

*42nd EAROPH REGIONAL SEMINAR
AFFORDABLE HOUSING: FROM NOMADIC LIFE TO CITY LIFE”
ULAAN BAATAR, MONGOLIA,
24TH & 25TH SEPTEMBER 2009*

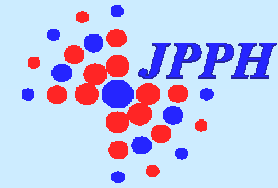
Housing Delivery Framework: A Comparison between Malaysia & South Korea



Dr Zailan Mohd Isa
National Property Information Center (NAPIC)
Jabatan Penilaian & Perkhidmatan Harta
Ministry of Finance Malaysia
(email: zailan@jpph.gov.my)



AGENDA:



1

Introduction

2

Literature Review

3

Background: History of Housing

4

Housing Development Process

5

Housing Finance as a Support Vehicle

6

Sell-Then-Build as a Housing Supply Mechanism

7

Discussion

Introduction

The Malaysian and Korean housing delivery frameworks, the operation of housing delivery system; issues in housing production and consumption; and best practices.

- The aim of this paper is to examine the housing delivery framework that is employed in Malaysia and Korea.
- Within the framework, this paper discusses Housing development process, housing finance and sell-then-build housing delivery system.

Literature Review

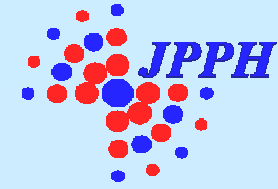


- Housing delivery framework involves housing production or housing supply into the market and the exchange mediums that intervene in the market process and shape supply and demand.

- In the housing production, developers are the main supplier of housing units into the market:
 - They are an agent of change for the physical land use to housing construction;
 - They assemble all the necessary resources and monitor development process completion and sold

- Land and housing markets are dominated by big development firms due to imperfect market arising from restricted market information,

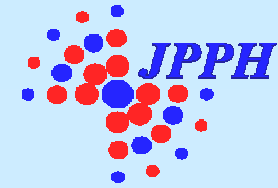
Literature Review



- The exchange mediums in housing delivery are primarily concerned over the government's interventions.
- Government intervenes at various stages of housing provision (Doling, 1999);
 - land assembly,
 - development process;
 - construction,
 - finance and
 - consumption
- The interventions:
 - provide a structure in which a free market operates such as relating to building material, land development, and construction standards.
 - impose constraint on the actions of market players.
 - replace private interest by taking on the roles of developers or builders.



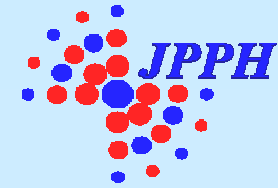
Literature Review



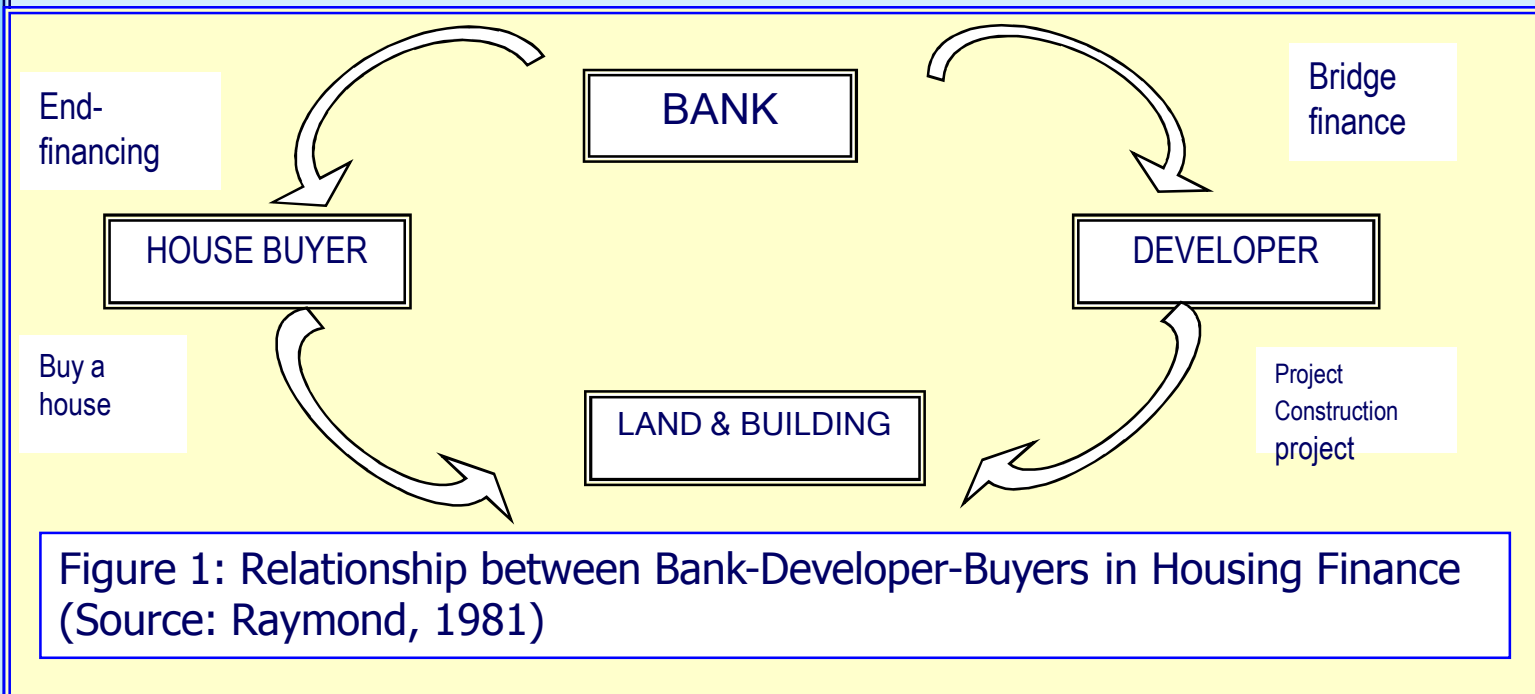
- Housing policies remained the major factor in determining the level of housing investment and improvement in the overall housing conditions.
- Home-ownership policy influence the quantity and composition of housing supply or influence trade-offs that the households make.
- Housing policies influence the housing supply into the market via:
 - planning control on land use and complicated procedures under the development process including land rules.
 - control of land supply for development (see Golland, and Boelhouwer, 2002; Kim, 2002, and Lai and Wang, 1999).



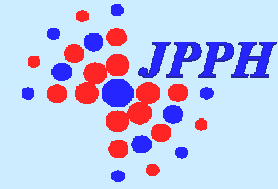
Literature Review



- Housing finance is one of the most essential medium in the housing delivery framework, which shapes housing delivery system in most countries (Tiwari, 2000).
- There exists a bank-developer-house-buyer relationship in housing development (Figure 1).



Literature Review



- The sell-then-build housing delivery translates unique roles of players and risk takers in housing development investment.
 - Bankers as investors in the housing, disburse loan according to the developers' work progress.
 - Developers transfer some of the project finance and risks to buyers upon receiving the initial deposits and staged payments on the work progress.
 - Buyers shoulder project finance and risks although they are consumers in housing production.
- The finance is utilised to supplement the upfront funding of a project such as land cost, preliminary expenses and costs of construction.
- The amount of finance required varies depending on the developer's financial strength, which generally represents 30% to 35% of the total construction costs and the repayment period is normally depending upon the proposed completion date of the project (Esha and Musa, 2006).

The Background: History of Housing



Malaysia
<ul style="list-style-type: none"> ▪ The country experienced a period of rapid economic growth, which resulted in rapid urbanization and population growth as well as industrialization process <ul style="list-style-type: none"> - Between 1970-2005, the average population annual growth was 2.8%; - In 2000, more than 60 percent of the population resided in the urban areas. ▪ Housing demand & production of mass housing were created by: <ul style="list-style-type: none"> - Acute housing needs among the low and middle-income groups in these urban areas. - Changing in household incomes, structure and preferences, and for property investment;

Korea
<ul style="list-style-type: none"> ▪ The country experienced rapid urbanization in the Seoul Capital Region and industrialisation and economic growth where industrial new towns and industry-based-cities emerged during the 1960-1970s' periods. ▪ Government started to mass public housing in the 1960s and develop new towns in the 1990s due to the following problems in Seoul: <ul style="list-style-type: none"> - The problems of housing shortage, - rapid increased of house prices & - homelessness among people

The Background: History of Housing



Malaysia

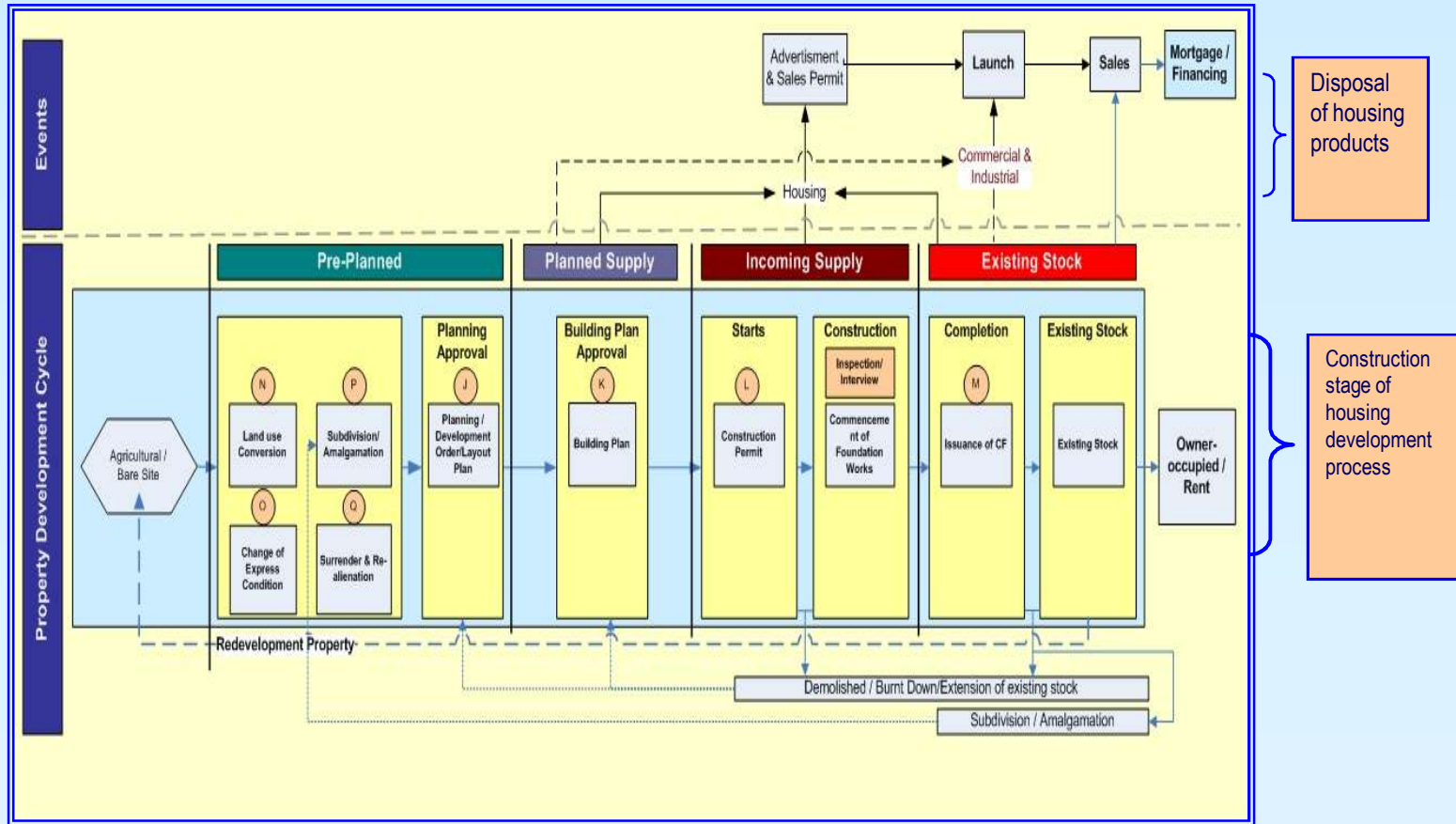
- During the period, there was inadequate financial infrastructure to support for the production and consumption of housing.
- As housing is a basic need, there emerged the pre-sales arrangements between developers and house buyers, where houses were sold in advance of completion and monies collected progressively at every stage of construction.
- Thus, the current sell-then-build housing delivery system is largely influenced by this housing finance.

Korea

- To accommodate massive housing construction the government took the following measures:
 - increase supply of developable land by rezoned large areas of rural land as residential plots to be developed by public sector agencies such as the Korea Land Corporation, Korea Housing Corporation, and Local Governments.
 - injection of funds to increase the supply of housing finance to prospective home-buyers, and making regulatory adjustments to make housing production more profitable to house builders .
- To address financing issue, house-builders began to institute the pre-construction sales system in the 1960s.

Housing Development Process

- Housing development process involves two aspects of physical development and disposal of housing products into the market.



Housing Development Process: JPPH

1. Physical Construction



Malaysia	Korea
<ul style="list-style-type: none"> ▪ Housing development begins with land conversion and subdivision processes of agriculture land for new housing development. ▪ Land-use planning is as a development control tool to checks urban sprawl and preserves neighbourhood values ▪ The processes are resulted from the interplay of decision-making by various agents; <ul style="list-style-type: none"> - land owners, - developers and - government agencies. ▪ Private developers are involved in both small scale as well as township development. 	<ul style="list-style-type: none"> ▪ Land conversion for development involves land-use planning but mostly undertaken by the government as the major supplier of developable land particularly for large scale development: ▪ Korea Land Corporation, Korea Housing Corporation and Local Governments purchase sizeable tracts of raw land at appraisal prices, service them with infrastructures and have them rezoned as residential and commercial sites. <ul style="list-style-type: none"> - Developable lands are sold to private developers/house-builders via open tenders. - House-builders construct housing units in accordanceto government plans. - They pay higher prices because the government finances the infrastructure investment such as schools, roads etc..

Housing Development Process:

2. disposal of housing products into the market for sales



Malaysia

- Developers launch their housing products upon getting developer's permit from the Ministry of Housing and Local Government.
- The developer then, applies for advertisement and sales permit from the Local Government where the housing development is located.
- The housing products are put into the market at various stages of development; i.e. vacant housing plot after getting building plan approvals; during the construction stage; and after construction completed and the buildings are ready for occupation.

Korea

- Housing units are launched for pre-sales upon obtaining development plan and building plan approvals from relevant authorities.
- After purchasing developable land, it would take another 65 weeks (on average) to obtain necessary development approval before the project is approved for presale.
- The development plan review has to undergo a scrutiny of 20 - 25 offices.
- An independent project supervisor would be designated to manage the proposed project after the development is approved by the government.

Housing Development Process

- Therefore, governments are involved in all aspects of housing development process from land assembly, development, construction till housing consumption in both countries.
 - Malaysian developers convert and sub-divide agriculture land to residential land-use for housing development. They also have to finance the infrastructure investment including roads, drains and other amenities together with housing construction.
 - Korean developers purchase developable land from government agencies. Such lands are under residential land-use and with infrastructure facilities.



Housing Development Process

- To obtain development plan and building plan approvals, developers from both countries face similar situation of going through various authorities.
 - There is a time-frame of 65 weeks (12 months) for such approvals to be obtained in Korea.
 - In Malaysia, time taken for such approvals depend upon the size of development, which may be from six to 24 months and can also take five years.
- Then, upon getting appropriate approvals, both developers can launched their products for sales.



Housing Finance as a Support Vehicle

- Housing finance is recognised as a support vehicle in the housing delivery system both at macro and micro levels (Tiwari, 2000).



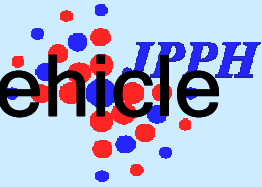
Malaysia

- At the macro-level of housing finance, there is a negative relationship between government spending and economic growth in Malaysia (Krisnan, 2005).
- This means the government increases spending during poor economic condition to boost the economy.
 - E.g. to cushion off the negative effect of global economic downturn, the government introduced counter-cyclical policy to adjust for the economic situation

Korea

- The government intervention in housing finance went beyond the interest rates and the move was mainly to combat inflation.
- The government introduced National Housing Fund to finance new housing
 - The market changed with increase in the size of primary market, more diverse housing products and expansion loan-to-value ratio.
 - Commercial banks and life insurance companies expanded their mortgage supply, resulting in widely availability of home mortgage.

Housing Finance as a Support Vehicle



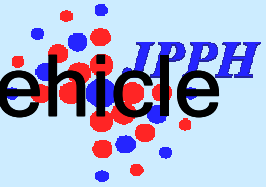
Malaysia

- At the same time, there is a positive interaction between commercial banks and economic growth. Such relationship has to be taken into account when making policy decisions due to its implications on development policies.
- Hence, while the interaction between commercial banks and economic growth is positive, the interaction between government spending and economic growth is otherwise.

Korea

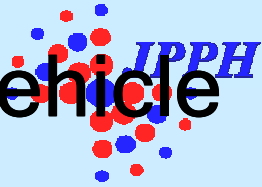
- The improvement in the overall housing conditions resulted in housing becoming more affordable during the 1990s (except in Seoul).
- Following the 1997 Asian financial crisis, the Korean housing market was driven by the low interest rates and increases in the volume of liquidity in the banking system.
- The large volume of liquidity was because of expansion of mortgages and home equity loans, which were due to lower demand for corporate loans as a result of improved finance through restructuring.

Housing Finance as a Support Vehicle



- At the micro-level, housing development is financed from two sources namely:
 - bridging or project finance for the site and building construction by developers and contractors and
 - end-financing or mortgage or consumer finance for the purchase of housing units by buyers.
- In Korea there is a distinction between project finance, construction finance and mortgage finance.
- Since both countries adopt sell-then-build system, project financing is highly dependant on the consumer-generated fund from initial deposits and progress payments.

Housing Finance as a Support Vehicle



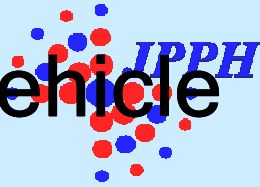
Malaysia	Korea
<ul style="list-style-type: none"> ▪ Banks provide project financial facilities based on: <ul style="list-style-type: none"> - types of developer - characteristics of land to be developed and - economic feasibility of the proposed housing development ▪ There are three types of developers namely: <ul style="list-style-type: none"> - Public Listed Development firm, - Medium Sized Pocket Developers - Small Sized Pocket Developers. 	<ul style="list-style-type: none"> ▪ There are four types of project finance: <ul style="list-style-type: none"> - Loans, - Project Finance Asset Backed Securitisation, - Project Finance Asset Backed Commercial Papers and - Funds. ▪ Loans for project finance are the basic form of financing housing projects where guarantee of funds is by way of future cash flow. ▪ Project Finance Asset Backed Securitisation is to raise capital by issuing Asset Backed Securitisation to generate liquidity of the required capital for the development project.

Housing Finance as a Support Vehicle



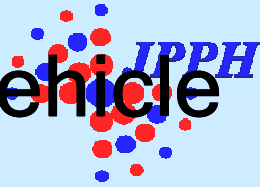
Malaysia	Korea
<ul style="list-style-type: none"> • Public Listed Development Firms have land bank and seldom borrow from banks because they issue bonds to fund their development projects. • Medium Sized Pocket developers: <ul style="list-style-type: none"> • banks are willing to provide financial facilities if they meet some break-even sales. • seldom finance their development projects because their capital outlays are low : • use joint venture with landowners to acquire land . • When they launched housing units for sales, they collect 10% deposits from house buyers. 	<ul style="list-style-type: none"> ▪ There are four types of project finance: <ul style="list-style-type: none"> - loans, - Project Finance Asset Backed Securitisation, - Project Finance Asset Backed Commercial Papers and - Funds. ▪ Loans for project finance are the basic form of financing housing projects where guarantee of funds is by way of future cash flow. ▪ Project Finance Asset Backed Securitisation is to raise capital by issuing Asset Backed Securitisation to generate liquidity of the required capital for the development project.

Housing Finance as a Support Vehicle



Malaysia	Korea
<ul style="list-style-type: none"> • When they started site works and proceeded to building construction, they use suppliers' money to pay for building materials.. • If they have to borrow to purchase land, they have to launch their housing units for sales in phases to manage their cash flow. • They depend critically on progress payments from buyers to finance the projects especially the initial 10 percent deposits to start-off site works. In such cases, effective and efficient project management is crucial in determining the success of the development. 	<ul style="list-style-type: none"> ▪ Project Finance Asset Backed Commercial Papers is the most popular mode of project finance in the market. This project finance loan is converted to company papers making security liquidated for usage. ▪ Fund financing is a Real Estate Fund, where a form of Real Estate Investment Trust (REIT) is created and loans are made directly to the specific housing development project. ▪ With the issuance of securities, risk management is exercised via the construction company credit reinforcement, the construction completion guarantee, the property guarantee and other guarantees.

Housing Finance as a Support Vehicle



Malaysia	Korea
<ul style="list-style-type: none"> Small Sized Pocket Developers operate housing development in a similar manner as the Medium Sized Pocket Developers. The cost of borrowing among these developers is low if they adopt joint venture method with landowners for development and use credit to pay for building materials from their suppliers. 	<ul style="list-style-type: none"> When project finance is approved, the project terms and conditions need to be settled such as interest rates and loan coverage with respect to a certain percentage of land and construction costs. The financial institution will stipulate conditions for the construction company and the method for credit reinforcement. When pre-sale of the housing units began: <ul style="list-style-type: none"> the payment collected will be used to settle construction costs and the project finance. If the sales are slow or small in numbers, the loan may need to be refinanced or restructured. Upon completion of the project, the business venture between the business partners; the developer, the construction company and the financial institution is completed.

Housing Finance as a Support Vehicle

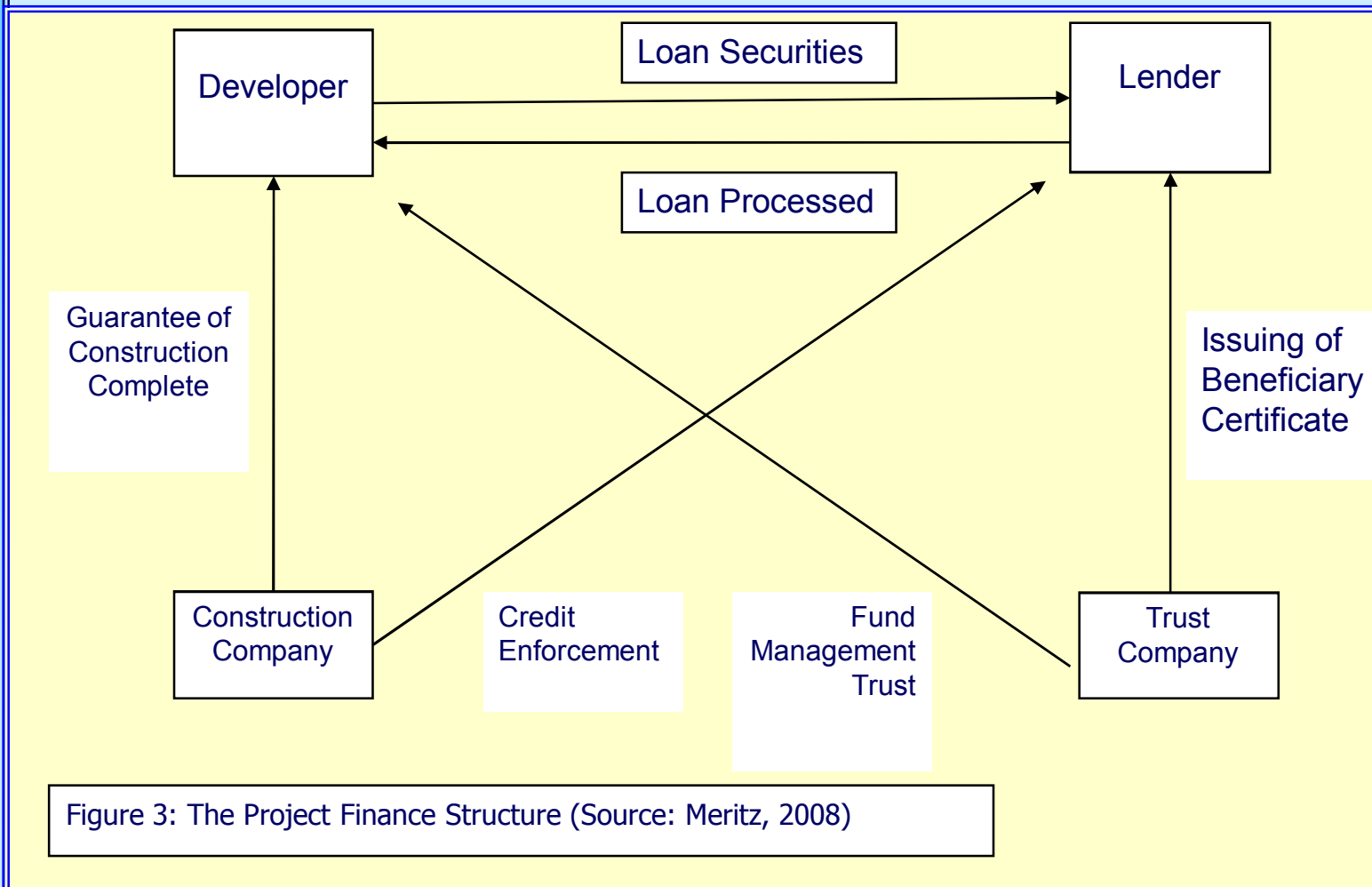
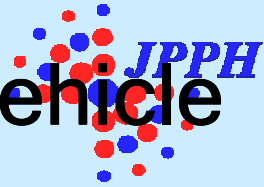


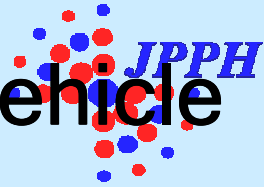
Figure 3: The Project Finance Structure (Source: Meritz, 2008)

Housing Finance as a Support Vehicle



Malaysia	Korea
<ul style="list-style-type: none"> The availability of consumer finance for the housing purchase together with attractive financial packages drove the housing market in the past years. This is partly due to the support for the government home ownership policy. Hence, any changes in the structure or delivery of mortgage finance would give direct impact on the overall housing market. The consumer finance is the most important factor is the affordability levels of the borrowers. Banks assess the income level of the applicants together with their other finance commitments. 	<ul style="list-style-type: none"> Banks provide mortgage finance only when the housing unit is completed with the title, which is used as collateral. Buyers have to finance the purchase during the construction stage with their own funds or from other source of finance. Banks seldom lend during the construction stage unless: <ul style="list-style-type: none"> There is an implicit credit guarantee by the construction company; in which case the construction companies also provide credit guarantee on behalf of the developer. During the slow market, house-builders particularly MNCs may offer low or interest free loans to buyers to finance the purchase in lieu of construction finance.

Housing Finance as a Support Vehicle



Malaysia	Korea
<ul style="list-style-type: none"> • The monies are released via progress payments under the sell-then-build system through the Housing Development Account. <ul style="list-style-type: none"> - Banks are responsible for the operating of the Housing Development Account and releasing of money in accordance to the construction progress as stipulated in Sales and Purchase agreement. - Developers utilise these payment to finance development project. It has to be noted that the 10 percent deposits are based on the development value of the project. 	<ul style="list-style-type: none"> ▪ If housing development projects financed by the National Housing Fund, the loans are transferred from the house builders to the buyers i.e. an interim-financing and once sales take place, the buyers carry the loans on a long-term basis, with the purchased units mortgaged. <ul style="list-style-type: none"> - The imposed interest rate is lower than the market rate of 10 percent and the payment term is over 20-years period. - The graduated monthly payment method was devised to ease the financial burden on the part of the low and middle-income families for the first few years. ▪ The National Housing Loan is to fund housing purchase when purchasing a public housing unit whilst Korea Housing Bank loans are for those purchasing privately built housing units.

Housing Finance as a Support Vehicle



- In the Korean context, a person has to have substantial saving to purchase a house as housing supply is limited and the price is high.
- There is a requisite for potential buyers to save in the bank's housing fund-raising or Housing Subscription Savings Scheme to be eligible to purchase newly built condominium units.
 - The National Housing Subscription Saving Deposit holders are entitled for new public housing units whilst,
 - Housing Subscription Time Deposit and Housing Instalment Saving Deposit holders are eligible for new units in private development.
- Prospective purchaser of the National Housing Fund-financed housing unit must subscribe to the National Housing Subscription Saving Deposit until he is selected as a purchaser.

Sell-Then-Build as a Housing Supply Mechanism



Malaysia	Korea
<ul style="list-style-type: none"> • A potential buyer makes a booking and pays: <ul style="list-style-type: none"> • 10 percent of the sales price upon signing of the Sales & Purchase agreement for the purchase of a house. • 85% progress payment via bank loan to finance his purchase • The final 5% upon delivery of the completed building • Bank is responsible for the operating of Housing Development Account. Money from the account is released in accordance to the construction progress as stipulated in the sales and purchase agreement and upon certification by the architect according to the construction stages. 	<ul style="list-style-type: none"> ▪ Potential buyers are eligible to buy housing units after having substantial savings with a bank's housing fund-raising or the Housing Subscription Savings Scheme. ▪ A buyer has to pay: <ul style="list-style-type: none"> - A 20 % deposit upon signing of the sale and purchase agreement - Subsequent 60% payments over the next two-three years while the housing unit (apartment) is under construction. - The final 20% payment when the building is completed and occupied.

Sell-Then-Build as a Housing Supply Mechanism



Malaysia	Korea
<ul style="list-style-type: none">Purchasers finance development projects once the sales and purchase agreement are signed although the buildings are yet to be completed, delivered and occupied.	<ul style="list-style-type: none">However, although developers collect progress payments, these payments do not come from the purchaser's end-financing as in Malaysia.Purchaser can only utilise the 20 percent of end-financing upon completion of the housing unit and issuance of the title.As mentioned, the buyer has to finance his purchase during construction stage from other means or savings.

Sell-Then-Build as a Housing Supply Mechanism



- For decades, the sell-then-build system manages to deliver houses to meet the housing needs in Malaysia.

Table 1: PUBLIC AND PRIVATE SECTOR HOUSING PROGRAMMES TARGET AND PERFORMANCE 1971-2005

AGENCY	Third M'sia Plan (1976-1980)		Fourth M'sia Plan (1981-1985)		Fifth M'sia Plan (1986-1990)		Sixth M'sia Plan (1991-1995)		Seventh M'sia Plan (1996-2000)		Eight M'sia Plan (2001-2005)		Ninth M'sia Plan (2006-2010)	
	Targeted	Completed	Targeted	Completed	Targeted	Completed	Targeted	Completed	Targeted	Completed	Targeted	Completed	Targeted	Completed
PUBLIC SECTOR														
1. Public low-cost housing	62,200	26,250	176,500	72,302	45,800	26,172	40,000	15,376	64,000	62,812	191,000	91,124	87,000	
2. Housing in land schemes	60,000	36,770	110,010	36,112	57,500	32,056	56,100	8,075	9,300	7,188	3,000	6,420	5,000	
3. Institutional Quarters & other staff accommodation	41,300	20,560	58,500	23,258	27,000	11,284	32,600	18,776	102,700	12,015	62,000	43,620	48,400	
4. SEDC'S Projects & other state projects/ medium and high-cost housing	57,300	37,930	53,560	58,373	18,700	27,614	45,315	42,315	54,000	39,609	56,000	47,505	57,405	
Sub-Total	220,800	121,510	398,570	190,045	149,000	97,126	174,015	84,542	230,000	121,624	312,000	188,669	197,805	
PRIVATE SECTOR														
1. Private Developers	100,000	199,490	-	-	-	-	-	-	-	-	-	-	-	-
* Low-cost housing	-	-	90,000	22,794	370,400	88,877	215,700	212,003	137,000	127,514	39,000	94,029	77,700	
* Medium & high-cost housing	-	-	259,470	79,005	169,600	107,442	170,700	339,610	418,000	596,639	250,000	538,194	414,895	
2. Co-operative Societies	12,000	4,120	25,260	5,474	12,500	7,483	12,600	11,305	15,000	13,703	14,000	23,151	19,000	
3. Individuals and Groups	150,000	159,070	150,000	94,660	-	-	-	-	-	-	-	-	-	
Sub-Total	262,000	362,680	524,730	201,933	552,500	203,802	399,000	562,918	570,000	737,856	303,000	655,374	511,595	
TOTAL	482,800	484,190	923,300	391,978	701,500	300,928	573,015	647,460	800,000	859,480	615,000	844,043	709,400	

Source: Third Malaysia Plan (1976), Fourth Malaysia Plan (1981), Fifth Malaysia Plan (1986), Sixth Malaysia Plan (1991), Seventh Malaysia Plan (1996), Eight Malaysia Plan (2000) and Ninth Malaysia Plan (2005)

Sell-Then-Build as a Housing Supply Mechanism



- Housing construction in Korea is undertaken in according to the Housing National Supply Plan.

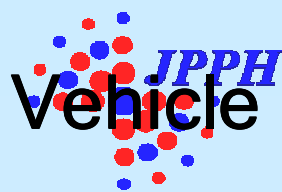


Table 2: Housing Construction in Korea 2000-2005

Year	Total (units)	Public (units)	% Share	Private (units)	% Share
2000	433,488	140,261	32.4	293,227	67.6
2001	529,854	127,927	24.1	401,927	75.9
2002	666,541	123,730	18.6	542,811	81.4
2003	585,382	120,522	20.6	464,860	79.4
2004	463,800	123,991	26.7	339,809	73.3
2005	463,641	140,978	30.4	322,663	69.6
Total	3,142,706	777,409	24.3	2,365,297	75.7
Average Construction	523,784	129,568	25.5	394,216	74.5
Target	500,000 p.a.				

(Source: Ministry of Land, Transport and Maritime Affairs, 2006)



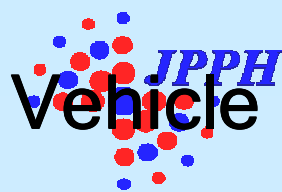


Sell-Then-Build as a Housing Supply Vehicle



Malaysia	Korea
<ul style="list-style-type: none">• However, at the micro-level, the system seems to give less protection to the buyers in Malaysia. In the events of any project failure and abandoned scheme, the buyers are the one that sustained losses.• Developers and bankers are profit makers in the development investment, which reckon them to shoulder the development risks. While buyers are consumers in the housing delivery system, so they should be protected from any development risks.	<ul style="list-style-type: none">▪ The Korean system adopts guarantee delivery of housing to the buyers by employing Housing Guarantee System.▪ The guarantee system:<ul style="list-style-type: none">- protects the house buyers in the event of project failure such as the building contractors went bankrupt before completing the housing project against development risks;- facilitates construction work by helping building contractors conducts their business.



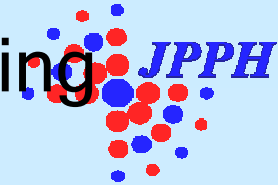


Sell-Then-Build as a Housing Supply Vehicle



Malaysia	Korea
<ul style="list-style-type: none">The initial 10% deposit is based on the development value of the housing project. Buyers paid the amount even before the foundation costs incurred during the construction phase. This indicates that buyers finance housing development projects up-front before construction starts. .	<ul style="list-style-type: none">The Korea Housing Guarantee Co. Ltd. operates as a specialized housing finance company, which offers all types of guarantee services related to housing construction. For example the company guarantees for housing completion, completion of multipurpose builders, rental dwellings, rental deposits, project financing, union housing completion, and repair compensation

New Initiatives in the Malaysian Housing Delivery System



- In 2007, the Malaysian government had taken further steps to improve the housing delivery system by expanding the role of the current one-stop centre (KPKT, 2007).
 - Replace the Local Council Planning, Development and Building Committee at the local authority level.
 - Empower the committee to make decisions through regular meetings; .
 - Processes development applications simultaneously and systematically.
- The Committee is headed by Local Council President and comprising various other technical department officers.

New Initiatives in the Malaysian Housing Delivery System



- Hence, the time taken to approve construction projects would be shortened from five years to six months. Approvals for selected projects including build-then-sell housing development would be given within four months.
- The shortening of period is to enhance business efficiency and facilitate housing development.
- Speedier approvals would lead to lower holding costs, translating into better efficiency of capital investment.

New Initiatives in the Malaysian Housing Delivery System



- Government encourages developers to delivery houses into the market using the build-then-sell system to protect the house-buyers and support the whole housing delivery.
- Under the the build-then-sell system developers and bankers have to bear the overall development risks as they are investors. Thus,
 - They have to understand the housing market before embarking into any development;
 - They would be cautious into committing speculative projects;
 - developers are to re-engineer their business operation of project development.
- In a long run, the housing development industry is:
 - expected to filter out the bad developers from the industry.
 - anticipated to be self-regulated;

New Initiatives in the Malaysian Housing Delivery System



- The government provides incentives to developers who opt for the build-then-sell system in their housing development.
 - exemption of the RM250,000 deposit fee for housing development license.
 - full release from the 30-percent low-cost housing construction quota (or public housing) as required under the current practice.
- Together, developers are also encouraged to build medium-cost houses for the industry.

Discussion on Issues and Best Practices



- The pre-plan sales arrangement has effectively supplied housing units into the market surpassed the targeted numbers for more than three decades in Malaysia & Korea.
- However, the functioning of the system in these countries differs.
 - In Korea, the interest of buyers as a consumer in housing investment is well taken care under the Housing Guarantee System:
 - In Malaysia, buyers are facing with the problems of non-performing developments, project failure and financial risks.



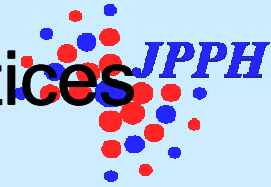
Discussion on Issues and Best Practices

Table 3: Non-Performing Developments and Complaints from House Buyers

		2002	2003	2004	2005
Total projects		151	187	212	245
Total numbers of buyers		28,550	33,772	37,810	38,315
Category	Types of Complaints	% - (Numbers)	% - (Numbers)	% - (Numbers)	% - (Numbers)
Timeliness delivery					
1	Late issue of certificate of fitness (CFOs)	14% (3997)	13% (4390)	15% (5672)	12% (4598)
2	Late delivery	13% (3711)	15% (5066)	12% (4537)	14% (5364)
Non-delivery of housing units		6% (1613)	10% (3377)	9% (3403)	11% (4215)
Quality housing					
1	Shoddy workmanship & defects	11% (3141)	7% (2364)	9% (3403)	7% (2682)
2	Non-adherence to building plans	7% (1998)	4% (1351)	3% (1134)	1% (383)
Others					
	Ownership issues – strata title	27% (7709)	28% (9456)	29% (10964)	29% (11111)
	Infrastructure	3% (857)	4% (1351)	2% (756)	1% (383)
	Management and maintenance	19% (5425)	18% (6079)	21% (7940)	23% (8812)

Source: House Buyer Association, 2006)

Discussion on Issues and Best Practices



- Malaysia had introduced new initiatives such as strengthening the role of one-stop centre to improve development approval process and encouragement for 'build-then-sell' system to protect the buyers in early 2007.
 - Even so, positive outcomes from these initiatives are yet to be realised.
- Perhaps, the housing guarantee system that is employed in Korea would be an effective solution to address this issue.



DISCUSSION ON ISSUES AND BEST PRACTICES



- Malaysia adopts accommodative housing finance to facilitate housing production and consumptions in a low interest rate environment. This approach had since support the housing demand by making housing affordable to larger citizens.
 - However, the operating of Housing Developer Account in the banking system needs to be improved to be effective.
- The employment of counter-cyclical policy during the 1997 Asian Finance crisis and 2008 economic downturn to adjust for the economic situation and implementation of fiscal and monetary measures to strengthen the banking system had sustained housing performance even during slow markets.



DISCUSSION ON ISSUES AND BEST PRACTICES



- In Korea, the government can effectively facilitate housing production and infrastructure investment. via:
 - Investing in the preparation of infrastructure and public amenity;
 - the development land release is transparent in the terms of location, size and type of housing development as well as price range of the housing products.
- Hence, the developers and house-builders are able to concentrate on housing construction.
- Perhaps, Malaysia can adopt this approach in the supplying land for development.

CONCLUSION

- In delivery housing for the citizen, both the Malaysian and Korean governments adopt pre-plan sales arrangement, which commonly known as 'sell-then-build' system in Malaysia.
- The system was established as a form of housing finance for production and consumption in an environment of inadequate financial infrastructure in the earlier years.
- There are best practices in Malaysia and Korea that can be shared with other countries insupplying housing into the market and demand by the citizens.
- At the same, there are problems in both countries that the other countries have to avoid for effective housing delivery



REFERENCE:



- Esha, Z. and Musa Z. N. (2006), *"Strategies To Prevent Mid-Stream Abandonment Of Housing Projects In Malaysia"*, Journal Of Valuation And Property Services, Vol. 6, No. 1
- Bather, N. (1976), "The Speculative Residential Developer and Urban Growth", Geography Paper 47, University of Reading
- Department of Statistics, Malaysia (2005), *"Year Book of Statistics Malaysia"*, Kuala Lumpur
- Doling, J. (1999), *"Housing Policies and the Little Tigers: How Do They Compare with Other Industrialised Countries?"* Housing Studies, Vol.14, No.2.
- Drewett, R. (1973), "The Developers: Decision Processes. Cutting the Containment of Urban England (Hall, P. et al., eds.)", 2: London
- Grange, A. L. And Pretorius, F. (2000), "Ontology, Policy And The Market: Trends To Home-Ownership In Hong Kong", Urban Studies, Vol. 37, No. 9.
- Ismail, R. and Mohd Isa, Z. (2006), "Real Estate Lending and the Economy: The Case of Malaysia", Sharjah Urban Planning Symposium 8, Sharjah, United Arab Emirate (UAE)
- Kementerian Perumahan dan Kerajaan Tempatan (2007) Buku Panduan: Penambahanbaikan Sistem Penyampaian Prosedur dan Proses Cadangan Pemajuan*, Kuala Lumpur
- Kim, K. H. (1997), "Government Intervention and Performance of the Housing Sector in Korea", paper presented at the international seminar on housing policy, Seoul
- Kim, K. H. (2002), *"The Impact of Government Intervention on Housing Markets in Korea"*, Asres-AREUEA Joint International Conference, Seoul.
- Kim, K. H. (2004), *"Housing and the Korean Economy"*, Journal of Housing Economics 13 (2004)
- Krishnan, B. (2005), "Private Sector Financing on Economic Growth in Malaysia: Results from the Bounds Test", Journal of Academy of Business and Economics.
- Lai, N. & Wang, K. (1999), "Land Supply, Restriction, Developer Strategies and Housing Policies: The Case of Hong Kong", International Real Estate Review 1999, Vol. 2 No. 1:
- Mohd Isa, Z. (2007), "10:90 Concept: The Findings of the BTS Committee of the ISM, Malaysia", paper presented at the Build-Then-Sell: The Way Forward Seminar, Kuala Lumpur.
- Raymond, P. N. (1981), "Fundamentals of Managerial Finance", in Esha, and Musa (2006),
- Tiwari, P. (2000), "Housing Demand In Tokyo", International Real Estate Review, Vol.3, No.1
- Yusoff, N. (2007), *"Pemaju Swasta Dan Perumahan Kos Rendah"*, University Sains Malaysia, Pulau Pinang

Thank you

Dr Zailan Mohd Isa
National Property Information Center (NAPIC)
Jabatan Penilaian & Perkhidmatan Harta
Ministry of Finance Malaysia
(email: zailan@jpph.gov.my)
Web site: www.jpph.gov.my

