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THE DIFFERENT SCENARIOS OF HOUSING PROBLEM IN MALAYSIA
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Prof. Dr. Noor Sharipah bt. Sultan Sidi
Faculty of Technology Management, Business and Entrepreneurship
Universiti Tun Hussein Onn Malaysia
Batu Pahat, Johor

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APPENDICES
Prof. Dr. Noor Sharipah binti Sultan Sidi is a professor and Dean, Faculty of Technology Management, Business and Entrepreneurship, Universiti Tun Hussein Onn Malaysia. She holds a Bachelor of Arts (Hons.) in Sociology / Anthropology, University of Malaya (1974); Masters of Regional Planning from Pennsylvania State University (1978) U.S.A; Doctor of Philosophy from University of Nottingham, England and Certificate in Development Planning (Housing) from University College, London, United Kingdom. Her fields of interest are in social aspects of urban and regional planning, rural planning; community development; rural ICT and e-communities; housing and social facilities planning. She has held various administrative positions at University of Technology Malaysia as Head of Department, Urban and Regional Planning; Head Department (Strategic Planning); Head of Social Science Focus Group; Director, Centre of Rural Planning Studies; Coordinator, Postgraduate Studies (Urban and Regional Planning); Coordinator, SPACE Program (Out campus program). She had also served as a Visiting Lecturer at University of Wales, Institute of Science and Technology (UWIST), Cardiff, Wales. At the national level, she had contributed as a Committee Member of Expert Panel Group (NAPREC), National Valuation Institute (INSPEN), Ministry of Finance, Malaysia since 2002; a committee member of Advisory Council, Institute For Rural Advancement (INFRA), Ministry of Rural Development, Malaysia (1999–2006); Committee Member, IRPA Strategic Panel For Social Science and Economy, Ministry of Science, Technology and Environment, Malaysia (1999 – 2000); Committee Member, IRPA Group Expert Panel For Social Science (Engineering Sector), Ministry of Science, Technology and Environment, Malaysia (1996); Panel Member For Human Settlement Award 2000, Ministry of Housing and Local Government, Malaysia (2000); Panel Member of Rural Vision Movement Award 2000, Ministry of Rural Development, Malaysia; Panel Member Rural Vision Movement Award 2002, Selangor, Malaysia and Committee Member, Rural Movement, Agriculture Department, Johor, Malaysia (1994 – 1996). She had been involved as project leader in research particularly in the fields of housing, rural planning and development; social facilities planning and sustainability analyses for Structure and Local Plans in Malaysia.
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Pihak Universiti mengucapkan tahniah kepada Profesor Noor Syaripah binti Sultan Sidi kerana telah Berjaya menerbitkan buku dan melaksanakan syarahan perdana. Ahli Jawatankuasa yang terlibat dalam program ini adalah seperti berikut:

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THE DIFFERENT SCENARIOS OF HOUSING PROBLEM IN MALAYSIA

PROF. DR. NOOR SHARIPAH BT. SULTAN SIDI
Faculty Of Technology Management, Business And Entrepreneurship
Universiti Tun Hussein Onn Malaysia (UTHM)
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Abstract

Besides food and clothing, shelter or housing is another basic need of man. As such it is of great concern to many people particularly the less fortunate and low-income families. The issues and problems on housing have also been of interest to researchers in the pursuit of a better quality of life. This paper is aimed at discussing some of the problems of housing in Malaysia through some research works undertaken by the author over the years. The main objective of the writing is to highlight the fact that housing problem is basically the problem of mismatch between the supply and demand for housing and that it can be resolved or at least reduced when a more balanced situation can be achieved. In this writing, the different scenarios of housing problem is presented and discussed through the findings of studies, specifically on the unsuitability of the dwelling units of public low-cost flats in Kuala Lumpur, the problem of housing overhang or unsold residential units of housing projects in Johor Bahru, Kelang Valley and Selangor and finally, the current problem of housing bubble or increasing price of housing in major urban areas of Malaysia which made housing unaffordable to many people especially the low income group and the young families.

Keywords --- housing problems; suitable housing; housing overhang; housing bubble; unsold housing; housing in Malaysia.
1.0 INTRODUCTION

Housing is a basic need in life. It has meaning to a person, as a status symbol, a reflection of cultural image and identity, has economic value or considered an asset and most importantly, as an indicator of one’s comfort and well being. At the macro level, housing is an indicator of a country’s level of development and sustainability. Many countries of the world are encountering housing problems which need to be resolved and likewise in Malaysia. This paper is aimed at discussing the various scenarios of housing problem in Malaysia mainly based on the research work undertaken by the author.

Scenario 1: Problem of Unsuitability of Dwelling Units of Public Low-cost Flats in Kuala Lumpur

This study analyzed the problem of unsuitable dwelling units of public low-cost flats in Kuala Lumpur, Malaysia based on the satisfaction of respondents. The survey approach was adopted whereby data from a sample of 430 flat dwellers selected based on the stratified random sampling method were analyzed. The sampling distribution was based on location, age of building, type of flats and ethnicity of dwellers. Kuala Lumpur was selected as the study area mainly because being the national capital, it has a multi-ethnic society which reflects the ethnic composition in the country and secondly, it has a diversity of low-cost housing whereby a comprehensive evaluation on the effectiveness of the housing in meeting the socio-cultural needs of the occupants can be analyzed (Noor Sharipah bt. Sultan Sidi, 1991).

Scenario 2: Problem of Housing Overhang in Johor Bahru, Kelang Valley and Penang.

An assessment of the problem of housing overhang or unsold houses in three major urban areas of Peninsular Malaysia was undertaken by a research team through a project commissioned by the National Institute of Valuation (INSPEN). The major urban areas covered by the study were Johor Bahru, Kelang Valley and Penang.
The secondary data compiled by NAPIC (National Property Information Centre) were adopted and statistical techniques were applied in the analyses (Noor Sharipah bt. Sultan Sidi, et al, 2011).

**Scenario 3: Problem of Housing Bubble in Major Urban Areas in Malaysia**

The issue of housing bubble has been given much attention particularly among real estate stakeholders and the public in general. As some of the data required in analyzing this problem is related to the study of housing overhang mentioned above, it is also interesting to discuss the problem for purposes of information and knowledge sharing.

**2.0 CONCEPT OF HOUSING AND HOUSING NEEDS**

**2.1 Concept of Housing**

The Oxford Dictionary (1987) defines a 'house' as “a building for human habitation”, while ‘housing’ is given the meaning of “dwelling houses collectivity, provision of these; shelter, or lodging”.

The United Nations however, defined ‘housing’ not simply as shelter. It is considered as a means of creating communities, given great emphasis on the functions which housing has to perform. According to this organization, “housing is a means which should perform a double function: the interior, one of providing a place where a household of different age, sex, education, occupation, intellectual modes and values can meet in harmony; and the exterior, one of providing meeting grounds for groups of households and for the healthy and enjoyment enrichment of their lives and the life of community” (United Nations, 1978).

In another report, the United Nations again emphasized that housing should be considered as more than shelter, or more than the mere protection of man and his activity from the elements of nature. How much more and what the deficiency of
aspects of housing is more difficult to answer. It however assumed that the answer vary according to geographic and climatic region, by religion and ethnic groups, by available income to spent on housing as well as by the individual’s own past history with housing and his individual preferences and attitudes (United Nations, 1977).

The organization considered housing as constituting two important aspects, namely the static and the dynamic aspects. The static aspect refers to housing as shelter, while dynamic aspects of housing are reflected in the changing needs of the user during his life cycle, and by his ability and willingness to invest in housing when his socio-economic characteristics change. In this context, the organization proposed that housing “should be perceived as a function of what housing does in the life of its users – of the role which the housing process plays in their life histories – and not as the material qualities of the physical product” (United Nations, 1977).

A committee of experts on the public health aspects of housing convened by World Health Organization (WHO) in 1961 defined housing as “…the residential environment, neighborhood, micro-district, or the physical structure that mankind uses for shelter and the environments of that structure, including all the necessary services, facilities, equipments and devices needed or devised for the physical and mental health and the social well-being of the family and the individual” (United Nations, 1977).

Housing can also be defined as a collection of facilities for intensive services in one physical location, and the meaning of the term varies with different social, economic and familial conditions. The house in its residential context in this case is not considered only as shelter but as a facility that should match the basic criteria that link the family with the environment. In this context, the concept of housing should encompass the residential environment, which includes, in addition to the physical structure that the family uses as shelter, all the necessary services and facilities required for the physical and social well-being of the family (United Nations, 1977).

Rapoport, A. highlighted the concept of housing from a different perspective. According to him, the house is an institution, not just a structure created for a complex set of purposes. As building a house is a cultural phenomenon, its form and
organization are greatly influenced by the cultural milieu to which it belongs. Very early in recorded time, the house became more than shelter for primitive man and almost from the beginning its function was much more than a physical or utilitarian concept. If provision of shelter is the passive function of the house, then its positive purpose is the creation of an environment that is best suited to the way of life of a people – in other words, a social unit of space (Rapoport, A. 1969).

John F.C Turner analyzed housing from yet another perspective. He highlighted that the word ‘housing’ can be used “as a noun or as a verb”. When used as a noun, housing describes a commodity or product. The verb ‘to house’ however describes the process or activity of housing. While the idea of housing as a collective noun is obviously associated with housing activities, the word itself does not generally indicate this fact. On the other hand, the activity of housing is difficult to conceive without including the houses promoted, built, or used” (Turner, J.F.C, 1972).

Turner therefore proposed that the concept of housing should be viewed from the perspective of housing both as noun and verb. As such, he suggested that housing “must be viewed as an interaction between housing actors, their activities, and the products of their activities within a given context. The ‘products’ include not only the dwellings and their utilities but also the satisfaction the actors derived from their activities” (Turner, J.F.C., 1972).

The above discussion clearly indicates that housing can be defined in many ways. The conventional definition is that of housing as shelter, also known as house or dwelling, which provides protection against nature, and as a provision for comfort and hygiene for the occupiers. The other opinion however, is to define housing as more than shelter. How much more is a subjective question to answer, but the general consensus is that it should fulfill the needs of the occupants.
2.2 Housing and Human Needs

The most important function of housing is to provide for human needs. In common terms, ‘needs’ means requirements of some sort. The concept of human needs however, is subjective. As mentioned by Doxiadis:

“…everybody has a subjective meaning for his own needs or for the needs of mankind, and that there is no accepted system of values which allows us to measure, compare, and to judge these needs…Needs vary enormously with time, locality, conditions, etc., and that even for the same person, they change continuously” (Doxiadis, C.A., 1968).

As human need is subjective in nature, it can be categorized in many ways. There are needs known as the basic or the 'objective measurable needs' which, according to Doxiadis are certain minimum needs which do not change. These are the very basic ones, such as the need for a certain number of calories per day, the need for certain cubic metres of oxygen per hour, the need for certain litres of water per day, and certain minimum spatial need (Doxiadis, C.A., 1968).

The other category of need is the ‘subjective needs’, which are needs perceived by people, and it involves the question of which. This question however cannot be answered in a uniform way mainly because of the variability of human perception and behavior.

Needs can be classified according to levels. There are the primary needs, such as the need for a minimum amount of food; secondary needs; and tertiary needs which are less important, such as the need for the production and preservation of food. All these needs are related to the satisfaction of man’s physical and social well being (Doxiadis, C.A., 1968).

Psychologists have also postulated the existence of a hierarchy of needs, ranging from basic physiological needs such as food and shelter, to more complex cognitive satisfaction of needs of self-realization. (Maslow, A.H., 1948).
Needs are also related to functions. Needs can be understood through the functions created. The need for food and clothing create the function of gathering and production of foodstuffs, the need for movement creates the function of transportation, and the need for shelter is that of housing. The satisfaction of needs and the operation of functions depend on existing conditions (natural, human, etc.) and the possibilities they present. The relationship between needs and functions to conditions and possibilities is not a uni-directional but a bi-directional one (Doxiadis,C.A., 1968).

It should also be noted that a set of needs which are perceived will probably vary over time. Certain needs perceived in a time of famine will be different from those perceived in a time of plenty. Similarly, there are also needs which may be the result of current fashions. As a society is more influenced by external communications, these perceived needs may become more volatile. Needs can also be altered through actions of leaders who may succeed in creating or modifying people’s perception of needs.

There is also what is termed as the ‘temporal’ aspects of needs, that is they are not felt by any individual with the same intensity at every point in time. A need may become more acute when the match between the actual and the preferred condition does not exist.

Needs may also be in conflict with one another. In such a situation, one has to strike a balance in attempting to satisfy them. An individual’s need for privacy for example, may conflict with his need to affiliate with or meet people, and a balance must be struck by the individual.

Needs can also arise as a result of the existence of certain problems. These problems can be both internal and external to man. In housing for example, these problems can be discussed in relation to the various environment which impinge upon man in his everyday life, such as the physical, socio-cultural, psychological, and physiological environments (Lazenby, M., 1977).
The above discussion clearly explained that the concept of human needs is multi-dimensional, and this fact must also be considered in understanding the concept of housing needs.

2.3 Housing Needs

One way of definition housing needs is through the ‘Conventional Approach’ or it can be described as a ‘standard housing’. Through this approach, Needleman, L. for example defined housing needs as:

“…the extent to which the quantity and quality of existing accommodation falls short of that required to provide each household or person in the population irrespective of the ability to pay or of particular preferences with accommodation of a specified minimum standards and above” (Needleman, L., 1965).

In a report by HMSO, the term housing needs was referred to as:

“ those households falling below defined minimum standards of accommodation, households lacking dwellings or living below currently accepted qualitative standard of fitness”. (Department of Environment, 1980).

The key elements in the above definition are quantity and quality which are required to be provided and which should meet a certain minimum standard. While quantity refers to numbers, quality is usually defined based on officially defined minimum standards usually contained in the planning and building regulations of the country. These are normally employed to measure the extent to which housing conditions in the area fall below the level of physical comfort, hygiene, and privacy implied by the minimum standards set.

Whether or not a dwelling fulfills the minimum standard requirements is normally based upon such physical criteria as structure, plumbing, and other facilities. The terms “adequate” or “good” housing may also refer to housing that is not overcrowded. This is determined by a density standard, generally the number of
persons per room. Parameters for “sub-standard” and “overcrowding” however, were found to vary from country to country (United Nations, 1977).

Based on the above definition, housing needs is usually expressed in terms of shortage. In this respect, the concept of need can best be specified as the minimum or average physical requirement of an individual or per household.

In applying the above principle, the United States Agency for International Development (USAID) for example, in preparing a National Housing Needs Assessment in Washington in 1984, quoted that:

“…The assessment of national housing needs involves two central and critical aspects: the projected need for housing (i.e the number of dwelling units required over the planning period to house the population adequately), and the level of investment required to bring the entire housing stock to a minimum level of quality commensurate with projected requirement”.

In determining housing needs the USAID methodology considers two important factors of ‘supply’ and ‘demand’. The demand factors are identified as population growth, household formation, household income and alternative mortgage lending terms. Supply factors include the cost of alternative housing solutions, the condition of existing stock of housing, and the potential impact of increased demand on those costs (Gray,G., 1985).

In clarifying the term, a report by HMSO (1985) distinguishes between the terms ‘housing requirements’, ‘housing needs’, ‘demand’, and ‘preferences’. According to this report, the term ‘needs’ should be restricted to mean “those households falling below defined minimum standards of accommodation – households lacking dwelling or living below currently accepted qualitative standards of fitness. While assessing basic need is considered important, it is only a part of the overall assessment task.

Authorities should also consider ‘demand’ which is determined by willingness and ability to pay for housing. Likewise, the aspect on preferences should also be taken
into account. The report suggests that the term ‘housing requirements’ should be used as an umbrella term which takes ‘needs’, ‘demands’, and ‘preferences’ into account (HMSO, 1985).

2.4 Housing Problem

Turner, J.F.C, promulgated the ‘Consumption Requirement Approach’ in defining housing needs. According to him, housing needs should be based on the point of view of the consumers and not the suppliers of housing.

In his arguments, Turner J.F.C highlighted the issue of the ‘value of housing’. Based on his twenty-five in depth studies of moderate and lower-income households in metropolitan Mexico, Turner discovered that “some of the poorest dwellings materially speaking, were clearly the best socially speaking, and some, but not all of the highest standard dwellings were the most socially oppressive. This paradox, created by false values and confused language is a very common one, especially in the majority of low-income countries as well as, and perhaps increasingly, in countries like Britain” (Turner, J.F.C, 1976).

To highlight the problem, Turner referred to the ‘supportive shack’ and the oppressive house’. Based on his study, he found that: the car painter household’s priorities are well matched by the housing services they have” (Turner, 1976). The shack therefore, was an admirable support for their actual situation as a vehicle for the realization of their expectations (Turner, 1976).

On the contrary, the mason’s modern standard house which is well equipped with basic modern services and conveniences, is economically a burden to the lives of the family members which led to a deterioration of their condition (Turner, 1976).

Turner therefore, argued for a redefinition of housing problem, and that the problem is actually the “function of mismatches between people’s socio-economic and cultural situations and their housing processes and products” (Turner,1976).

The whole issue on housing according to Turner, arises as a result of a mis-statement of the housing problem. He therefore proposes that housing problem
should be restated in the light of human values, and the real values are those that lie in the relationships between the elements of housing action – between the actors, their activities, and their achievements (Turner, J.F.C, 1976). Housing problems according to him arise when housing processes, that is, housing goods and services, and the ways and means by which they are provided, cease to be vehicles for the fulfillment of the users' lives and hopes (Turner, 1976).

Turner also emphasized that “it is what housing does for people that matters more than what it is, or how it looks. It is illogical to state housing problems in the modern convention of “deficits” of units to some material standard; and to be meaningful and useful as tools for action, people’s housing needs must always be stated in terms of priorities” (Turner, 1976).

The arguments mentioned above, obviously highlight the fact that in overcoming housing problems, it is not only quantity that matters, but also the quality of the houses that are being provided. As indicated by Michelson, W (1977):

“…housing is not purely a numbers game, but involves also the matching of people to appropriate housing”.

The matching of people to appropriate housing actually concerned with providing people with suitable housing. Suitable housing can be measured based on level of satisfaction of buyers, the match between supply and demand for housing or the match and mismatch in housing with respect to the size, design, type, location and affordability of buyers.
3.0 SCENARIO 1: PROBLEM OF UNSUITABILITY OF DWELLING UNITS OF LOW-COST FLATS IN KUALA LUMPUR, MALAYSIA

3.1 Background

This study analyses the problem of unsuitability of the dwelling units of public low-cost flats in Kuala Lumpur, Malaysia based on the satisfaction of respondents. The survey approach was adopted and the data for analyses were from a sample of 430 flat dwellers selected based on the stratified random sampling method.

The low-cost flats (both the walk-up and high rise flats) were chosen mainly because they are the type of housing most commonly built by the government in urban areas. Kuala Lumpur was chosen as the study area mainly because being the national capital, it has a multi-ethnic society which reflects the ethnic composition of the population in Malaysia and secondly, it has a diversity of low-cost housing programs whereby evaluation on the effectiveness of the housing in meeting the socio-cultural needs of the occupants can be analyzed.

3.2 Concept of Suitable Housing

The concept of needs can be related to suitability. Suitability or appropriateness exists when needs are being fulfilled, or there is a match between what is needed and what is supplied. In other words, suitability exists when supply matches demand. In this respect, a study on housing suitability is important as it would provide certain guidelines for the formulation of housing policies and programs for the country.

The concept of suitable housing has been widely discussed, and various definitions have emerged as a result. The United Nations for example, promoted the concept of ‘adequate’, ‘standard’ and ‘good housing’ as housing which should be supplied by nations all over the world.

Researchers such as Onibokun, Michelson, Philips, Gans, and Raven discussed housing suitability through the concept of ‘habitability’. Dan Soen on the other hand,
defines ‘housing that fulfils the occupants’ needs as suitable housing. In Britain, the Department of Environment defines housing that fulfils the requirements as suitable housing for people.

A major problem in the study of housing suitability is how to measure suitability. A review of the literature indicates that the concept of suitability in housing is related to satisfaction. This is because housing satisfaction is related to the fulfillment of needs, whereby satisfaction results from the fulfillment of needs, and dissatisfaction exists when needs remain unfulfilled. In this study therefore, the level of satisfaction of respondents was adopted as a measure of housing suitability. Past studies have shown that the relationship between housing and socio-cultural factors is significant, and that housing suitability is the result of the influence of the relationship between the two. As highlighted by Rapoport, A (1977):

“….house form is not simply the result of physical forces or any single causal factor, but is the consequence of a whole range of socio-cultural factors seen in its broadest terms”.

Therefore, the suitability of housing was assessed based on the satisfaction of respondents, and that a major focus of the analysis was towards understanding the relationship between housing and the socio-cultural aspects of the occupants.

Social factors which have been proven to have an influence on housing satisfaction vis-à-vis housing suitability are cultural factors which may sometimes change according to the stage of the household’s life-cycle. The other social factors that have been shown to have an influence on the suitability of housing are the residential history and the social class or social status of residents.

The main cultural element which has been shown to influence housing suitability is that of life style, which comprises the material and non-material aspects of a culture. These constitute the furniture and other non-material aspects such as activity patterns, values, cultural norms and standards of the occupants concerned.
Another aspects of culture considered relevant to the study of housing suitability is that of ‘sub-culture’, or ‘ethnicity’. This is because an ethnic group is often characterized by a set of cultural norms and heritage which strongly reflect and influence the values and perceptions of its members.

Malaysia has a multi-ethnic society comprising Malays, Chinese, and Indians. Theoretically it can be argued that the housing needs of the ethnic groups differ because of the difference in their socio-economic and cultural backgrounds. However, in the existing system, the houses allocated to the Malays, Chinese, and Indians are the same as it is the government’s policy to provide similar type of housing for all irrespective of ethnicity.

In the urban areas, the only options available to prospective low-cost housing occupiers are normally the type of house (either the walk-up or high-rise flats), or the number of bedroom available in each unit (either a one- or two-bedroom unit). Based on such a situation, it was assumed that the problem of unsuitable housing in the low-cost housing projects in Malaysia was due to the mismatch between the housing provided and the socio-cultural needs of the occupants.

3.3 The Suitability of Dwelling Units of Low-Cost Flats in Kuala Lumpur

3.3.1 The Suitability of the Size of Spaces

The research indicates that the major form of unsuitability in the dwelling units of the flats was the size of spaces. The space that was rated most unsatisfactory was the dining room. The dissatisfaction on the dining space is because there was no specific area for dining and secondly the space provided was too small to cater for their family needs. The space ranked second in the rate of dissatisfaction was the size of bathroom, where the bathroom was too small with poor lighting.

There was quite a high rate of dissatisfaction with the number of bedrooms. The main reason given was that there were too few bedrooms to accommodate their family needs. The ideal number of bedroom for their family needs was the three bedrooms units.
The other factor influencing the high rate of dissatisfaction was the size of second bedroom; the main reason given was the room was too small to accommodate the household needs.

3.3.2 The suitability of the location of spaces, amenities, and the allocation of floor.

The main dissatisfaction of the respondents with respect to spaces was with the design, specifically the location of the toilet, the bathroom and that of the dining area. The major reason for the dissatisfaction of the location of toilet was that it was combined with the bathroom which means that it cannot be used when the bathroom is in use. This was a problem to the dwellers because they were provided with only one toilet per dwelling unit. They would prefer the toilet to be separated from the bathroom so that both can be used concurrently. Another reason for dissatisfaction was that the toilet was located too near the kitchen.

The dissatisfaction of the location of dining area was mainly because it is combined with the living room, which many people felt uncomfortable with especially when there were visitors in the house.

The amenity provided which was not to the satisfaction of the dwellers was the absence of appropriate of study space for their children in the flats, followed by the insufficiency of the electrical plug points in the dwelling unit. The main reason was that their dwelling units were too crammed and there was no proper place for study as there were always disturbance particularly related to noise and thermal comfort.

3.3.3 The suitability of the dwelling units between the ethnic groups.

The research indicates that the policies and programmes of low-cost housing in Kuala Lumpur did not make any distinction between the needs of the various ethnic groups occupying them. Hence, the houses provided by the City Hall were common to all the ethnic groups.
A study on the backgrounds of the flat dwellers showed certain significant differences between the ethnic groups, particularly in terms of the past residential history of the households. The Malays were recent migrants to Kuala Lumpur compared with Chinese and Indians and originated from rural background where they had the luxury of space in their traditional housing environment, compared with the Chinese and Indians who were more exposed to the urban situation.

They were also found to differ in terms of income whereby the Chinese tend to enjoy a higher income level compared with the other ethnic groups. These differences however, could in a way influence their values and perception towards the suitability of their present housing.

However, it was also found that there was no significant difference in terms of the use of space in the dwelling units by the different ethnic groups, except for prayer space whereby the Chinese and Indians more often use the living room for this purpose, while the Malays tend to use their bedrooms.

The research reveals that the relationship between the suitability of the unit as a whole and ethnicity is not very significant, and that there are other factors which are more influential such as the size of space in the dwelling, the number of bedrooms, whether the house is with or without balcony and the number of occupants staying in the unit.

3.4 Factors Contributing to the Suitability of Dwelling Units.

The social factor which had the most influence on the suitability of aspects of the dwelling units was ethnicity. In this respect, the analyses revealed that the Malays were generally dissatisfied with the size of spaces, the location of spaces, the allocation of floor, and the structure of building. The Chinese were generally more satisfied with the location of spaces, the allocation of floor, and the structure of building; while the Indians were generally satisfied with the size of spaces.
The second important factor which had a significant influence on the assessment of the ethnic groups on aspects of the dwelling unit was origin. In this respects, the ethnic groups again differ from one another. The Malays were generally from the ‘kampong’ or rural background, the Indians from the estates, and the majority of the Chinese were from the urban area.

The significance of the differences in the origin of the ethnic groups is that the differences in their past experience has had a strong influence on their perception on housing, hence resulting in the differences in opinion. The Malays were generally used to the more spacious kampong houses, compared with the Chinese and Indians who were used to the compact and crowded housing environments.

Therefore, it is not surprising that the Malays were more dissatisfied with the size of spaces in their flats compared with the Chinese and Indians. Based on the differences, it is therefore not surprising that the ethnic groups differ in the assessment of the suitability of the dwelling units of the low-cost flats.

There were also other differences identified in the study. Those factors include the duration they had been staying in the flats; the Chinese mainly influenced by their origin, duration residing in flats and education; while the Indians, mostly influenced by education and occupation.

The study proved that the suitability of aspects of the dwelling units differ between the ethnic groups because of difference in their socio-cultural backgrounds, and in the case of the low-cost flat dwellers in Kuala Lumpur, it is difference in the duration they had been staying in the flats, and their origin which had the most influence of their assessment on the suitability of the flats.

3.5 Implications to Housing Policies and Programs

Based on the study, it was concluded that the most important factor which determined the suitability of the dwelling units of low-cost flats in Kuala Lumpur was the size of the unit, that is the bigger the space, the more suitable it is to the occupants and vice versa.
The finding also indicated that the suitability of the dwelling units of low-cost flats is not influenced by the size of spaces per se, but also relative to the number of occupants in the units, the housing density and the housing development concept of whether the unit is within a walk-up flat or high rise. To improve the suitability of low-cost flats provided by the public sector, it is important that these factors be considered in detail before a housing development project be undertaken.

The research also highlighted the fact that ethnicity was not a very important factor in influencing the suitability of the dwelling units as a whole. This means that differentiating the housing design for the different ethnic groups is not necessary.

To improve the suitability of the low-cost flats, it was proposed that the floor area of the dwelling units be increased as they were found to be too small by most of the households particularly those staying in the oldest flats. The allocation policies should also be improved so that there would be a better match between the dwelling unit and the number of occupants, the monthly income of the households and the allocation of floors to the appropriate families.

It was also recommended that housing authorities concentrate on building the walk-up flats as most of the households favoured this type of building compared with the high-rise flats, and that this type of building has proven to be less expensive in terms of maintenance costs.

It was not necessary for the government to formulate a housing policy based on ethnicity to suit the needs of the different ethnic groups. In this regard, it is anticipated that as the country becomes more urbanized, more of the Malays would become familiar and used to staying in flats, and hence would find flat life more suitable, as the Chinese and Indians.

However, it should also be noted that suitability or appropriateness in housing is said to exist when needs are being fulfilled, and that the concept of need may vary over time. As such, it is necessary for housing authorities to review the needs of occupants over time. In this respect, it is suggested that a study be undertaken at
least once in every ten years to identify any changes in the needs and aspirations of people living in low-cost flats so that improvements on the design of dwelling units of low-cost flats can be made accordingly.

4.0 Scenario 2: Problem of Housing Overhang in Major Urban Areas in Malaysia

4.1 What is Housing Overhang?

Housing overhang refers to a situation of massive unsold housing recorded within a certain period of time. The manifestation of housing overhang is the existence of many unsold units within a certain period of time. Housing overhang is a problem related to the housing market. It should be noted that there are many factors which affect housing market. Such factors are:

i. Economic growth - Demand for housing is dependent upon income. Therefore with higher economic growth and rising incomes people will be able to spend more on housing, hence increasing the demand for housing. Increasing demand will result in house price to increase and demand for housing is noted to be income elastic.

ii. Unemployment - the reverse to economic growth is economic downturn which results in increasing rate of unemployment. When unemployment rate increases, less people will be able to afford a house. However, a decline in confidence on the future value of housing, may also cause people with a job may not want to buy a house.

iii. Interest rates - this is not really a general economic condition but a situation as a result of certain economic situation. High interest rate will cause demand for housing to reduce and consequently a lower demand for housing. It is actually the consequence of increased cost housing due to increases cost of mortgage payments and consequently reduces the affordability for housing.
iv. **Consumer confidence** - Confidence is important for determining whether people want to take the risk of taking up a mortgage. In particular, expectations towards the housing market is important. If people fear that houses price could fall, people will defer buying a house except for those who want to buy because they want to occupy it.

v. **Money market** - the main factor influencing housing market in this respect is the action by central banks in tightening their mortgage or lending policies. Measures such as tightening their lending criteria, reducing the 100% mortgages and increasing their interest rates may affect demand and sale of housing.

### 4.2 Problem of Housing Overhang in Malaysia

In Malaysia, the problem of housing overhang was reported by NAPIC (National Property Informational Centre) which indicated that in the third quarter of 2009 there were 20,286 residential, 5,450 shop and 619 industrial units unsold at a value worth RM5.3 billion. (*Economic Malaysia, 28 November, 2010*).

NAPIC again reported that in the second quarter of 2010, unsold properties in Malaysia rose to 22.6 per cent of new launches, from 19.5 per cent in the fourth quarter of the previous year.

Some analysts however, cautioned the need to put the problem of property overhang in a proper context as the unsold properties may perhaps represent only a small percentage of the entire stock. The problem may perhaps be a seasonal variation or a typical lag that affect property development. Nevertheless, the problem of property overhang would naturally raise concerns over the viability of new mega projects.

Some analysts therefore, emphasized the need to perform a comprehensive impact assessment on the property market before any investment is made on mega high-end projects (*Economic Malaysia, November, 2010*).
4.3 Problem of Housing Overhang According to Year

According to the research undertaken, the problem of housing overhang in Johor, Kuala Lumpur, Selangor and Pulau Pinang according to year is explained by Figure 1. An analysis of the problem for the study areas indicates that the problem was found to be quite significant for all the areas in 2004 where about 50% of the units launched were not able to be sold and the trend seemed to follow through until 2005.

By the end of 2005, the problem seemed to be reducing for the other states except Johor and Selangor where about 60% of the units launched were not able to be unsold. The problem still existed in Johor in 2007. However, the data indicates that despite a big increase in the number of housing units built and launched in the following years of 2008, 2009 and 2010, the number of units unsold was low. Therefore, on the whole it can be concluded that housing overhang was a problem in the study areas in 2004 and 2005 but is not a problem now. Compared with the other states, the problem in Johor is quite significant.
Figure 1: Number Of Unsold Residential Units By State From 2004 Until 2010

Source: Valuation and Property Service Department
The detailed analysis of housing overhang according to year is as follows:

**i. Problem of Residential Overhang In 2004**

In 2004, Selangor had the most number of overhangs (4,854 units) valued of RM 335.48 million in Q3 2004 and Kuala Lumpur had the least number of overhangs (79 units) valued of RM 19.94 million in Q3 2004 (Figure 2). Johor recorded an increased in overhang units throughout the four quarters 2004, which was from 2,580 units in Q1 2004 to 3,785 units in Q4 2004. Similarly, Selangor also recorded an increased in overhang units for the first three quarters for the year, but decreased in the last quarter 2004. Kuala Lumpur stated a decrease from Q1 2004 to Q3 2004 and continued to increase in overhang units in Q4 2004. Pulau Pinang had a decreased from 998 units in Q1 2004 to 790 units in Q2 2004, then the number increased to 842 units and decreased again to 629 units.

**ii. Problem of Residential Overhang In 2005**

In 2005, Johor had the most number of overhangs (5,944 units) valued of RM 994.28 million in Q4 2005 and Kuala Lumpur had the least number of overhangs (193 units) valued of RM 46.03 million in Q2 2005 (Figure 3). Johor recorded an increased in overhang units throughout the four quarters 2005, which was from 3,960 units in Q1 2005 to 5,944 units in Q4 2005. Kuala Lumpur had a decrease from 304 units in Q1 2005 to 193 units in Q2 2005, and the number increased to 477 units in Q3 2005 but declined again to 387 units in the last quarter. For the first three quarters 2005, Selangor recorded a decrease in the number of overhang residential units from 5,590 units in Q1 2005 to 2,921 units in Q3 2005, but an increase occurred in Q4 2005 to 3,246 units. Meanwhile, for Pulau Pinang the number decreased from 955 units in Q1 2005 to 845 units in Q2 2005 and increased for the last two quarters to become 1,014 units in Q4 2005.
Figure 2: Number of Unsold Residential Units In 2004

Figure 3: Number of Unsold Residential Units In 2005
iii. **Overhang Residential Units in 2006**

The graph shows that Johor had the most number of overhang residential units (9,874 units) valued of RM 1,510.11 million in Q3 2006 and Pulau Pinang had the least number of overhang residential units (594 units) valued of RM 97.42 million. In Q4 2006 Kuala Lumpur had an increase from 811 units in Q1 2006 to 1,828 units in Q2 2006. The number increased in Q3 2006 to 2,166 units and decreased again in Q4 2006 to 1,718 units. Selangor recorded a decrease from 4,244 units in Q1 2006 to 3,503 units in Q2 2006, and the number increased for the last two quarters to become 5233 units in Q4 2006 (Figure 4).

A different trend can be seen in Johor, which had an increase from 6,602 units in Q1 2006 to 6,934 units in Q2 2006. In Q3 2006, the number increased to 9,874 units and decreased again to 8,215 units in Q4 2006. Conversely, Pulau Pinang had a decrease overhang residential units from 1,001 units in Q1 2006 to 695 units in Q2 2006. The number increased in Q3 2006 to 778 units and decreased to 594 units in Q4 2006.

iv. **Overhang Residential Units In 2007**

Similar to the past three years, Johor still had the most number of overhangs (8,043 units) valued of RM 1,444.84 million in Q3 2007 and Pulau Pinang similar to the previous year, at the same time had the least number of overhangs (310 units) valued of RM 69.27 million in Q4 2007 after having a decrease from 433 units in Q1 2007 and maintained to 381 units in Q2 and Q3 2007. Johor had an increase from 7,786 units in Q1 2007 to 8,043 units in Q2 2007 and decreased to 6,845 units in Q3 2007 before the number increased to 6,941 units in Q4 2007 (Figure 5).

Selangor decreased throughout four quarters from 5,730 units in the first quarter to 4,053 units in the last quarter. Kuala Lumpur had a decrease from 1,555 units in Q1 2007 to 1,208 units in Q2 2007, an increase to 1,537 units in Q3 2007 and decreased to 1,523 units in Q4 2007.
Figure 4: Number of Unsold Residential Units In 2006

Figure 5: Number of Unsold Residential Units In 2007
4.4 Problem of Housing Overhang By Area

The problem was found to be not significant for Kuala Lumpur and Pulau Pinang. In Kuala Lumpur, the problem occurred in 2004 and 2007 whereby about 50% of the launched residential were reported unsold. The problem of housing overhang was quite significant in Johor in 2004. Selangor experienced the problem in 2005, 2006 and part of 2007 (Figure 6).

i. Problem of Overhang In Kuala Lumpur

The number of overhang residential units in Kuala Lumpur by quarter for the year 2004, 2005, 2006 and 2007. In Q1 2004, the number of overhang residential units were 240 units, decreased to 96 units in Q2 2004, 79 units in Q3 2004, and increased again to 304 units in Q4 2004. The number maintained at 304 units in Q1 2005 but decreased to 193 units in Q2 2005. In the Q3 2005 overhang residential units increased to 477 units and declined to 387 units in Q4 2005 (Figure 7).

The number increased to 811 units in Q1 2006, 1,828 in Q2 2006, 2,166 units in Q3 2006 and decreased to 1,718 units in Q4 2006. The number continues to decrease in Q1 2007 to 1,555 units, 1,208 units in Q2 2007 and increased again to 1,537 units in Q3 2007 but declined to 1,523 units in the last quarter 2007.

ii. Problem of Overhang In Selangor

The overhang of residential units in Q1 2004 increased to 1,771 units in Q2 2004, 4,854 units in Q3 2004 and a small decreased in Q4 2004. Overhang residential units continue to increase to 5,590 units in Q1 2005, decreased to 2,928 units in Q2 2005, 2,921 units in Q3 2005 and increased again to 3,246 units. In Q4 2005, there were 4,244 overhang units. In Q1 2006, it decreased to 3,503 units in Q2 2006 and increased to 4,527 units in Q3 2006, 5,233 units in Q4 2006. The number of overhang continue to increase in Q1 2007 to 5,730 units, decreased to 5,392 units in Q2 2007, 4,592 units in Q3 2007 and 4,053 units in Q4 2007 (Figure 8).
Figure 6: Number Of Unsold Residential Units By State From 2004 Until 2010

Source: Valuation and Property Service Department
Figure 7: Number of Unsold Residential Units In Kuala Lumpur By Year

Figure 8: Number of Unsold Residential Units In Selangor By Year
iii. **Problem of Overhang In Johor**

In Q1 2004, 2,580 units were recorded in Johor and started to increase to 3,175 units in Q2 2004, 3,506 units in Q3 2004 and 3,785 units in Q4 2004. The number of overhang residential units continue to increase in Q1 2005 to 3,960 units, 4,084 units in Q2 2005 to 3,960 units, 4,084 units in Q2 2005, 4,684 units in Q3 2005 and 5,944 units in Q4 2005. In Q1 2006, the number of overhang residential units were 6,602 units and increased to 6,934 units in Q2 2006. Q3 2006 recorded the most number of overhang residential units with 9,874 units and decreased to 8,215 units in Q4 2006 (Figure 9).

The number of overhang residential units declined to 7,786 units in Q1 2007, increased to 8,043 units in Q2 2007, decreased to 6,845 units in Q3 2007 and a small increase in Q4 2007 to 6,941 units.

iv. **Problem of Overhang In Pulau Pinang**

There were 998 overhang residential units in Q1 2004, decreased to 790 units in Q2 2004, increased to 842 units in Q3 2004 and decreased to 629 units in Q4 2004. The number of overhang residential units increased to 955 units in Q1 2005, decreased to 845 units in Q2 2005 and increased again for the next two quarters to 883 units in Q3 2005 and 1,014 units in Q4 2005 (Figure 10).

Overhang residential units decreased to 1,001 units in Q1 2006, 695 units in Q2 2006 and increased again to 778 units in Q3 2006 before declined to 594 units in Q4 2006 In. the Q1 2007, overhang residential units were 433 units and maintained at 381 units in Q2 and Q3 2007 before decreased to 310 units in the last quarter 2007.
Figure 9: Number of Unsold Residential Units in Johor By Year

Figure 10: Number of Unsold Residential Units in Pulau Pinang
4.5 Problem of Housing Overhang By Price Range

i. **Unsold Residential Units in Johor**
   In 2004, the unsold units in Johor were mainly from the price range of RM100,000 to RM200,000 and also those priced at more than RM250,000. In 2005, the unsold units were also mainly in the RM100,000 to RM200,000 price per unit category *(Figure 11)*.

ii. **Unsold Units in Kuala Lumpur**
   In Kuala Lumpur, the majority of the unsold units for the year 2004 were from the RM100,000 to RM150,000 price range and also from the RM200,000 to RM250,000 price ranges. In 2007, it was from the above 250,000 price range and in 2010 from RM250,000 to RM500,000 price range *(Figure 12)*.

iii. **Unsold Units in Selangor**
   In Selangor, the trend is that the unsold units are generally from the more than RM250,000 price range all throughout the years *(Figure 1)*.
iv. **Unsold Units in Pulau Pinang**

As for Pulau Pinang, the unsold units were found to be within the RM50,000 to RM100,000 and more than RM200,000 categories in 2004. In 2007 the significant unsold units were from the more than RM250,000 price category (Figure 14).

*Source: Valuation and Property Service Department*

*Figure 11: Number Of Unsold Residential Units In Johor By Price Range From 2004 Until 2010*
Figure 12: Number Of Unsold Residential Units In Kuala Lumpur By Price Range From 2004 Until 2010

Source: Valuation and Property Service Department
Figure 13: Number Of Unsold Residential Units In Selangor By Price Range From 2004 Until 2010

Source: Valuation and Property Service Department
Figure 14: Number Of Unsold Residential Units In Pulau Pinang By Price Range From 2004 Until 20

Source: Valuation and Property Service Department
4.6 Problem of Housing Overhang by Type

The analyses on housing overhang according to type of housing indicates the following findings:

i. Unsold Units in Johor by Type (Figure 15)
The main type of housing which were mainly unsold in Johor in 2004 were the single storey terrace, the condominium apartment and 2 or 3 storey terrace in 2005, the service apartment and two or three storey terrace in 2006 and 2007; the flat in 2008 and the two or three storey terrace in 2009 and the single storey terrace in 2010.

ii. Unsold Units in Kuala Lumpur by Type (Figure 16)
In Kuala Lumpur, the unsold units were mainly the condominium apartment (2004), the flat and service apartment (2009) and the condominium apartment (2010).

iii. Unsold Units in Selangor by Type (Figure 17)
In Selangor, the unsold units were single storey terrace, condominium apartment and the service apartment.

iv. Unsold Units in Pulau Pinang by Type (Figure 18)
In Penang, the condominium apartment were also found to be the most number of units not being able to be sold.
Figure 15: Number of Unsold Residential Units in Johor By Type From 2004 Until 2010

Source: Valuation and Property Service Department
Figure 16: Number Of Unsold Residential Units In Kuala Lumpur By Type From 2004 Until 2010

Source: Valuation and Property Service Department
Figure 17: Number Of Unsold Residential Units In Selangor By Type From 2004 Until 2010

Source: Valuation and Property Service Department
Figure 18: Number Of Unsold Residential Units In Pulau Pinang By Type From 2004 Until 2010

Source: Valuation and Property Service Department
Based on the analyses above it can be concluded that:

i. Problem of residential overhang is a temporal problem which happen as a result of a mismatch between supply and demand of housing. The data showed that the problem was quite serious in 2004 but it has reduced by 2010.

ii. However, it should be noted that the problem need not necessarily be due to a situation of over supply as unsold residential units may be due to other factors such as unsuitable location, the designs may not be suitable or in accordance to the preference of buyers or perhaps the prospective buyers cannot afford to buy the units because they are too expensive. However, it is not within the scope of the research to answer the questions, hence further research is necessary.

iii. The findings indicated that Johor in particular and Selangor to a certain extent experienced the problem in the years 2004, 2005 and part of 2006. The problem however, has reduced over the years and can be considered not a problem in 2010.

iv. There seem to be no strong correlation between problem of overhang with that of price of residential units offered for sale. Therefore it can be concluded that the problem of unsold residential units may not be due to affordability.

v. There is the possibility that the residential units constructed do not match the preference of buyers. This is indicated by the type of residential units unsold are those of the low and medium price categories.
5.0 CURRENT HOUSING PROBLEM: PROBLEM OF HOUSING BUBBLE IN MALAYSIA

5.1 What is Housing Bubble?

Malaysia at present (as some analysts claimed) is experiencing a housing bubble situation. Housing bubble refers to a situation where property prices increased at a drastic and rapid rate. OSK Research Sdn. Bhd., an economic international research firm reported that Malaysia particularly in major urban areas mentioned that Malaysia is experiencing a housing bubble, the highest in a decade. The problem will be at its peak in 2012 to 2013 and is then expected to fall or in another common term burst.

5.2 Problem of Housing Bubble in Malaysia

NAPIC (National Property Information Centre) reported that in 2009 and 2010 recorded a positive performance in housing development (Mohd Shukri Mohd Arif, Dewan Masyarakat, January, 2010). In 2009, about 337,859 units of property at a value of RM80.997 billion was sold and about 211,600 units valuing RM41.84 comprised of residential units.

NAPIC also recorded that on the average, all type of house an increase of about 3.2% from RM178 to RM184 574 per unit with Kuala Lumpur experiencing the highest rate followed by Sabah and Selangor. In 2009, demand for high-cost housing or housing exceeding RM500 000 continuously increased. In that year, demand for all types of housing in urban areas especially Kelang Valley was high.

In many parts of the country particularly the major urban centers, price of houses escalated to millions of ringgit per unit making it unaffordable even for the middle income families to purchase (Mingguan Malaysia, 26, December, 2011). In Penang for example, in 2009 the average house price is at RM540 000 which is eight times higher than the average household income. In Kuala Lumpur, the average price of a house is RM390 000, which is about six times the average income of a household.
The situation was worst for Pulau Pinang when the requirement to built low-cost housing by private developers were relaxed by the state government.

The Socioeconomic Research Institute (SERI) highlighted the fact that construction of high-end housing in Penang has gone beyond control and that current price range of housing units in Penang at between RM300 000 to more then RM500 000 which for the majority of the population is unaffordable.

The situation worsened with the introduction of government policy which encouraged / allows foreigners to buy houses in Malaysia (Mingguan Malaysia, December 26, 2010). This policy has the effect of increasing demand for housing and consequently increased housing price and foreign ownership on housing.

The policy of Bank Negara Malaysia to limit loan for buying house for third time buyers to 70% only did not have much effect in controlling the price of houses. As such most of the luxury and condominium housing in the Golden Triangle of Kuala Lumpur or KLCC area were bought by foreigners particularly Singaporean, investors from the Middle East and the Europe.

5.3 Implications of Housing Bubble

The experience of Dubai should be a good example for Malaysia to consider. At the time when property value in Dubai was at its height, investors were very enthusiastic at acquiring properties in the elite city with the aim of making profit. However, when world plunged into economic crisis at the end of 2008, property development in Dubai began to slow down. Share markets in Dubai dived almost reaching to a standstill. This situation can also happen in Malaysia if no measures are undertaken by the government to curb the situation.
Between January to September, 2010, CIMB reported that about 1777 units of property valuing RM360 000 were auctioned. Public Bank also recorded about 700 units of property were auctioned between 2006 to 2010. Such condition is not a healthy situation for banks as they have to bear the burden of high credit account.

The high price of houses became a problem to the majority of the local population particularly the low income group as their ability to own a house is drastically reduced. The high price of the medium cost apartment, condominiums, terraced houses, the semi detached and the bungalow units became unaffordable to many people and as such demand shifted from Penang Island to Seberang Perai and the mainland areas.

The situation would also affect the racial distribution and composition of urban population particularly in the major urban areas such as Penang, Kelang Valley and Johor Bahru. As majority of the Malay households in Penang island are within the low and middle group, many migrated to the mainland where housing is more affordable.

The younger family households were also badly affected by the situation and such a problem can also spread to other major cities in the country if the problem prevails and remained unchecked.

5.4 **Significance of the Research Findings**

The high price of housing may indicate a positive economic development for the country and is profitable for majority of housing developers in the country. However, there other negative implications such as hardships, discontentment and dissatisfaction among majority of the population. Therefore it is important that certain measures be undertaken by the government to curb the situation.
It is pertinent that measures towards reducing or stabilizing the price of properties particularly housing to a more reasonable level be considered seriously by the government and certain measures such as price control, regulating on type of housing development, reconsideration on the policy of housing ownership for foreigners and other relevant fiscal or monetary measures be undertaken and implemented by the government.

Besides, further research on the assessment of impacts of the housing bubble to the below poverty line, low income, medium income and the young family households should also be undertaken.

6.0 CONCLUSION

The three scenarios described above clearly indicate that housing problem is basically the problem of mismatch. The first scenario is a situation of mismatch between the dwelling unit and the occupants. It should be noted that the problem of housing mismatch can occur in quantitative, qualitative or both terms. The housing suitability study discussed above explained the issue of mismatch in quantitative and qualitative terms.

Quantitatively, the majority of the residents interviewed indicated that the size of their housing is small to meet their family needs. However, an interesting finding of the study is that the problem is not caused by the lack of space per se, but rather the influence of the past experiences of the different ethnic groups. Dissatisfaction was found to be highest among the Malays because their experienced living in the spacious environment of the kampung where they originate is something which caused them to feel flat life as unacceptable. The past experiences of Chinese and the Indians staying in shop houses and estate quarters respectively were almost similar to the environment in the low-cost flats. As such, the dwelling units of the flats were more acceptable or suitable to them.

The second scenario of housing problem was on housing overhang. Although of a different nature, the study also highlights a situation of mismatch. In this case,
a mismatch between supply and demand for housing. Presumably, the problem can be understood as a situation of supply exceeding demand, hence causing housing units cannot be sold. However, this problem must be noted with caution as the situation of unsold units may arise due to other factors such as a mismatch between the price of houses provided and the affordability of households, houses are being constructed at inappropriate locations or perhaps due to the designs of the housing units built are not in accordance with the taste, preferences or lifestyle of prospective house buyers.

The third scenario on the problem of housing bubble is also an issue of housing mismatch, whereby the price of the houses are too expensive for majority of the population to afford. As such majority could not own a home and this gave rise to the feeling of dissatisfaction. The situation, if remained unchecked may heighten tension, unhappiness and perhaps social conflict among the population.

To achieve a perfect balance between supply and demand in housing is rather too idealistic and perhaps an impossible state to achieve. Nevertheless, it is pertinent that a concerted effort is undertaken by the government through the implementation of certain measures to balance the situation so as to ensure majority of the population have access to appropriate housing and hence, achieving the policy of housing democracy. However, providing adequate and appropriate housing for the nation is not confined to the government’s role alone but rather must be supported by all parties concerned with housing, particularly the housing developers as a corporate social responsibility.

The other characteristic of housing is that it is dynamic in nature. The housing needs and demands for housing keep on changing along with other changes in the socio-economy, lifestyle, preferences, family structure, community needs, affordability, values, technologies, government policies and so forth. As such, research must also keep abreast with the situation to ensure the measures adopted and policies formulated by the government towards achieving a sustainable housing development are in tandem with the changes.
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