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Housing Issues: A Study of Hulu Selangor District Council

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Abstract

Currently, the issue of housing is no more the new issues. Not just happened in state but also developed country still facing the same problem. The occurrence of housing problem in certain area can lead to many problems such as the decrease in tax collection as happened to Majlis Daerah Hulu Selangor till awarded “Anugerah Penyapu” because of the lowest rank in tax collection. Methodology employed in this study is through interviewing and self-administered questionnaires. The main objectives of this study to identify the main issues of housing and the factors that creates the issues of housing development in MDHS.

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1. Introduction

Over the past two years, the House Buyers' Association (HBA) has observed what has been happening to the industry and has realized that there are issues that still need to be addressed for the betterment of the industry. Malaysia has made great strides in meeting the basic needs of its citizens in relations to housing. The housing problems in Malaysia are not only due to the rapid population growth but also the country's prosperity and progress (www.hba.org.my).

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The government faces great pressure to provide housing especially affordable housing for the lower income groups. Under its various development plans, the government has strongly embarked on numerous housing programmes both in the rural and urban areas with the aim of making Malaysia a home owning society. Based on the current theoretical framework with respect to housing studies, debates on housing in Malaysia should ideally be concerned with the three main issues of consumption, exchange and production in the owner-occupation sector of the low-cost housing sub-markets. But the literature indicates that generally the difficulties in consumption sphere have been regarded as the main housing problem (Morshidi Sirat, 1999). One important aspect of housing consumption is housing affordability. In Malaysia, housing finance policies have been introduced and implemented in order to tackle problems relating to housing affordability. But unfortunately little has been done in respect to house price stabilization measures (UNCHS, 1996).

In so far as the exchange issue is concerned, not much has been done with respect to the workings of the housing market in terms of the demand, supply and house prices (Morshidi Sirat, 1999). However, from time to time, predictors of house price changes and supply shortages are identified. The difficulties in both the consumption and trade spheres should not cast a shadow over the importance of the production sphere. Production and subsequent delivery of houses in terms of volume and price affordability need to be examined with respect to government's regulatory and legal structures and financing issues, among other things (UNCHS, 1996).

Affordability problems in connection with owner occupation appear to have been brought by rapidly rising house prices in urban industrial centres of the country. Policy makers at the national level view that housing affordability should be an urgent element in the national housing policy agenda. However, while talk of housing affordability among policy makers is plentiful and widely reported, a precise definition of housing affordability is at best ambiguous (Morshidi Sirat, 1999). The main objective of proposed study is to acquire knowledge and to know issues of housing industry in Majlis Daerah Hulu Selangor.

2. Literature Review

Every day one can read in newspapers or magazines about the problems associated with the development of housing market. Some articles write about constantly growing property value, others describe a vicious policy of the state, hampering the development of construction and housing market. Some call this price rise a bubble or nonsense, while others provide weighty arguments trying to explain price variation.

2.1 Issues on Housing

Commonly, the issues that always raised in housing constructions are the high price of the house, the too bureaucratic procedures with policy and legalities, in term of locations and also for the consumption where sometimes there's a situation where there is a demand but shortage of supply and vice versa. So for the beginning we look into the price issue.

2.1.1. Price

A sharp rise in housing prices can be observed in most rapidly developing countries (Hui and Yue, 2006). Their markets are very attractive to investors. When housing prices sharply rise, investors start fixing the profit, the offer is growing and this can lead to market stagnation or even recession. Not only the developing countries, but a number of highly developed countries, such as Japan (Hirayama, 2005), Sweden (Turner, 1997), Spain (Fernandez-Kranz and Hon, 2006), the USA (Belke and Wiedmann, 2005)

and others, experienced a sharp rise of housing prices and the subsequent market recession. This may be associated with globalization of financial markets which strongly affects real estate market, causing its cycling fluctuations (Galiniene, et al., 2006). Housing prices in Malaysia have been rising since 70s. The last drop in prices was caused by the financial crisis in 1998. Naturally, when the prices are rising, more and more companies, having nothing in common with real estate market, start developing housing projects because they see that a market imbalance is favourable for property owners and sellers. Sometimes, such companies even discontinue their former activities to concentrate on the development of housing projects. In some cases, housing projects are being developed without licenses or when master or detail plans have not been approved and the projects have not been discussed with residents. This causes a lot of problems. Besides, not all companies are financially stable to undertake such projects, and the problem of their reliability arises. To assess the financial state and reliability of companies, their financial indices, reflecting the actual situation, are determined (Hsieh and Wang, 2001). The timely analysis of the financial indices can reveal the financial difficulties of a company and even the threat of bankruptcy (Beaver et al., 2005).

2.1.2. Housing Policy/Legalities

The second issue is in term of the policy and legalities that's so many procedures and regulations especially when dealing with the local government. For this purpose, the local government has to answer the question "What is the best policy?" The best policy is supposedly should be the attempt to improve the situation of the not-so-well-off situation as proposed by Apgar (1990). Although Apgar's conclusion leans toward supply side subsidies, he emphasizes that the answer depends on the situation in the local housing market. It does not provide a complete answer. A welfare analysis of different housing policies would have to treat their effects on affordability, the size and quality of the housing stock and the distribution of the housing stock. Subsidies and targeted interventions in local housing markets can improve the circumstances of the households to whom they are allocated. However, such programs will also affect the situation of others through the effects upon market equilibrium.

2.1.3. Housing Location

How do people select housing and a residential location? In attempting to respond to this question it could take one of several approaches. Certainly the most formal approach mathematically and perhaps the best developed theories of residential location are those from micro-economics. In this theory, housing is but one good consumed by households located at specific distance from the center of the city or place of unemployment. This model has been extensively developed since the early pioneering work of Muth, Alonson and Mills. They attempt to replicate the pattern of residential land use in urban areas based on the assumption that households trade off housing against other goods and both against accessibility to the city center. This model incorporates classical economic concepts on the behavior of consumers that they are rational humans who know their preferences and attempt to optimize their net benefit in selecting a residential location. The principal measure of housing demand is income and the preferences expressed by households through their respective indifference curves. In this context, housing essentially becomes a derived demand, i.e., the household consumes land (the size of the residential parcel) and a location (or distance- in time and money costs) according to its relative preferences for space, accessibility and all other non housing goods including leisure time. So we can assumed that households will choose a location such that the marginal savings in their payments for housing obtained by moving an additional unit of distance from their centrally-located workplace will be exactly offset by the increase charges for transportation to that workplace. If those latter costs are assumed to be of lesser importance relative to

housing as household income increases then the wealthy will tend to live on the periphery and if the reverse is the case, they will tend to live nearer to the city center with the poor on the periphery.

2.1.4. Housing Affordability

It is possible to extract stylized facts about the patterns and trends in rental housing affordability. It can be drawn with some confidence about the national scope of the problem and its distribution by income, using reported pre-tax incomes and gross rents as the variables used to calculate affordability. These are not intended to be inclusive but instead to illustrate some of the broad conclusions that can be drawn from existing measures. According to the House Buyers Association (HBA), it takes more than 30 percent of full-time minimum wage earnings to cover the modest two-bedroom apartment everywhere in the country. It can be argued that public discourse about how much of the government's scarce resources to allocate to rental housing assistance and how to target it are reasonably well served by our conventional measures. Deviations in precise estimates notwithstanding, millions of households are effected, and the poor predictably suffer most. Certainly, the statistics convey a sense of how widespread and serious the housing affordability problems facing the nation have become (Mike Berry, 2007).

2.1.5. Consumption- Demand & Supply

Issues on consumption also become one of the big issues since sometimes the government has to face problems with the shortage of demand with high supply and vice versa. There were concerns that house prices might collapse. One big difference between then and now, however, is the basis for those concerns. Prices and quantities in housing markets are determined by the interaction of the construction sector (the supply side) with households (the demand side). Key variables governing the supply of new housing include prices, the costs of construction materials and land, the cost of financing, and the amount of undercoated housing stock. Similarly, key variables governing the quantity of housing include prices, the level of mortgage rates, expectations of permanent income or wealth, rates of return on other investments, and demographic factors that influence the decision to buy a house (Viggo Nordvik, 2006).

2.2. Conceptual framework

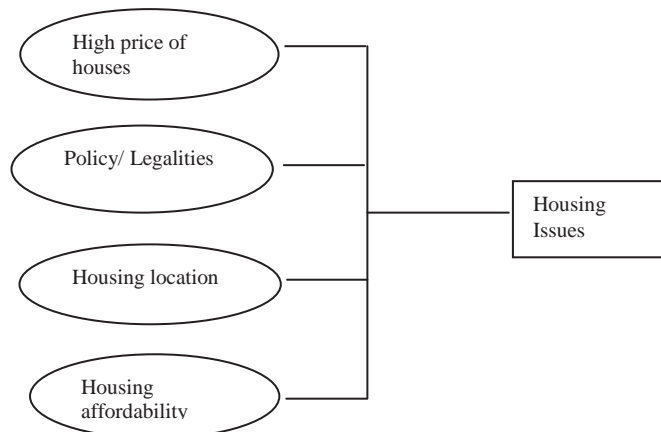


Fig. 1. The relationship between housing development and the factors that cause the problems on housing development.

Fig.1. shows the relationship between housing development and the issues on housing development. It can identify here that there are four factors that cause housing issues in MDHS. There are, the price of the house, the bureaucracy that relate to the policy and legalities, geography problem and also issue on housing affordability.

3. Methodology

3.1. Research Design

This research is designed to define the housing issues in Majlis Daerah Hulu Selangor. It focuses on the factors that created the issues of housing in that local government. In order to seek accurate and adequate description, this research applied is quantitative research. So this research will be conducted based on primary and secondary data, where it using a series of survey questionnaires. 50 questionnaires were distributed to the target group which is the buyers who have registered with MDHS.

3.2. Data Collection Method

This study is carried out based on primary and secondary data. Both types of data were equally important to ensure validity as well as to successfully achieve the research objectives. The data were collected from 50 questionnaires, which were distributed randomly to the buyers who registered with MDHS. The 50 samples were gathered from the respondents. The questions were designed in both language Bahasa Inggeris and Bahasa Malaysia.

3.3. Selection of Sampling Unit

To collect the data, 50 respondents were drawn from a population of buyers in housing development. The ideal sampling techniques used was random sampling technique. These 50 buyers or respondents become as the sample size for the study. The respondents are selected using the simple random sampling technique. The list of buyers is arranged according of years they purchased the house. Random number is assigned to each staff to facilitate the selection of sampling units.

3.4. Questionnaire Design

Self-administered questionnaires survey was used as a method of data collection. Based on this method the respondents were asked to fill and complete the entire questionnaires based on the instruction given. Research questions were divided into four sections. Section one consists of questions that asked about the respondents profile such as age, gender, etc. In section two, the questions ask the respondents about the respondent's perceptions on the issues of housing and it was divided into 4 categories which are price, location, quality and level of safety, and policy and legalities In section three, the questions ask about overall causes or factors that lead to housing issue. While in section four, the questions ask about hope of the buyers towards MDHS and the developers in order to solve housing problems in that area.

3.5. Procedures for Analysis of Data

The Statistical Package for Social Sciences (SPSS) was incorporated. All data collected from 50 respondents were transferred into a data sheet data editor using the SPSS 12.0 for Window.

4. Results and Discussions

From the findings, it clearly showed that the very critical problem faced by housing industry in MDHS is in term of price. Most of the respondents agree that the price offered for the house is quite expensive and not reliable with the salary that they received. As stated, most of the buyers spent about 30 percent of their salary to pay for the house's rent and the loan payment to the bank. If the price of the house increased, so they are not affordable to purchase the house because they still have to spend the money to survive. The price also is not reliable with the current housing market trend. The same refers to housing prices in Hulu Selangor district. The analysis of percentage variation of dwelling prices from various perspectives has shown that, the highest growth was characteristic of dwellings located in the centre Hulu Selangor as Lembah Beringin, Bukit Beruntung and Kuala Kubu Bharu areas. According to the short-term forecasts made, high price rise can be expected in the same districts in the near future. The price of old houses in remote districts was reducing (taking into account the inflation of 3.7%), while the market value of newly-built dwellings remained unchanged but the buyers have to take into consideration about the location of the housing area.

In addition, finding shows that the housing area is not peaceful and quiet. Yes, it is true since most of the housing area located in MDHS is near to industrial park as Sungai Choh, Rawang near to Perodua Plant. It goes with area of Kuala Kubu Bharu, Bukit Beruntung and Lembah Beringin where this is the centre for industry plantation. So the surrounding cannot be avoid with peaceful and quiet environment as long as the production is on. In addition, the location also haven't provided with the ample facilities such as shops, schools, etc. so the buyers have to go to the town to get this facilities. It indirectly burdened the buyers. It means, the local government as well as state government has to do something to assist the buyer by reviewing the policy so that it can avoid any trouble to the buyer and the local government it safe to facing the problems on housing issues.

It is clear that the situation in the real estate market has changed. Therefore, to protect the investments in housings, customers should carefully select the investment projects, paying special attention to reliability and competence of project developers. The analysis state that not all real estate developers in the market are reliable and able to satisfy liability claims because they may face solvency problems. In some cases, indices even warn about a threat of bankruptcy for a company.

In summarized, there are many abandoned projects in MDHS especially in Rawang, Serendah and Bukit Beruntung due to limited resources and financial constraint. Because there are abandoned projects so the developers has to increase the houses price to cover the finance. The housing development also has problems because of the poor quality of the raw materials use in the projects. Mismatch in demand and supply also create problems in housing industry since the developers cannot fulfill demand from the buyers and this will lead delays in delivery because of the difficulties of the developers to get an approval for the authority or district council itself. All this factor occurred due to less control by the government especially Selangor State Government and also due to environment implication where the location for housing development was not strategic as near to industrial park and it was far from town and give difficulties to the people. When the house projects developed at the location which is not strategic, it will give impact on the flora and fauna also the soil structure where the risk of landslide and slope are higher.

5. Conclusion

Due to analysis it can be classified that the main issued faced by housing development in MDHS is the price range. There are many abandoned projects because there are no buyers interested to buy the house. Since the house cannot be sold, so the developers have to stop the projects to avoid any wastage. Most of the house sold out of the price range that the buyers not afford to purchase. Be considered that most of the

people in MDHS work as a production operator in many factories nearest to their area with the monthly average salary not more than RM1200. Even though, there are public servants, most of them are teachers, government servants where they are provided with the government quarters so they will not rent or purchase the house for the time being before they are becoming to retire. Besides, the price also not parallel with the current market trend. Even though there is a discount offered to the buyers but it not effected the monthly payment of the house because the discount given is not satisfy and the annual quit rent also is unaffordable. Supposedly, government should provide more subsidies to the people in order for them to own the house because house is the important elements in our lives and our communities-socially, physically and economically. It is both shelter and a link to the neighborhood and the larger community. Since it is important element in our live so supposedly the quality of the house should be guaranteed because is the places that need to covert people for their security and happiness not the place that people feel unsafe living in.

Besides, the location of the house also become one of the issues that always relate with housing problems. The council as well as the state government haven't put into consideration before approved the projects on the locations of the housing construction. Most of the location is far from town for example, area in Sg. Choh, Rawang. It is located near to Perodua Factory and it's far from town. The nearest town that people can go to get the shops or any services and for utilities bill payment is Rawang which about 30km from the area. In addition, the area also has difficulties with public transports. Even though there is a bus but the service is not often. Sometimes, once in an hour or once in two hours so if there is emergency situation, the dwellers have to call a taxi and sometimes it takes time for the taxi to arrive because the taxi station also in Rawang town. So, only people who have their own vehicles can live in such area since the area is near to industrial park, so it opened to air, water and sound pollutions and the area also not environmental friendly because of the pollution came from the factory as haze and the chemical used.

Apart, the issues of policy and legalities also lead to the housing problems. Most of the developers as well as the local government itself have unclearly identified the category of land used. Sometimes, because the purpose is to gain as much as profit, the developers used the reserved land and actually it breach the law. So, when the authority found there is an illegal activities related to housing constructions, so they have to stop the projects and caused the projects delayed and abandoned. It is because, if the developers still proceed with the project, the action can be taken to them. So, to safe, they have to stop even though it wastes a lot of money and energy. So, it's important for local government as well as state government to first identify the land used. Other problem related to policy and legalities is when sometimes, the contractor on their own continued with the projects even though the government hasn't issued the certificate of fitness for occupation. Because they are so interested to gain as much as profit, they precede the projects and once the buyers want to enter the house, they are not allowed because no approval by the government since CF hasn't been issued. So, it give problems to the buyers as well as developers itself since they have to pay back to the buyers whatever in advanced if the buyers cannot move into the house and they also can be court because of breach of contract with the buyers. So it will waste their money and their time as well.

Housing problems is not the simple issues that u can overcome in a short period of time. The problems can affect the implementation of state even country's development. So, if this issue occurs, all authority should responsible in order to overcome the problems. The responsibility should begin from the federal or even state government itself. The federal as well as state government has to control the local government in order to select the best project to be implemented and the best developers or contractors to run the project so that the project can be finished on time without any delayed and finally burdened the peoples. Sometimes, the federal and state government also should be transparent in selecting the contractor. They have to avoid cronyism because in many cases, most of the developers are among their relatives and when

they have a lot of projects so they can't concentrate with the project properly and finally the project will be abandoned.

Besides, the LG also have to play their roles on their own by spending their time going to the field to see the progress of the project. Local government has the rights to ensure that the developers finish the project within the timeframe so it can ensure that there is no abandoned or delayed. In addition, local government also can control the price range of the house due to the raw materials used and the current market trend for housing. They have to ensure that the developers not over limit the price but the local government can bargained with the federal and state government to give more subsidies to the buyers or by increase the value for discount. Local government also play a vital role to select the best contractor to handle the project and supposedly it must among the local citizens who already familiar with the areas so it can avoid the issue on unclear identified of the land and the project can be run smoothly.

The developers are the main authority that should responsible if the issues related to housing construction occurs. They supposedly have to follow all the policy, rules and regulation provided by the government so that during the middle of the projects, there's no problems occurred. In addition, developers also have to use the quality materials during the project implementation. It's to avoid problems when the buyers enter the house so there is no issue such cracking occurs towards the building. Developers also have to take into consideration the affordability of the buyers or their target market. Before they want to develop the housing projects in that particular area, they have to study the standard of living of the people in that area. So they have to identify the opportunities, strengths, weaknesses and also the threat if they developed the housing projects in the area especially the average salary that the people surrounding received per month so to determine the price they have to think about this matter. When they already analysis on the issue, so it's easy for them to calculate and make assumption on the price that can be offered to the buyers so their house can be sold.

The last but not least, politicians also play a role in controlling the housing issues. Since they are the representative of the people, so they can voice out all the complaints made by the buyers on behalf of them to the governments if any problems occurs when they purchased the house. The politicians can become intermediaries for the buyers to get support from the government. At least, let government listen their voice in order for them to get fair and balance treatment by the government. So, it shows that government aware on any complaint made and it may indirectly make people believed with the government and finally they will continuously support the government if their wants have been fulfilled.

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