

## **Unveiling the Challenges Faced By Malaysian Housing Developers through Government Policy Changes**

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**Abstract:** Despite being receptive to new ideas, Malaysian housing developers must be responsive to the demands imposed upon the industry. One of the external factors that influence the growth of housing development firms is the intervention of government. The role of government in shaping the housing industry is especially pertinent because most land matters involve dealing directly with local and state authorities. The regulations imposed by the government are perceived as imbalanced and serve only to increase the challenges confronted by housing developers to maintain their survivability. This paper is therefore aimed at disclosing the related challenges faced by housing developers with respect to current government issues. Appropriately, 10 Malaysian housing developers were interviewed to determine the reasons for their success in achieving business sustainability, including eliciting responses for the myriad of challenges faced. To analyse the findings, a qualitative approach was used that is based on the content analysis method. All the interviewees highlighted several challenges that have impeded their progress in the management of the housing development business. Interestingly, the most notable challenge revealed by the respondents is related to the vagaries of the government rules and processes. Among the grievances mentioned by the participants were late approvals, sudden changes of rules, non-uniform compliances and other similar issues. Hence, there is a serious need for housing developers and the government to work in tandem, not only to minimise complaints directed towards the government but also to concertedly embrace changes in terms of policies and laws. A mutually beneficial wave of innovation is thus advocated, where the vested interests of both housing developers and house buyers will be protected accordingly. In addition, with good comprehension of the government procedures, the creation of economic empowerment and development will be easily realised.

**Keywords:** Challenges, Housing developers, Government regulations, Late approval, Qualitative approach

### **INTRODUCTION**

Globally, housing developers act as core coordinators within the development of national facilities and infrastructures (Jaafar and Ali, 2011). In general, Maruani and Amit-Cohen (2011) classified developers as entrepreneurs who embark on and implement land development projects. The projects normally involve numerous regulations created by the government to protect the interests of both purchasers and developers. Doling (1999) recorded several interventions that were programmed by the government at various stages of housing provision comprising land assembly, development process and other financial and construction practices. In Malaysia, private housing developers must obtain a licence from the Ministry of Housing and Local Government (MHLG) (Hamzah, 2013) and are encouraged to register as members with the Real Estate and Housing Developers' Association (REHDA) (Jaafar and Ali, 2011). Because they are profit-driven (Khalid,

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2010), private housing developers are considered as entrepreneurs and risk-takers simultaneously (Jaafar, Abdul Aziz and Sahari, 2009). Maruani and Amit-Cohen (2011) shortlisted land acquisition, attainment of regulatory approval and permits, infrastructure installation and housing construction as the multiple phases requiring significant financial risks.

Establishing a business is easy, but maintaining growth is very difficult. Severe challenges might be confronted by entrepreneurs, especially within the first year of start-up (Bowen, Morara and Mureithi, 2009), and the scenario is similar with housing development firms, although the industry is ubiquitous, given the continued supply of potential buyers (Wan Mohd Dzulkifli, 2009). Since the Second Malaysia Plan (1971–1975), the role of private housing developers in Malaysia is considerably noteworthy. Challenges are plentiful, and different challenges require different approaches to be executed (Bowen, Morara and Mureithi, 2009). In this study, the challenges faced by Malaysian private housing developers with respect to government procedures will be discussed and examined. Inextricably, housing developers must operate within a regulatory framework of the local statutory planning system (Maruani and Amit-Cohen, 2011). To address the set of challenges, there is a real need to be sensitive to regulative barriers that may hinder the profit motive (Ball, 1999). Thus, investigation is required of the plethora of regulative policy tools accused of being cumbersome and inconsistent.

Most studies in the Malaysian housing industry tend to focus on planning issues and their antecedents (Abdullah, Harun and Abdul Rahman, 2011; Agus, 2002; Mohd, Ahmad and Wan Abdul Aziz, 2009; Mohd and Alias, 2011). The most recent work by Foo and Wong (2014) focused only on the regulatory policy framework from the view of private housing developers in Kuala Lumpur and Johor, with little explanation of the challenges facing the industry. This present research is thus deemed timely as it is designed to complement the said research of Foo and Wong (2014) through a qualitative approach that covers a number of housing developers around Peninsular Malaysia, thereby enhancing the findings. The objectives are to clearly identify the challenges faced by Malaysian housing developers with regards to the government regulatory framework and to offer solutions for such problems. The significance of the review is associated with the roles played by the government in the housing industry in harmonising the functions of the housing delivery process (through homebuilders' activities), with greater priority specifically on actual housing ownership (for the sake of public interest) (Foo and Wong, 2014).

Policy and regulatory changes by the government must be embraced because the role played by the government in the competitive housing development industry is essential. A handful of scholars have found that government policies influence the price of land (Kok, Monkkonen and Quigley, 2011) and the types of land input (Karadimitriou, 2013). The government, through its policies and legislation, acts as both a hurdle and a catalyst to the establishment and development of businesses (Maunganidze, 2013). Thus, this paper considers continuous assessment of the challenges faced by housing developers as vital in order to effectively monitor and guide future public housing policy. This article is divided into six sections. Following this introduction, the second section presents the empirical review of the study, which consists of government regulations and housing development processes. In the third part, the methodology of the research is outlined, and the subsequent section describes

the analysis of the findings. The fifth section discusses the results, and finally, the sixth section provides the conclusion.

## **GOVERNMENT REGULATIONS**

According to Bell (2002), the government can be classified as a cluster of public entities entrusted with the formal authority to represent the entire community, especially in decision making affairs. In Malaysia, the government consists of three authorities, i.e., federal, state and local governments. Specifically, the federal government provides policy frameworks in general terms, whereas, at the state level, the policy is translated into more detailed and strategic requirements. At the local government level, the prepared plans are made more exhaustive with specific elaborations (Abdullahi and Wan Abdul Aziz, 2011). For reference, land housing matters in Malaysia fall under the authority of the state government and local councils. Due to the nature of the homebuilding industry, it is already fraught with risks and challenges, which are further aggravated by the vagaries of the government rules that entail multiple components of housing projects, differing significantly among diverse regions and countries (Cacciatori and Jacobides, 2005). Each nation has a unique housing system with regard to the fundamental and distinctive roles played by the respective governments in enforcing the industry structure through revitalisation of policy measures that affect building materials, professional practices (e.g., real estate transactions), subsidy programmes and incentive patterns for average households (Hulchanski, 2003). Specifically, the current scenario of land development in Malaysia sees local authorities having the overriding power to either approve or disapprove development proposals (Mohd, Ahmad and Wan Abdul Aziz, 2009).

The regulations imposed by the Malaysian government include the following: the allocation of 30% of houses for low-cost units, the requirement to obtain a housing licence and advertising permit to sell the house, approval of land subdivision and conversion, and imposition of levies on foreign ownerships. Such regulations encompassing building codes and standards, environmental policy regulations, land use and development restrictions were the key hurdles in efficient markets and their housing delivery (Mukhija, 2004). Considered as government-induced problems that involve bureaucratic obstacles for private housing developers, the other impact of regulations is associated with the housing prices resulting from the manipulation of the housing supply (Gyourko, Saiz and Summers, 2008). In addition, Abdul Aziz, Ho and Jaafar (2006) remarked that the Malaysian housing industry is highly controlled by separate laws, policies and guidelines. Abdullah, Harun and Abdul Rahman (2011) outlined a range of pertinent and critical laws that should be complied, which include the following: National Land Code (NLC) 1965 (NLC, 2008), Government Act 1976 (Act 171), Uniform Building by Law 1984 (UBBL), Environmental Quality Act 1984, Local Government Act 1976, Street, Drainage and Building Act 1974 (Act 133), Town and Country Planning Act 1976 (Act 172), Town Planning Act 1995, Housing Developers (Control and Licensing) Act 1966, Strata Titles Act 1985, Fire Services Act 1988 and Sewerage Services Act 1993. In this context, when designing the layout of the proposed housing project, housing developers must take into account the requirements imposed by the local authority as well as market demands (Khalid, 2010), in

tandem with Thrust 3 of the National Housing Policy, which highlights the compliance of the housing service delivery system.

Given the importance of the housing business to the Malaysian economy and the exposure to risks arising from the capricious regulations imposed by the government, conducting an exploratory enquiry to investigate the challenges confronted by private housing developers in Malaysia, and the management of such challenges are considered as vital. The study targeted successful homebuilders in Peninsular Malaysia. Before further discussion on the research proper, a brief clarification is provided on the process of housing development in Malaysia.

## **HOUSING DEVELOPMENT PROCESS**

Basically, the housing development process involves three main stages (Mohd and Alias, 2011); the process begins with the pre-development process (planning stage), followed by the construction stage, and finally, the post construction stage. Every stage involves various activities and processes, yet, the most crucial part is the planning phase. The most important process in the pre-development stage is the approval of the application for the proposed development (Ball, 2010; Mohd et al., 2009). A developer must first obtain all the planning approvals before any physical work can commence on site, along with prior to issuance of any advertising permit by the relevant authorities (Abdullah, Harun and Abdul Rahman, 2011); due to the thorough assessment by various departments, this process can be quite time-consuming (Yaakup et al., 2003). Maruani and Amit Cohen (2011) also recognised the value of proper planning and control in housing development processes because this is a central factor in determining the type and size of housing supplies. Consistent with this notion, White and Allmendinger (2003) remarked that government interventions in housing planning have both positive and negative impacts on housing development. Similarly, Mohd, Ahmad and Wan Abdul Aziz (2009) also indicated that the planning system is an important factor that greatly influences housing supply in Malaysia.

Clearly, housing development in Malaysia requires developers to undergo various procedures before the project may begin. In summary, several researchers (e.g., Goh, 1997; Jaafar, Abdul Aziz and Sahari, 2009; Wan Mohd Dzulkifli, 2009) have identified the following activities normally conducted by housing developers in this nation:

1. purchasing of land,
2. land use conversion and subdivision,
3. preparation of various plans, such as subdivision, earthwork, layout, building, engineering and landscape,
4. approval of various plans,
5. obtaining advertising and marketing permits,
6. construction and
7. issuance of certificate of fitness.

The above notwithstanding, an eminent developer commented that in the middle of such activities, some developers may need to obtain bridging loans from

financial institutions, followed by having lawyers prepare the legal documents including the sale and purchase agreement to be signed by the purchasers, once the project is launched in the market (Tong, 2012). The basic procedures involved in developing and marketing housing projects in Malaysia are thus numerous and perceived as burdensome. Malaysian housing developers are thus required to act within the legislative frameworks designed by the government authorities as well as take on the inherent risks in dealing with property development (Mohd, Ahmad and Wan Abdul Aziz, 2009). To that extent, this research on the challenges encountered by Malaysian private housing developers appears decidedly opportune. Accordingly, the subsequent section describes the data collection method used in this study.

## **RESEARCH METHODOLOGY**

### **Research Design**

This study is deemed exploratory and descriptive in nature; hence, a qualitative approach was adopted. The aim of this qualitative research is to gather the most recent, relevant and in-depth comprehension of human behaviour as well as the reasons that govern such behaviours. This topic inherently fits the subject matter of the present research towards unveiling the challenges faced by Malaysian private housing developers.

### **Population**

According to the statistics from the Ministry of Housing and Local Government, there were a total of 1,340 newly registered developers and renewed developers in 2010. However, the actual number of housing development companies could be much smaller because Malaysian housing developers tend to register multiple companies or even register their companies on a project basis. The population of this study covers a selective set of perceived successful private housing developers in Malaysia because the size of the population made it impractical and uneconomical to involve all members of the population in a research project. The researchers accordingly chose to include only a sample of the population in the study.

### **Sample**

Data from REHDA, which are considered as an authoritative body for authentic information of the property business in Malaysia, were utilised to gain more knowledge on the sample size. In an effort to obtain viable outcomes, at least 50 potential respondents were contacted to further investigate the background of both organisations and entrepreneurs. Basically, 30 of the respondents were qualified to be shortlisted and interviewed. Subsequently, invitation letters were issued, explaining the nature of the research project and clarifying the personal assurance that privacy would be protected and that confidentiality would be maintained. Between May and September 2012, 10 interview sessions were

conducted around Peninsular Malaysia. The general details of the participants are presented in the following table:

Table 1. Details of Respondents

<b>Interviewee</b>	<b>Years of Operation in the Industry</b>	<b>Respondent's Designation</b>	<b>Years of Experience in Managing Business</b>	<b>Level of Education</b>
Developer A	26 years	Managing director	29 years	University
Developer B	15 years	Managing director	24 years	University
Developer C	22 years	Managing director	27 years	University
Developer D	20 years	Managing director	21 years	Secondary school
Developer E	29 years	Managing director	31 years	University
Developer F	30 years	Founder and director	42 years	Primary school
Developer G	22 years	Managing director	22 years	University
Developer H	10 years	Managing director	18 years	Secondary school
Developer I	38 years	Executive director	14 years	University
Developer J	22 years	Founder and director	45 years	Primary school

The respondents were selected using several criteria or qualifications:

1. Individuals who started up their own business.
2. Individuals who are actively participating in the management of the business.
3. The business must be at least 10 years old in the housing development industry.
4. The business must portray growth from the year of inception and operate in a profitable/progressive manner.
5. The business must have at least five permanent employees.
6. The business had at least undergone a term of economic downturn and was able to survive through the adverse economic climate.

In addition, all the respondents were basically small and medium in terms of the scale of operation. Geographically, the Northern areas (Perlis, Kedah, Pulau Pinang and Perak) had one (1) respondent, while the Central areas (Kuala Lumpur and Selangor) were represented by two (2) respondents. For the Southern areas (Johor, Malacca and Negeri Sembilan), three (3) respondents agreed to be interviewed, whilst another four (4) respondents from the Eastern areas (Kelantan, Terengganu and Pahang) participated in the interview. Private housing developers in Sabah and Sarawak were excluded in this study due to the different acts and regulations adopted by those two states.

### **Data collection**

Data were collected via a semi-structured interview technique, considered as the best method because it allowed respondents to express themselves freely without being confined in their responses (Maunganidze, 2013), especially regarding the challenges faced by all. Each interview started with an introduction of the general aims of the study, and then the information given in the invitation letter was repeated. Prior to that, consent to record the session was obtained from each of the respondents before the commencement of the interview and tape recording. The interviews were conducted over a five-month period, and each interview took between 60 and 120 minutes.

### **Data analysis**

For the purpose of this study, the qualitative data obtained from the participants during the face-to-face interviews were subjected to content analysis based on grounded theory. Guided by prepared interview themes, questions began on a general note before pursuing more specific queries based on the responses of the participants. Full interview verbatim transcripts were produced to ease the interpretation of the data and enable the selection of quotes for illustrative purposes. Almost all interviews were undertaken in the Malay language, except in certain cases, where the interviewees spoke some English or used English terms to clarify their points. Only Developer C gave his answers in "Malaysian" English.

The researchers then translated the interviews into English as faithfully as possible to the interviewees' meaning. Any language idiosyncrasies and grammatical errors are therefore attributed to the researchers, except in the interview given by Developer C, who provided responses in English. Upon the completion of the transcriptions, the transcripts were scrutinised, and the responses that matched or explained the results in the questionnaire survey were extracted out. Completed transcriptions were then verified against the recording, and then corrections were made. At this point, the perceived challenging issues for developers pertaining to government vagaries and problems were discerned. To a large extent, the study provides very useful insights into the factors that hinder the growth of Malaysian private housing developers viewed from the lens of government roles and intervention. The results are reported and discussed in detail in the next section.

### **Analysis and Findings**

As asserted by Developer B, "it's not easy to do business in this industry due to the many stakeholders involved, from groups of professionals such as planners, engineers and architects to policymakers, i.e., local authority, state government and federal administration". Concurrently, Developer E also attested that, "life is very much tougher than before...same goes for this industry because of the laws". A number of new regulations and policies imposed by the government appeared to be hostile to housing developers; they were made scapegoats of the on-going malaise of abandoned housing schemes. Regarding the rules set by the government, Developer J stated that, "I would say that things are getting difficult...the government always amends the regulations and policies without

considering our position as a developer. Sometimes, I feel that the government tends to neglect our welfare and condone our difficulties as they seem to only protect the interest of homebuyers". Developer G also supported this notion, especially in the case of government rules that constantly change.

Without providing specific instances, Developer G further concurred that, "the government compliances are sometimes ridiculous and tedious. It is hard for us to deal with the current policies of the government which appear to be against us". Developer C further illustrated the frustrations, as he implored that, "the government forces the developers to implement the concept of corporate social responsibility (CSR)...mandating us to provide at least 30% of low-cost housing in each of our project. Besides that, we must also pay for other services, e.g., services from TNB to build the sub-station by giving them a piece of our land without charge. Other costs like the provision of roads, drainages and others are ultimately being borne by the public because as it currently stands, the costs are about RM30,000 or RM40,000 per acre just to build these infrastructures (not including the cost of land and building materials)". Challenges of these sorts were also shared by Developer D and I, as they revealed the tight quota given to them and the issues regarding Bumiputera lots. As illustrated by Developer I, "the issue of Bumiputera lots was endorsed by the state government and can only be sold to Bumiputeras...the selling rate is slow since Bumiputeras themselves are not interested in buying the houses due to their low market value. I perceive this as an unfair restriction with no avenue to the open market". Prior to that, he stated that, "in Pahang, there is no condition for low-cost housing as the state government is embarking and focusing more on low medium cost houses (for five-acre and above housing projects), with prices not more than RM80,000".

On a related note, Developer A said, "we were a bit frustrated with the acts imposed by the government...especially on the latest amendments. For instance, due to minor mistakes in our project signboard, we were charged a penalty of RM 4,000.00 which we consider ridiculous, because in reality, there were no elements of fraud". Issues on late approval and licence application as well as inefficiency of the One Stop Centre (OSC) were briefly mentioned by Developer G, and he stated that, "it definitely has a slight effect on the project as it will impede the progress and planning of the current and future projects". Developer G also stated that, "most of the time, we purchase the land and apply for subdivisions to get approval from the authority before we can launch the project. At this stage, we need to wait for government compliances and bureaucracy...a lot of challenges can happen within this period".

Despite the delays, the government appears to be becoming stricter in some cases. Developer J faced such obstacles when he shared that, "another problem stemmed from layout approval...it was prolonged until the third submission before being approved by the council". Developer A and H confronted similar situations as well, but the capability of the owner/manager to tackle such problems with the authority enabled the process to be expedited. Government-wise, Developer I commented that, "nowadays, the role of the housing developer is steadily decreasing...government has amended the new standard sale and purchase agreement (it used to be front-end loads, now reverted to back-end loads). You are only entitled to make full claims upon the issuance of the Certificate of Completion and Compliance (CCC); prior to that, you can only claim 75% of the whole project".



Some of the respondents also highlighted other matters, such as issues regarding advertising licences, construction costs, increased competition among fellow developers, skyrocketing land prices, and government loan affairs. In a scenario described by Developer D who encountered repeated challenges with regards to loan processing, "...the process to get government loan approvals is much longer than expected. Sometimes, approvals are obtained when the houses were just about to be completed". This issue invariably causes cash flow constriction, as resonated by Developer B, who said, "the banks are getting stringent and strict towards the applicants...they asked for documents like bank statements, company profiles which our buyers could not provide since most of them (in Kelantan) are self-employed with no personal accounts or companies". Basic infrastructure represents a challenge as well; one of the active players in an urban area, Developer F, expected water to be a major problem in the Klang Valley due to rapid development in all sectors. Other problems related to developments include a non-uniform transportation network that will create traffic imbalance for the public as well as affect the locational aspects of housing products.

Apparently, political differences between state authorities and the federal government affect the activities of housing developers. In Terengganu, for example, when Barisan Nasional lost control of the state government in 1999, the federal authorities had "blocked" all their projects and shifted the proposed sites to other states, such as Pahang or Kuala Lumpur. Developer A reminisced on his experience: "we had managed to secure a proposal to develop 165 acres of land with the state government in the 1990s, but owing to political changes in Terengganu in 1999, the project was unable to proceed and was in limbo for few years...that scenario resulted in housing prices falling and had substantial effects on the oversupply of houses". In contrast, Developer B added that, "as for Kelantan, there won't be any active economic activities, and the market for houses also remains stagnant...it may be due to the current state government which differs ideologically with the federal authority. Job creations are limited here...local people especially youngsters are migrating to other developed states like Kuala Lumpur and Selangor. Inadvertently, this reduces the capacity to buy houses among Kelantanese".

It is reasonable to say that the current scenario of housing development encounters a myriad of challenges, either from the internal or external environment. The interesting part will be the exogenous elements that influence the business planning and management of the firm. Each of the respondents has indicated several challenges that encumber the business growth in the midst of their success and survivability. Accordingly, the next section will discuss the relationship of the findings with respect to current issues and past literature.

## **Discussion**

Academically, the role of government towards the progress of housing development firms has received prodigious comments and remarks. Some scholars (e.g., Abdullahi and Wan Abdul Aziz, 2011; Yusof, Sibly and Osman, 2012) recognised the importance of the government role and support, while other studies (e.g., Abdul Aziz, Ho and Jaafar, 2006; Agus, 2002) found that the functions of administrative authority are inadequate and must be improved. For that reason,

Developer E clarified, "...so far, the government is good to us, being approachable and sensitive to our demands. However, there is room for improvements, especially in dealing with all the petty details like issues on advertisement and unreasonable summonses", a view that was also shared by Developer A. The prevalent circumstances appeared to have worsened and provide serious challenges for the private housing developers. These challenges have been identified through the conducted fieldwork and cover areas, which include whimsical rules and policies, unrelenting bureaucracies and vague procedures as well as an onerous regulatory framework. Based upon the feedback obtained from the respondents, several strategic solutions are provided at the end of this section.

### **Ever-changing rules and policies**

The above analysis revealed how both regulation and policy has turned the housing sector into an extremely challenging industry. The plethora of intractable problems found within the housing sector provides administrative challenges to the industry players and have a detrimental effect on the business. From the interviews, several participants complained about the government's role and interventions that sometimes are difficult to predict. The rules and policies promulgated by the government change continuously, further adding to the developers' woes. The requirement for a capped selling price in certain cases diminishes the already thin profit margin of private housing developers. With land prices increasing, the impact and influence on house prices translates into further problems for developers. Factor in the speculative aspect of the industry, and the scenario becomes even more burdensome, as it creates economic imbalance, demand notwithstanding.

### **Unrelenting bureaucracies and vague procedures**

Abdul Aziz, Ho and Jaafar (2006) claimed that housing development is a highly regulated industry, involving ever-changing rules and policies that prompt housing developers to quickly adapt to the local land-use requirements. In their research, housing developers complained about approval delays, lack of transparency and other improprieties in the real estate industry. The obvious impacts contribute to delays in housing development (Mohd, Ahmad and Wan Abdul Aziz, 2009). The perennial issues regarding the slow response of desk officers still persist, despite massive technological investments, which do not appear to have been implemented effectively. Interestingly, the problems were also highlighted by Foo and Wong (2014) in relation to the working system of government servants. Although Yaakup et al. (2003) defined that planning approval process requires thorough assessment on the appropriateness of each application as well as recommendations from various technical agencies, the issues should be addressed expeditiously. These challenges undoubtedly affect the progress of projects and may trigger housing developers resorting to dubious methods because the approval process takes too long to execute (Doling, 1999).

### **Onerous regulatory framework**

Another significant issue is the regulation requiring 30% of private sector mixed development to be set aside for low-cost housing, which was introduced as precondition for planning approval. Even if housing developers cross-subsidise the low-cost housing (Abdullahi and Wan Abdul Aziz, 2011) with high-end projects, the financial aspects of the matter cannot be resolved easily. It is suggested that perhaps public developers could replace or take the responsibility to build affordable houses for the citizenry. Alternatively, the government could offer incentives and institute specific measures to undertake and construct low-cost units, where demand is tangible. There have also been complaints towards the local authority regarding the time taken to endorse land-use approvals (Agus, 2002; Abdul Aziz, Ho and Jaafar, 2006), which invariably lead to project failure (Goh, 1997). The uncertain and lengthy processes were exacerbated under the jurisdiction of each state government because the guidelines and on-job practices may vary from one state to another (Ball, 2010; Omar, 2002). As a result, housing developers face long time frames and high costs due to unfriendly planning rules. In addition, due to delayed approval, non-projected discrepancies will almost always arise between the estimated and actual construction costs.

### **Enabling strategies**

Malaysian housing developers are also burdened by stringent loan policies and government bureaucracy. Hamzah (2013) disclosed that the nationally promulgated housing policy may produce different housing outcomes at the regional level not only because of regional variations in the housing market but also due to the country's legal and government system. The government should exercise a pragmatic approach by collaborating with private housing developers and re-examine the existing rules and regulations that provide a win-win situation to all stakeholders. Thus, the establishment of the National Housing Council to develop strategies and action plans in a holistic manner to ensure that the housing delivery system is more efficient and expeditious is timely indeed. The government should also be adaptive and flexible policy-wise to housing development and encourage financial institutions to revise rules and procedures relating to the approval of bridging loans. In relation to this, Hakkinen and Belloni (2011) stated that any review of policy within one country must take into account both specific national economic and political factors and wider forces at work in the global economy.

Developers should negotiate and actively interact with policymakers (Mukhija, 2004) because the interaction between developers and government is imperative and needs to be pragmatic as well as participatory, especially in terms of policy changes (Tan, 2010; Wu and Ramesh, 2013). For example, because developers are motivated primarily by profit maximisation, they are expected to be especially responsive to economic measures, such as taxation or subsidies (White and Allmendinger, 2003), or sensitive to regulative constraints that may affect their profits (Ball, 1999). In such scenarios, the regulations set by government should comply with the consent and the needs of society at large (Hakkinen and Belloni, 2011). The intricate processes of government are preserved and protected, as they play a significant role in the approval procedure at the numerous stages of

the development process (Agus, 2002). Hence, their chief role should be to actively support and facilitate the mechanisms towards the success of the housing industry by ensuring the efficiency of the delivery system (Tan, 2010), the flexibility of incentive packages (Abdullahi and Wan Abdul Aziz, 2011; Yusof, Sibly and Osman, 2012) and timely assistances (Yusof and Shafiei, 2011); in short, a collaborative and cooperative disposition by all concerned can only benefit this industry.

The research has identified the many challenges faced by national housing developers that must be surmounted to provide better houses for the Malaysian citizenry. Government bureaucracy and onerous regulations have hampered the growth of the housing business in Malaysia. Indeed, this phenomenon is currently considered one of the most pressing challenges faced by Malaysian private housing developers. Although all respondents agree that the government is helpful to a certain extent, there is much room for improvement, particularly in the public sector implementation aspect, for better performance in the future. As attested by Developer F, "...it is certainly true that the government has attempted to assist us in accelerating the approval process, but it still needs some upgrades in various areas to become more facilitative and smoother". Perhaps government officials must be given special training to address such issues, or perhaps a complete revamp of the system itself is required to incorporate special land-administrative procedures for a speedier process of land conversion or the subdivision of land titles (Yusof and Shafiei, 2011). The government could also provide more incentives through facilitating loans with low down payments, low interest rates, and longer pay back periods (Hashim, 2010) to aid private housing developers. In addition, Hassan and McCarthy (2011) strongly recommended housing entrepreneurs to develop an array of collaborative ventures with government agencies to expedite future dealings. There is therefore a real and urgent need for Malaysian private housing developers to embrace a distinct paradigm shift that is consistent with the government's transformation agenda to meet the challenges outlined above.

## **CONCLUSION**

This paper adds new evidence to the current body of literature on the challenges in housing development. The existing literature needs the support of research studies that help to reveal the nature and magnitude of the challenges faced by Malaysian private housing developers with regard to government regulations. Such research will help provide planners and policy-makers with more grounded knowledge of how market processes and market actors operate and how best to support them. In addition, academicians and fellow scholars will be able to extract new knowledge and treat the findings as an avenue for knowledge-based development. As advocated by Goodier and Pan (2010), the future of housing development is likely to be driven by the amalgamation of government policy on sustainability, the legacies of the economic downturns and the rapid evolution of innovative technologies in the short and medium terms. For developers to remain nimble, structural adjustments and flexible changes must be executed, especially during difficult times and when there is a lack of government intervention. McCoy,

Thabet and Badinelli (2009) found that, by addressing the challenges faced by industry players, successful housing projects and businesses could be realised.

Nascent entrepreneurs who are considering working on housing development are at a particular disadvantage because the regulations set by the government appear precarious and hostile, and their chances of achieving superior performance are even slimmer. The first thing to note in policy-induced changes is the amount and the type of policies enforced by the ruling administration. The government should ensure that the impacts of any restructuring of policies on private housing developers result in stimulating productive entrepreneurship and providing feasible undertakings for the business. Mukhija (2004) suggested a circumspect approach by policymakers, which involves the assessment of prior policies and meticulous research, for them to become accustomed with the risk-fraught journey experienced by private housing developers. Wu and Ramesh (2013) proposed a synthesis between policy change and innovation as implemented by the Government of Singapore that involves working practices and culture, i.e., attention to process details, standardisation practices and workforce training for consistent application (Womack and Jones, 1997). In addition, Kleiman and Teles (2008) affirmed that the effectiveness of government interventions depends critically on the capability of government to access the information necessary for policy decisions prior to embracing the correct formula of change for the housing delivery system in the country (Tan, 2010).

Through better understanding of government policies, Malaysian housing developers can realistically expect to enhance their competitiveness and simultaneously provide products that are affordable and provide housing developments that are more cost-effective whilst still attaining the required return on investment. It is suggested that the excellent housing developer is one who can transform risks into opportunities and is able to adapt to the changing business, social and legal environments while leading the organisation through the challenges it faces. A wide-ranging programme of change is thus needed to accommodate such requirements of the successful Malaysian housing developers because they are the prime movers and the backbone of national development. The impact of learning-based experience should become the fundamental feature of planning to address future challenges. Perhaps, together with REHDA, government officials can institute visionary yet workable long-term plans to overcome and solve housing problems because, in many cases, REHDA plays a central function in bridging relevant issues between the homebuilders and government officials. In the meantime, the government should seriously contemplate creating a supportive environment to enhance the competitive advantage of private housing developers through the necessary policy changes that will provide tripartite benefits for the government, homebuyers and housing developers.

Being the fourth largest industry in Malaysia, real estate development plays a pivotal role in spurring economic growth. Due to the importance of housing, the government must seriously review and revisit certain regulations deemed unfairly disadvantageous to private housing developers. Ultimately, all parties (i.e., government, industry players and citizens) stand to benefit from progressive, fair and balanced policies. The establishment of novel approaches

and procedures will certainly augur well for the steady growth of the national economy.

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