ON THE HOUSING MARKET OF URBAN AREA IN PERAK

BY

NAJIHAN BINTI KHALID

A thesis submitted in fulfillment of the requirement for the degree of Master of Science (Built Environment)

Kulliyyah of Architecture and Environmental Design
International Islamic University Malaysia

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ABSTRACT

The research aimed to identify the issues faced by the homebuyers in Perak. Five problems highlighted in this research based on the literature review were; (1) lack of affordable housing (2) uncontrolled housing price that leads to price fluctuations (3) mismatch of housing demand and supply, (4) lack of enforcement on the development control and process; and (5) lack of housing database. The objectives of this study are (1) to identify the perspective of homebuyers in buying a house in Perak, (2) to analyse the housing supply and housing stock in Perak, (3) to assess the housing policies and practices in Perak and (4) to make recommendations on the issues identified in Perak. In reference to the literature review, there are various factors that influenced the homebuyers' decision in buying a house such as (1) Housing type; (2) Facilities and amenities; (3) Price; (4) Location, (5) Safety; (6) Living Space and (7) Design. The data for the research was collected through a questionnaire survey and document analysis. A questionnaire survey was distributed to 1,371 respondents. The study found that the price of housing is the most important factor that influences the homebuyers' decision in buying a house. Besides that, there are other various important issues identified, which burden the homebuyers and housing sector in Perak from the data that have been collected. Recommendations, therefore, include (1) improvement of the existing state housing policy, (2) closer monitoring on the implementation of low-cost and affordable housing, (3) establishment on the affordable housing buyers' registration and improve the current low-cost housing registration system and (4) develop a 'housing support centre' to help population to access housing programme. Finally, this research is hoped to benefit the local authorities in the planning of the house. Every level of income should have access to housing as it is the basic need in life.

خلاصة البحث

يهدف هذا البحث إلى التعرف على المشكلات التي يواجهها مشترو المنازل في ولاية بيراك. لقد تم في هذا البحث التركيز على خمس مشكلات بناء على مراجعة الأدبيات، وهي: (1) قلة المساكن الرخيصة، (2) أسعار المساكن غير المستقرة والتي تؤدي إلى تقلبات الأسعار، (3) عدم تطابق العرض والطلب في مجال الإسكان، (4) التطبيق المحدود لعملية ومراقبة التطوير، (5) عدم وجود قاعدة بيانات للإسكان. كان الهدف من هذه الدراسة: (1) تحديد رؤية مشتري المنازل في الشراء في ولاية بيراك، (2) تحليل المعروض من المساكن والمساكن الموجودة حاليا في ولاية بيراك، (3) تقييم سياسات وممارسات الإسكان في ولاية بيراك، (4) تقديم توصيات حول القضايا المحددة في ولاية بيراك. إشارة إلى مراجعة المؤلفات، تضمنت العوامل المختلفة التي أثرت على قرارات مشتري المنازل في الشراء كلا من: (1) نوع السكن، (2) المرافق والتسهيلات، (3) السعر، (4) الموقع، (5) السلامة، (6) مساحة العيش، (7) التصميم. وتم جمع بيانات البحث من خلال توزيع الاستبيانات وتحليل الوثائق حيث تم توزيع الاستبيانات على 1،371 مستجيبا. وجدت الدراسة أن سعر المسكن كان العامل الأكثر أهمية في التأثير على قرارات مشتري المنازل في القيام بالشراء. كان هناك أيضا العديد من القضايا المهمة التي تم تحديدها من البيانات التي تم جمعها والتي زادت من عبء مشتري المنازل وقطاع الإسكان في ولاية بيراك. تشمل توصيات الدراسة على الآتي: (1) تحسين سياسة الإسكان الحكومية الحالية، (2) المراقبة الدقيقة لتنفيذ مشاريع الاسكان منخفضة التكلفة، (3) إنشاء عملية تسجيل مشتري المساكن منخفضة التكلفة وتحسين نظام تسجيل مشتري المساكن منخفضة التكلفة (4) بناء مركز دعم الإسكان لمساعدة السكان للوصول إلى برامج الإسكان. ختاما، نأمل أن يفيد هذا البحث السلطات المحلية في عملية تخطيط الإسكان، حيث يجب أن يحصل كل مستوى من مستويات الدخل على سكن مناسب لأنه من ضروريات الحياة.

APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion, it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Master of Science (Built Environment).

……..
Mariana Mohamed Osman
Supervisor

…….
Syafiee Shuid
Co-Supervisor

I certify that I have read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a thesis for the degree of Master of Science (Built Environment).

…….
Rustam Khairi Zahari
Examiner

This thesis was submitted to the Department of Urban and Regional Planning and is accepted as a fulfilment of the requirement for the degree of Master Science (Built Environment).

…….
Syafiee Shuid
Head, Department of Urban
and Regional Planning

This thesis was submitted to the Kulliyyah of Architecture and Environmental Design and is accepted as a fulfillment of the requirement for the degree of Master of Science (Built Environment).

…….
Abdul Razak Sapian
Dean, Kulliyyah of
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DECLARATION

I hereby declare that this thesis is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

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This thesis is dedicated to my dad – Khalid Che Soh, my mom – Tumini Kasad, my siblings – Kak long, Kak ngah, Mie, Shi and Adik for laying the foundation of what I turned out to be in life.

I love U Guys So Much!

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LIST OF ABBREVIATIONS

PR1MA	Skim Projek Perumahan Rakyat 1 Malaysia
IDEAS	Institute for Democracy and Economics Affairs
KRI	Khazanah Research Institute
NAPIC	National Property Information Centre
DOSM	Department of Statistic Malaysia
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
MyHome	Skim Perumahan Mampu Milik Swasta
PP1AM	Perumahan Penjawat Awam 1 Malaysia
PPR	Program Perumahan Rakyat,
RMR1M	Rumah Mesra Rakyat 1 Malaysia
RUMAWIP	Rumah Mampu Milik Wilayah Persekutuan
EPU	Economic Planning Unit
HDA	Housing Development Act
UDHR	Universal Declaration of Human Rights
IMF	International Monetary Funds
MHLG	Ministry of Housing and Local Government
UNCSHC/ HABITAT	United Nations Centre for Human Settlements
PBR	Program Bantuan Rumah
NHP	National Housing Policy
CUEPACS	Congress of Unions of Employees in the Public and Civil Services
SPSS	Statistical Package for Social Science
CF	Certificate of Fitness
TCF	Temporary Certificate of Fitness
KAED	Kulliyyah of Architecture and Environmental Design, IIUM
RII	Relative Importance Index
B40	Bottom 40%
M40	Medium 40%
T20	Top 20%
CCC	Certification of Completion and Compliance

CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

This chapter introduces the research topic and its framework to provide more understanding of the topic. The introduction includes the research background, problem statement, research questions, research aim and objectives, research scope as well as the research procedure and structure. This chapter also covers the significance of the research and finally the research limitation. Through this research, relevant recommendations are provided to overcome the issues and challenges experienced by the housing sector in Perak.

1.2 BACKGROUND

Home or dwelling is a necessity or essential good that is used to shelter people from outside danger and bad weather. This type of protection will help to improve the quality of life of a person, provide benefit to the physical, mental and social well-being of the people. It also provides comfort to the person to continue their living. Currently, purchasing property in Malaysia is considered one of the most challenging tasks. According to the World Cities Report 2016, not only Kuala Lumpur, but cities around the world also faced this challenge (UN-Habitat, 2016). Most of the cities faced various changes in the past 20 years ago in the economic, social and cultural sector. Some of the issues experienced by the cities were rapid urban growth, an increase of household numbers, a growing number of urban residents living in slums and informal settlement difficulties in providing urban services.

A study conducted by Hope (1968) has found that developing countries experienced the issues of rapid urbanisation which has spread since the early twentieth century. In one hand, the occurrence of rapid urbanisation is actually a good sign to a country which shows that the country is developing. However, this phenomenon has also given severe negative impact such as having an increase in the number of rural populations being migrated to the urban area. Majority of these people are a low-income earner. Statistically, the rural population migrated to an urban area to find a better economic opportunity and this has led to an increase in demand for houses in the urban area. The authorities have faced challenges to meet the demand from this population and to provide basic urban services and amenities to the them. The country might be facing another issue resulting from the growing number of the urban population such as an urban spill, squatters, and other related issues.

Through their studies, Khazanah Research Institute (2015) has identified that Malaysia has experienced a drastic increase in housing price for the past 10 years. This increment has impacted the low and medium incomes group as the housing price goes beyond their affordability. Furthermore, most of the developers are focusing on building a high-cost housing as this type of property gives more profit as compared to the others.

In order to overcome these issues, in 2012, the Malaysian government has introduced 1Malaysia People's Housing Programme or PR1MA with the intention of helping the middle-income group to buy houses (PR1MA, 2014). From the government point of view, most Malaysians with middle-income have major concern on buying an affordable housing unit which has become a severe issue especially in urban areas. The government believes that with the introduction of PR1MA house, this could support middle-income earner in the provision of affordable housing. Unfortunately, based on the various studies conducted by Khazanah Research Institute (2015); the price offered

by PR1MA is still considered as not affordable to about 50% of the middle-income population.

Nevertheless, the success of these housing programmes does not only depend merely on the provision units but also other factors that affect the housing allocation. Aside from housing programme offered by the federal government, every state government has their own housing programme offered to their local population according to their level of income. With the variation of low-cost and affordable housing programmes promoted by the government nowadays, the provision has attracted many citizens, particularly among the targeted groups to get access to affordable housing. From this initiative, the government should focus on supply and demand in order to ensure adequate access to the homeownership.

To ensure a smooth process of providing adequate access to the housing provision, a proper allocation to the targeted income group should be managed and administered properly. The online application process through registration systems has been introduced to all government assisted housing programme for rental and sales of those houses.

1.3 PROBLEM STATEMENT

Various housing issues are still existing despite various housing promotion and programme have been provided by the public and private sector for the homeownership. Active measures should be taken by the public and private sectors to overcome these issues in order to meet the housing needs of all population. The housing issues that have been identified at the early stage are as follows:

1.3.1 Lack of Affordable Housing

Malaysia is expected to have a shortage of one million units of affordable housing by 2020 (Tong, 2018). Recently, the media has reported that Malaysia currently is facing an issue of lacking affordable housing. PR1MA has stated that the demand for affordable housing in Klang Valley is very high. The total number of applicants for PR1MA affordable housing programme is 1.5 million. The number of applicants is actually 27 times more than the number of housing units (Yeong. Eva, 2017)

Furthermore, most of the youngsters and potential buyers, especially the first homebuyers, felt that the housing units provided by PR1MA are limited and costly (Hamid, 2017). Dr Carmelo Ferlito, Senior Fellow of Institute for Democracy and Economic Affairs (IDEAS) also mentioned that the affordable housing programmes managed by 20 federal and state agencies were not helping at all in supplying the affordable housing units (Idris, 2017). Kinabatangan MP Datuk Bung Mokhtar mentioned in the New Straits Times, "PR1MA was not carrying out their responsibility to build affordable housing, but building unaffordable housing instead" (Hamid, 2017).

The study by Khazanah Research Institute (KRI) (2015), has identified that housing affordability level in Malaysia has worsened where the housing price in Malaysia was 4.4 times the median annual household income in 2014. According to the global standards, housing price in Malaysia was unaffordable compared to the median income of the population. Housing price can only be considered as "affordable" if the housing price three times the median annual household income (KRI, 2015).

In 2016, Bank Negara Malaysia has reported that based on the international standard of median multiple affordability, the price of affordable housing in Malaysia which RM 313,000 is actually not affordable. The maximum price of affordable housing for Malaysian is actually RM 282,000 (Cheah Su Ling, Stefanie Joan Almeida, Ho Su

Wei, 2017). According to Dr Carmelo Ferlito, senior fellow of the Institute for Democracy and Economic Affairs (IDEAS), only 21% of newly launched of affordable housing were priced below RM250,000 (Idris, 2017).

1.3.2 Uncontrolled housing price that leads to price fluctuations

The drastic increase in housing price has become a burden to Malaysian citizens. The central bank has reported in the quarterly bulletin that, between 2007 until 2016 the housing price increased by 9.8%, while household income only increased by 8.3%. The mismatch between the housing price and household income more severe between 2012 to 2014 due to the percentage of growth in housing price was more than two times the income levels (Malay Mail, 2018b).

Malaysia's residential property market has started to experience high prices since 1995 in several states (Zainal Abidin Hashim, 2010). Almost every year, the residential properties' prices were increased, but disposable income remained constant or reduced further. Khazanah Research Institute (2015) has found that the housing price in Malaysia and the state of Perak was considered "Seriously Unaffordable" as compared to the income of the population in Perak.

However, Malaysia is not the only country faced a drastic increase in housing price. Other economically developed countries such as China, Hong Kong and Korea have also experienced similar issues (Glindiro, Subhanji, Szeto & Zhu, 2011). According to Knoll, Schularick & Steger (2014), housing prices in Australia, Japan, Sweden and more were constant in the 19th to the mid-20th century but were increased sharply in recent decades. High housing price is one of the reasons why owning a house becomes a challenge in Malaysia, especially among younger households.

1.3.3 Mismatch of housing demand and supply

The housing stock in Malaysia was increased by 35% for the past twelve years (Bank Negara Malaysia, 2015). Although the housing stock in Malaysia has faced extensive growth, Malaysia still experiences a shortage of housing supply at the national level. The number of households keeps on increasing and widens the gap between the housing stock and the number of households to 2.5 million units in 2015 from 2.1 million units in 2005 (CBRE Global Research and Consulting, 2014).

Besides, the number of overhang residential properties in Malaysia also has increased by 10% between quarters (Malay Mail, 2018a). The total overhang residential properties in quarter one (Q1) 2017 was 130,690 units, the number increased to 146,497 units within 4 months in Q2 2017. 82% of overhang residential units in Q2 2017 was the housing price above RM 250,000.

Based on the stock of the newly launched residential property has recorded to have only 24% of the housing unit were priced at RM250,000 or below, while the population who could afford to buy the housing unit were 35% (Malay Mail, 2018b). This clearly shown, the deviation in supply and supply of housing unit.

However, Malaysia is not the only country faced a drastic increase in housing price. Other economically developed countries such as China, Hong Kong and Korea have also experienced similar issues (Glindiro, Subhanji, Szeto & Zhu, 2011). According to Knoll, Schularick & Steger (2014), housing prices in Australia, Japan, Sweden and more were constant in the 19th to the mid-20th century but were increased sharply in recent decades. High housing price is one of the reasons why owning a house becomes a challenge in Malaysia, especially among younger households. Lack of enforcement on the development control and process.

1.3.4 Lack of enforcement on the development control and process

Malaysia housing policies are still lacking in many ways which caused a growing shortage of affordable housing (Tong, 2018). Perak Housing Policy, for instance, required the developer to provide; 20% low-cost house, 20% medium cost house and 60% other type of house in every 10-acres of development (Pejabat Tanah dan Galian Perak, 2014), but the developers subdivided their development into piecemeal which was less than 10 acres, to avoid from building low-cost and medium cost house.

Besides, Pejabat Tanah and Galian Perak have found that Perak is lacking in controlling and monitoring of low-cost and affordable housing project which has led the developers to focus more on building high-cost housing (Pejabat Tanah dan Galian Perak, 2016). It was reported by News Strait Times that the developers had submitted a plan for housing development to the local authority, and zoning for affordable and low-cost housing identified in the plan, However, there was no evidence of building a low-cost house in the specified areas (Arumugam, 2018).

Later, it was found that the developers delayed the construction of affordable and low-cost housing for a certain period of time, and after that, the developers would apply for a change of development from low-cost housing to other type of housing (Perak Land and Mineral Office, 2016; Arumugam, 2018). There were also some developers who had requested for exemption from building affordable housing (Arumugam, 2018). According to the new research by Shelter, the legal loophole was the main culprit which allowed developers to build less affordable housing (Fraser, 2017).

1.3.5 Lack of housing database

Malaysia currently has issues in acquiring the supply and demand data such as household income, housing characteristic and housing preference data. This difficulty has hindered the ability to supply data to be tailored effectively to meet the demand of households (Hamid, 2017). Bank Negara Malaysia has mentioned that Malaysia did not have an integrated housing database, which had led to the issue of lacking affordable housing (Idris, 2017).

Besides, the mismatch between the supply and demand of housing units is also due to the lack of housing database. Based on Khazanah Research Institute (2015), an integrated housing database will help the government to provide housing based on the income, price and location of the population. Such information could provide guidance on the housing stock supply to the market and should be involved by the Government and developers to ensure that the way forward of housing development is well informed.

The provision of affordable housing in Malaysia is still fragmented and uncoordinated. From 2013 until 2017, only 255,341 unit of affordable housing were completed by the various agencies (Hamid, 2017). The completed housing units are still below the government target which is to supply one million affordable housing by 2018.

1.4 RESEARCH QUESTIONS

From the problem statements, there are four research questions need to be answered, which are:

1. What is the factor that influences the homebuyers in buying a house?
2. What is the current housing stock and supply in Perak?
3. How efficient the housing policies are in Perak?
4. What are the issues faced by the housing sector in Perak?

1.5 RESEARCH AIM AND OBJECTIVES

1.5.1 Aim

The aim of this research is to identify the issues faced by the homebuyers in Perak.

1.5.2 Objectives

There are several objectives which have been identified from the problem statement. The objectives of this research are:

1. To identify the perspective of homebuyers in buying a house in Perak
2. To analyse the housing supply and housing stock in Perak
3. To assess the efficiency of the housing policies and practices in Perak
4. To provide recommendations on the issues identified in Perak