

EFFECT OF THE GOVERNMENT POLICIES  
TOWARDS ABANDONED HOUSING  
PROJECT IN MALAYSIA

NUR ASYIKIN BINTI RUHANNUDIN

B. ENG(HONS.) CIVIL ENGINEERING

UNIVERSITI MALAYSIA PAHANG

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EFFECT OF THE GOVERNMENT POLICIES TOWARDS ABANDONED  
HOUSING PROJECT IN MALAYSIA

NUR ASYIKIN BINTI RUHANNUDIN

Thesis submitted in fulfillment of the requirements  
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UNIVERSITI MALAYSIA PAHANG

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## ABSTRAK

Isu bangunan terbengkalai telah berlaku di seluruh dunia dan tidak membawa perkara yang positif kepada negara sama ada dari segi kepentingan dan juga ekonomi. Di Malaysia, isu ini telah berkembang dengan drastik sehingga tidak terkawal. Oleh sebab itu, kajian ini dilakukan bertujuan untuk mengkaji bangunan terbengkalai di Malaysia. Bangunan terbengkalai bermaksud sebarang projek dari segi bangunan, kejuruteraan awam dan projek pembangunan kejuruteraan berat seperti rumah, sekolah, jambatan, jalan raya, bangunan tinggi dan lain-lain yang tidak disiapkan dalam tempoh yang ditetapkan dan telah mencemarkan pemandangan. Isu projek terbengkalai masih merupakan masalah yang belum dapat diselesaikan di Malaysia. Walaupun, terdapat banyak dasar-dasar dan undang-undang telah digubal oleh kerajaan Malaysia, namun masalah projek perumahan terbengkalai masih berlaku dan masih belum ditangani sepenuhnya. Dalam kajian ini, soal selidik dan kajian literatur dijalankan untuk menilai kesan dasar-dasar kerajaan ke arah perumahan terbengkalai di seluruh Malaysia dan punca projek tersebut ditinggalkan tanpa pengurusan. Pencapaian yang dijangka daripada kajian ini adalah untuk menyediakan kaedah pencegahan untuk isu dan penyelesaian menghidupkan semula kepada bangunan terbengkalai di Malaysia. Sebanyak 50 soalan kaji selidik telah diedarkan secara rawak kepada kontraktor, perunding, pemaju, kerajaan, dan lain-lain. Borang soal selidik telah diedarkan melalui rangkaian sosial, e-mel juga dengan tangan menggunakan borang soal selidik. Sebanyak 42 set soalan selidik telah dikembalikan dan digunakan sebagai analisis untuk kajian ini. Relatif Indeks Ketaksamaan (RII) telah diguna pakai untuk menilai ranking faktor yang berbeza oleh responden. Daripada kajian, didapati bahawa kesan daripada dasar-dasar kerajaan terhadap projek perumahan terbengkalai adalah kekurangan penguatkuasaan undang-undang dan dasar perumahan adalah faktor penyumbang utama projek-projek perumahan terbengkalai. Malah pembeli jugatidak dilindungi secukupnya di bawah undang-undang dan amalan yang sedia ada. langkah berjaga-jaga perlu diambil sebelum projek dimulakan bagi mengelakkan projek perumahan terbengkalai berlaku, di mana rekod kesahihan pemaju perlu dikesan.



## **ABSTRACT**

The issue of abandoned building happens across the globe, and it brings nothing positive to the stakeholders as well as to the country economy. In Malaysia, this issue has grown to an unbearable state, and this study aims to study the abandoned building in Malaysia. Abandoned was the project including the building, civil engineering and heavy engineering development project for example houses, schools, bridges, roads, high rise building and others that been abandoned. The issue of abandoned projects is still an unsettled issue in Malaysia. Even though there are numerous policies and laws have been promulgated by the Malaysian government, yet the problem of abandoned housing projects is still occurring and has not yet been fully addressed. In this study, the questionnaire survey and review on literature will be conducted to evaluate effect of government policies towards abandoned housing project around Malaysia and the cause of abandonment. The expected outcomes of this study are to provide methods of prevention for the issue and reviving solutions to the abandoned building in Malaysia. A minimum 50 questionnaires survey were distributed randomly to contractor, consultant, developer, government, and others. The questionnaires forms were distributed through the social network, e-mail and also by hand using questionnaire form. The 42 sets of questionnaire were used and as the analyzed in this research. Relative Index Inequality (RII) is adopted to evaluate the ranking of different factors by the respondents. From the results, it shows that the cause of government policies towards abandoned housing project is the lack of enforcement of housing law and policy as one of the main contributing factors of abandoned housing projects and the house buyers are not adequately protected under the existing law and practices. The precautionary steps should take before start the project to avoid the abandoned housing project happen, where the legality of the developer should be tracked.

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## **LIST OF ABBREVIATIONS**

CIDB	Construction Industry Development Board
MHLG	Ministry of Housing and Local Government
RII	Relative Index Inequality
REDHA	Real Estate and Housing Developer Association
HII	Home Indemnity Insurance



## **CHAPTER 1**

### **INTRODUCTION**

#### **1.1 Introduction**

The construction industry plays an important role in generating the economy of a developing country such as Malaysia. The total value of construction projects in Malaysia is an average of RM 112.5 billion in 2012 (CIDB Malaysia 2013) and has created many job opportunities for helping the economy. The number of employed persons in the construction industry in Malaysia in 2011 is 1.134 million, which constitutes 9.2% of the total 12.284 million employed persons (Department of Statistics 2011). However, it must be noted not all the construction projects are completed on schedule by the developer. It is also not uncommon for construction projects to be delayed, or in the worst scenario even abandoned due to various reasons.

This issue of project abandonments was not new in these our countries. The type of abandonment is where a contractor fails to perform the work on a project by either not starting the project in a reasonable amount of time, or not completing the work, or failing to resume work in a reasonable amount of time. When a progress of a certain work faces too many problems due to financial problems faced by the developers, lack of proper project timing, maybe suddenly the developer licences was loose approval of the applications for housing or the company suddenly declare a bankruptcy so it seems to be impossible to continue further on the resulting to stop it completely. As we know the abandonment project was not limited to building only, but they also include any structure that we build such as a road, bridges, factories, dams, communication project, industries structures and others project also can be abandoned.

The Ministry of Housing and Local Government was considers that the building can be abandoned if 1) there has been no substantial activity on site for six consecutive months, or 2) it is involved in a winding-up petition registered at the High Court under Section 218 of the Companies Act, or 3) it is under receivership, or 4) the developer has informed 2 the Housing Controller in writing of his inability to complete the project, or 5) the project has been certified to be abandoned by the Minister under Section 11 (1) I of Housing Development (Control and Licensing) Act 1966 (i.e. Act 118) (MHLG 2011). However, as aforementioned, this definition is only for housing projects whereas this study covers all types of construction projects which might not be governed by Act 118. Therefore, the purpose of this study is to find out how the building had been abandoned in the scope of engineering.

Table 1-1: Statistic on Abandoned housing Project

	<b>Total number of abandoned housing projects (Peninsular Malaysia)</b>			
Year	No. of projects	No. of houses	No. of buyers	Estimated Value (RM million)
2000	514	107702	68340	7524.41
2001	544	125649	80070	9496.68
2002	-	-	-	-
2003	-	-	-	-
2004	227	75356	50813	7033.08
2005	261	88410	58685	8043.00
2006	-	-	-	-
2007	-	-	-	-
2008	270a	87725a	60159a	-
2009/12/03	136b	-	30567b	-
2010/06/30	151c	-	-	-
2011/02/06	104d	34309d	22558d	-
2012/09/30	95e	37316e	26170e	-
Source	Unmarked – Ministry of Housing and Local Government (HBA 2006) a Ministry of Housing and Local Government (MHLG 2008) b Minister of Housing and Local Government (Kong 2009) c Kabit (2010) d Heng (2011) e Ministry of Housing and Local Government (MHLG 2012)			

## 1.2 Problem Statement

The “Abandoned Project”, it is a project that fully stopped where no more work is carrying on the entire project anymore. Therefore, it has to justify whether the construction project undergoing is abandoned or not is determined by certain criteria to

the project. However, it must clearly that abandoned housing project and abandoned housing was different. For an abandoned housing project, it refers to the project that partially completed mean that it haven't fully complete and the project already stopped. And for an abandoned housing, it is a completed housing project but it not occupied by people. Main reason that cause abandoned housing appear, when the developer did not study the market price need in result the development that they conduct is not suit to the market need such as wrong location, limited in choices for choosing and so on. In conclusion, the building structure is left exist and lack of maintenance no matter is fully being constructed or partially constructed. However, the government has set a policy to be followed as a measure to control, but the number of abandoned housing project still increasing year by year. Therefore, questionnaire survey will be used to assess several of the opinion about the abandoned housing.

### **1.3 Objective of the Study**

The purpose of this research is to look into the problems of abandoned construction projects in Malaysia. This goal will be achieved through the following objectives:

1. To identify the causes of abandoned housing.
2. To investigate the effect of government policies towards abandoned housing project.
3. To determine the solution and reviving method of abandoned housing.

### **1.4 Scope of the Study**

The survey have focused on Peninsular Malaysia, but excluded the states of Sabah and Sarawak. This study applied the literature review on the causes of abandoned housing. While, questionnaires survey is applied to investigate the effect of the government policies towards abandoned housing and come out with the prevention method and reviving solution of abandoned housing. This study on abandonment housing by any sector that participate in the housing project activity, because there are few sources or producing the housing units in Malaysia; these include individuals, government bodies, consultant department, developer. Academician and public also involve in this study to identify opinion about abandoned housing.

## **1.5 Significant of Study**

Main objective of this study was to conduct detailed evaluation of the abandoned housing in terms of government policies. Also, to provide result for construction details in how way the building becomes abandoned from the analysis of results are discussed in the following causes of abandoned building. However, the outcome of this study will help the government to make and implement policies that will reduce the rate of building abandonment in Malaysia. The research will also serve as a resource base to others scholars and researchers interested in carrying out further research in this field subsequently, if applied will go to an extent to provide new explanation to the topic. The results of this study also can educate the general public on the causes and effect of abandonment of building in Malaysia.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 Background of Abandoned Housing**

Longman Dictionary (2005) defines abandon as “to stop doing something because there are too many problems and it is impossible to continue. Planning is foremost thing to be done if projects are to be completely executed (Akindoyeni, 1989). The abandoned projects is increasing in Malaysia, which shows the seriousness of this problem. Lack of awareness of this distressing problem of abandoned unleash our government to enlighten the public either involved in the project was abandoned or not. It may be that until now the lack of research in this field is still not enough to tell the cause of the abandoned project. It was found that the existing literature on the subject is limited to the types of sources such as unpublished theses, conference papers, and especially the news article (Hoe E.Y, 2014).

According to a study conducted by the organization in the US Companies that have worked in developing countries discovered that the owner project is a major cause of work schedule to be late and contract costs an increase of 43.3%. In developing countries, the majority owner of the project not willing to pay more to save the time of construction of 66.7%. The project owner is the party that likes to make changes to current design projects in progress. The majority of 70% of respondents found that the project owners never take the time the actual completion of the project (Sundaram 1989). Therefore, the definition of project delays will be discussed further and in more detail in the text next.

## **2.2 Causes of Abandoned Housing**

Based on the literature review, there are some factors that contribute to the abandoned housing project. The factors are:

1. Financial flow problem
2. Management problem
3. Government issues
4. Others problem

### **2.2.1 Financial Problem**

Finance plays a main role in the development of projects for all countries. The financial problems became a nightmare issue of abandonment project. A number of sources cited financial problems as a cause of abandoned construction projects (Bavani 2009; Ibrahim 2006; Kong 2009; Rajan 2005; Rusli 2006). However, it is felt that financial problem is the effect of other aforementioned causes prior to being abandoned. For instance, increases in project costs (Teoh & Lim N.D.) may be due to mismanagement or unfavourable economic conditions; and, the lack of proper feasibility study to determine the right type of development and unattractive marketing strategy ultimately affect the sales and hence lead to the financial problem. Contractor do not get paid through progress as the number of claims that have been made to the client or the client is experiencing financial difficulties which cause progress payment cannot be processed until provisions re-acquired. However, there are some argued, which is he stated that when the owners are faced with a problem in financial terms, and the project cannot be continue, so the project should be stopped immediately until getting finance for continuing the construction work and construction should not be abandoned. The statement is supported when (Doraisamy et al) states that as long as the possessor is facing some shortages financially, and is unable to continue with the project, therefore the project should be defined as suspended and not abandoned, where the project could be resumed once the possessor is financially stable.

### **2.2.2 Management Problem**

Project management is a process in which the project manager plays the main role of control and planning of all activities during the construction period that includes workers, building materials, work schedule, period of time, cost, knowledge and skills, equipment and machinery at the site and more responsibility for achieving and meet demand customers for projects to be submitted in a timely manner, the cost become more affordable and quality of work is satisfactory. However, mismanagement can affect the construction works, it can be one of the causes the project become abandoned. Ministry of Housing and Local Government MHLG (Kaur 2011) already stated that mismanagement as one of the causes of abandoned housing projects. Poor management of building materials or management employees may cause delays to construction work. The mismanagement may occur due to the lack of experience in managing a project developer. However, the lack of proper feasibility studies and inaccurate market research may result in inaccurate forecast of demand and supply for certain types of properties as well as unsuitable project scheme to be undertaken for the prevailing market (Kaur 2011).

Management of non-strategic markets may get worse when the strategic sale of housing is less received by the buyer, it may affect the developer to continue the construction works due to less get money. Khalid (2010) shows that developers will have a problem to get a bridging loan from financial institutions to continue housing projects if a percentage of sales is less than 80%. The problem that comes from the company's may contributes one of the causes of mismanagement at the construction site. It may be comes from the fraud issue made by the employee. An example is non-payments or arbitrarily reduced payments of progress billings which can result in cash flow problem of contractors, subcontractors and suppliers and eventually late delivery or abandonment of projects (Home Guru, 2011).

### **2.2.3 Government Issues**

The system was introduced in Malaysia is "Sell then Build System". This system was introduced to make it easier for developers to manage financial problems which gave rise factors to the delay in project development. It means that the house can be sold before the houses are being built, so there are more cash inflows from the beginning of the construction phase and reduce the need for developers using their own capital. The sell-then-build scheme is designated to enable more houses to be built at a faster rate and a lower price (Chen 2007).

However, it's becomes mess when there are those who take advantage of the pleasure a person when there are developers who use the results of ongoing sales incorrect way where they use the money to carry out their other projects or for its own sake. On behalf of the bank, the system does not have a big impact on them because the buyers still applied a loan even though the project might be deserted. This is evident when (Heng 2011) stated that bankers can still collect repayment from house buyers even if a project is deserted.

### **2.2.4 Others Problem**

Changes in market prices of building materials increased causing the developer cannot continue on the current cost of the project.

## **2.3 Impact of Abandoned Housing**

Any of problems that occur certainly leave an impression either positive or negative. But in this case, the abandoned buildings would always give a bad impression either of the parties involved or not involved. The impacts of the abandoned construction projects are referring to the side effects or problems bring while a development project is said to be abandoned. Those impacts are negative because it will be caused of loss for the entire impacts. The impacts could be in varies aspects where it could be in terms personal impact, company impacts, social-economic impacts, environment impacts and country impacts.



### **2.3.1 Personal and Company impact**

The first impression, personal and company here refers to the individual that involves in this construction project which is buyers and developer. This is because when the project is abandoned, buyers as victim is traumatized because they have a financial loss where they are still required to pay back the loan plus interest to financiers although there is no guarantee the house will be completed and handed over. Followed by for those houses buyers who are not capable for repayment loan they will have a big problems toward the personal financial which might lead to the bankruptcy (Abdul Hadi et al).

For company's effect, appointed developer would have difficulty getting an injection of funds either through bank loans or investor capital company or sell the remaining unsold units for the purpose of recovering cash flows. In addition, the project was abandoned lead to significant financial losses to the company might be bankrupt because they could not repay damages to the buyer. In addition, companies will be blacklisted by the government in using any other development and cooperation and blacklisted from financial institutions in funding the recruitment of any new development. Image of their company affected because people who want to buy a house that will not buy from them because of the disappointing to the company.

### **2.3.2 Social and Economic impact**

The increasing number of abandoned buildings, it's become a breeding place gangster, drug activity, illegal sexual activity and others to undergo undesirable activities. With the existence of such a situation, the safety of the neighbourhood is disrupted, either because of family or personal security will provide an opportunity for theft by addicts or gangsters. In addition, if the abandoned project increased, it will affect the country economy because it will decrease the chance of employment to the workers Abdul Hadi et al stated that, the unemployment rate is increasing and causes the economy quality of life decrease upon people loss their job. At the end, social-economic issue gives impact by the abandoned project has the decreases the value of the property related to the surrounding market value.

### **2.3.3 Environment impact**

Abandoned building will create a variety of pollution to the environment because it shows a dilapidated building in an area. This condition can also produce water retention, mosquito larvae like to be at water retention area. Besides, the reproduction of the existence of diseases such as dengue fever, which can be fatal will be increase. Abdul Hadi et al also stated that, dangerous animals are threaten to the public will appear where poison snake might lead to people dead and the rat, flies and mosquito may create new diseases which lead the public healthy in a poor situation.

### **2.3.4 Country impact**

By gather all the impacts that mentioned of above, it may affect the image of our country toward tourist who came to travel. It's also show the poor management skill of our country lead to a lot of abandoned project occurs and follow by those social-economic impacts and the environment impact then may cause loss in the tourism sector in Malaysia. In addition, due to the abandoned project that cause the overall market value collapse will lead to the country economic collapse as well because too much of unemployment cases in our country.

## **2.4 Summary**

The reasons of the causes of the abandoned housing identified from the existing literature mainly focus on issues concerning financial problem, management problem, government issues and others problem that contributing in issues of the causes abandoned housing. It is also focus on the impact of abandoned housing which is from personal and company side, social and economic, environment impact and also country impact. It is found that the relevant literature available is mainly news articles which lacks credibility and focuses mainly on the causes of the abandoned housing project. Further research into abandoned housing project in Malaysia is therefore required.

## **CHAPTER 3**

### **METHODOLOGY**

#### **3.1 Introduction**

This chapter unearths the method that will be practiced in this research to attain the aim and objectives outlined in earlier Chapter 1. The methodologies adopted for this study are literature search and questionnaire survey.

#### **3.2 Literature Review**

Literature search has been finalized with the multiplicity of information sources which is journal, article, internet articles and the review is detailed out in Chapter 2. Literature review was used as a secondary data collection in this study. The purpose of secondary data enhanced the understanding theory regarding the poor management in construction.

#### **3.3 Questionnaire Survey**

Questionnaire survey is used as primary data collection for this study. A total of minimum 50 questionnaires are distributed randomly. Questionnaires are distributed to the respondent to obtain feedback and appropriate data for the objectives of this study. The distributions of questionnaires were done through social network, e-mail also by hand using questionnaire form. The questionnaires are distributed to contractor, consultant, developer, government, others. Others are mean who work in civil environment. All the questionnaire are been sent out personally to the company that involves in development environment

### 3.3.1 Questionnaires Structure

The questionnaires could be in the form of multiple choice questions. The sample of questionnaires survey used in this study is listed in appendix 1. The questionnaire is divided into four sections as follows:

- i. Section A: The purpose of this section is to establish respondent's background.
- ii. Section B: This section is divided by two which is about the abandoned house and the causes of the abandoned housing.
- iii. Section C: This section is includes questions about the effect of government policies in the housing project
- iv. Section D: This section is includes question about the solution of abandoned housing

Liker's Scale is used in the multiple choice question which is five ordinal measure of agreement for each statement from 1 to 5.

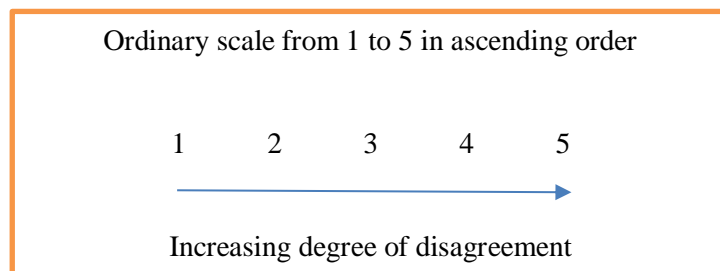


Figure 3-1: Five Ordinal measure of agreement of liker's scale

Each scale represents the following rating:

- 1 = Totally Agree
- 2 = Agree
- 3 = Neither agree or disagree
- 4 = Disagree
- 5= Totally Disagree

The reason that use this scale as follows:

- i. To make simply for respondents to answer
- ii. The evaluation of the data collection become easier to evaluate
- iii. Numerous information can be generated and obtained

### 3.3.2 Data Analysis

The data analysis made on the data obtained from questionnaires so that these data can be processed and converted into easily understood form of information. Relative Index Inequality (RII) is adopted to evaluate the ranking of different factors by the respondents. The higher index value donates higher unnecessary statement with maximum index value factor. The classification of the rating scale by Mc Caffer and Zaimi Majid (1977) is following below:

Table 3-1: Relative Index Inequality

Rating Scale	Relative Index	Category
1	$1.0 \leq \text{Relative Index} < 1.50$	Totally Agree
2	$2.0 \leq \text{Relative Index} < 2.50$	Agree
3	$3.0 \leq \text{Relative Index} < 3.50$	Neither agree or disagree
4	$4.0 \leq \text{Relative Index} < 4.50$	Disagree
5	$5.0 \leq \text{Relative Index} < 5.50$	Totally Disagree

Al-Hammad and Sadi Assaf (1996) stated that the formula for Average Index is as follows:

$$\text{Relative Index Inequality ( RII) Value} = \frac{\sum \bar{\alpha}_i x_i}{5x_i}$$

$\bar{\alpha}_i$  = constraint describing the weight give (i = 1,2,3,4,5)

$x_i$  = constraint describing the frequency of response in percentage

### 3.4 Summary

A review on what is research and research methodology want to do in this study. The method used for literature review and questionnaire survey has also been reported. The results gathered from the data analysis are used to establish the final conclusion based on the objectives of the study.

### 3.5 Research Methodology Flow Chart

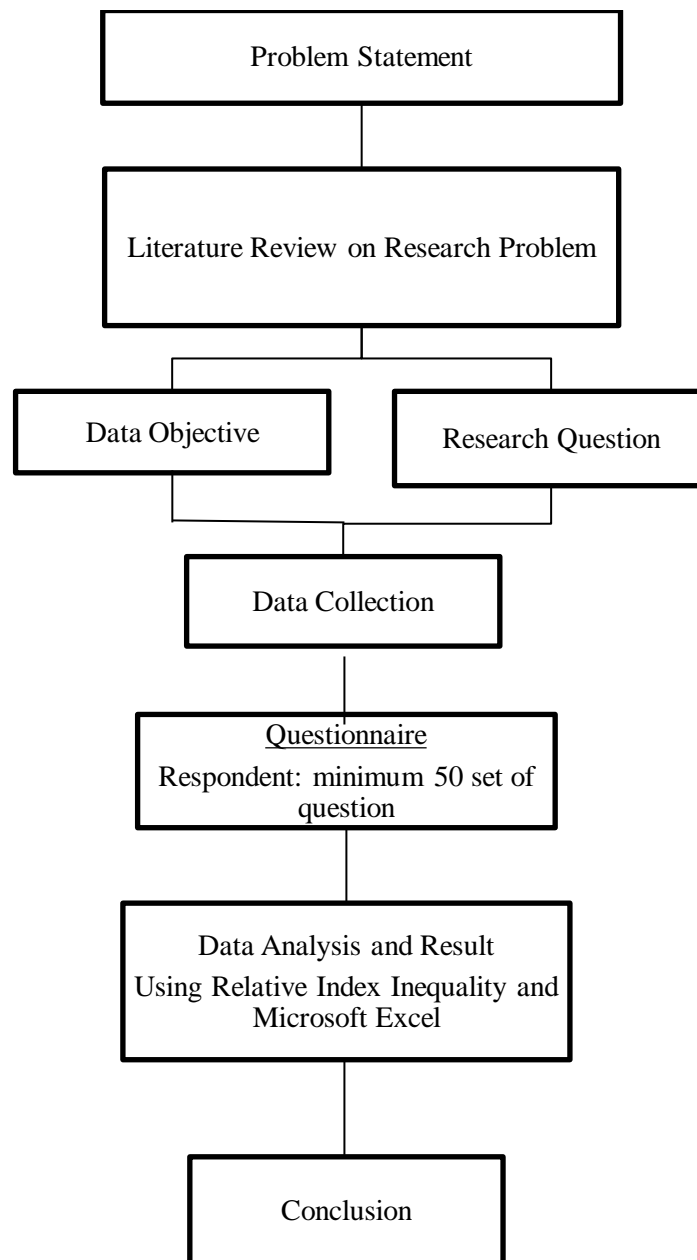


Figure 3-2: Research methodology flow chart

## CHAPTER 4

### DATA ANALYSIS AND RESULT

#### 4.1 Introduction

This chapter shows the research result and analysis. The data will processes and analysed from the questionnaire survey that has been distributed. The data received will generate the result which will then be tabulated and chart that will use for further discussion. The first section will explains about the respondent's background in simple analysis. The second section is about the knowledge of respondent's about the abandoned housing and the causes of abandoned housing. The next section display results on the government policies issues in abandoned housing project, also the opinion of solution and opinion how to avoid abandoned housing.

#### 4.2 Data Collection

The qualitative data generated from the questionnaire survey was analysed using the frequency analysis and relative index inequality as a preliminary technique as explanation would simple to understand. This method shows the frequency and the percentages or average index. The frequencies and average relative index inequality are then represented in the form of tables, pie chart and bar charts. A total of 50 questionnaires are distributed to the target but only 42 sets of questionnaire were managed to be returned and hence only that will be used as the analysis of this research. The rate is summarized in table 4.1.

Table 4-1: Questionnaire Delivered

Questionnaire	Frequency (n)	Percentage (%)
Delivered	50	50
Responded	42	42
Total		100

### 4.3 Section A: Background of Responses

The analysis shows that 52% of respondents are male and 48% are female involved in this survey. It also found that most of the respondents works in development environment are male. The majority of the respondents are from the age group 25 to 30 with 55%, 21% are from the age group 46 to 50 years old which start to be the senior in the construction environment. The senior respondent is important to show how much the respondents understand the questionnaire that is distributed. Because some of the senior have many experience in abandoned housing issues compare to the junior. The location that respondent's works are mostly at Kuala Lumpur with the highest percentage 43%, followed by Negeri Sembilan which is 38%. This may be easy to get the respondent at Kuala Lumpur because development activities are more at the capital cities.

#### 4.3.1 Response Occupation

Based on the table 4.2, majority of respondents is contractor 31%. The number of respondents working as consultant 21% and developer 14%, followed by government and academician that records equally with 12%. Another 10% are who chose others as a civilian. The others group consists of the people who. The occupation of the respondent is important in this survey to show how much respondents with different type of works understand the questionnaire about. Mostly in government, developer and consultant sector, they are known what are the policies' that used and the important policies' in the construction project. It can make the result become more exact to analyse.

Table 4-2: Respondent's Occupation

Occupation	Frequency (n)	Percentage (%)
Contractor	13	31
Consultant	9	21
Developer	6	14
Government	5	12
Academician	5	12
Others	4	10



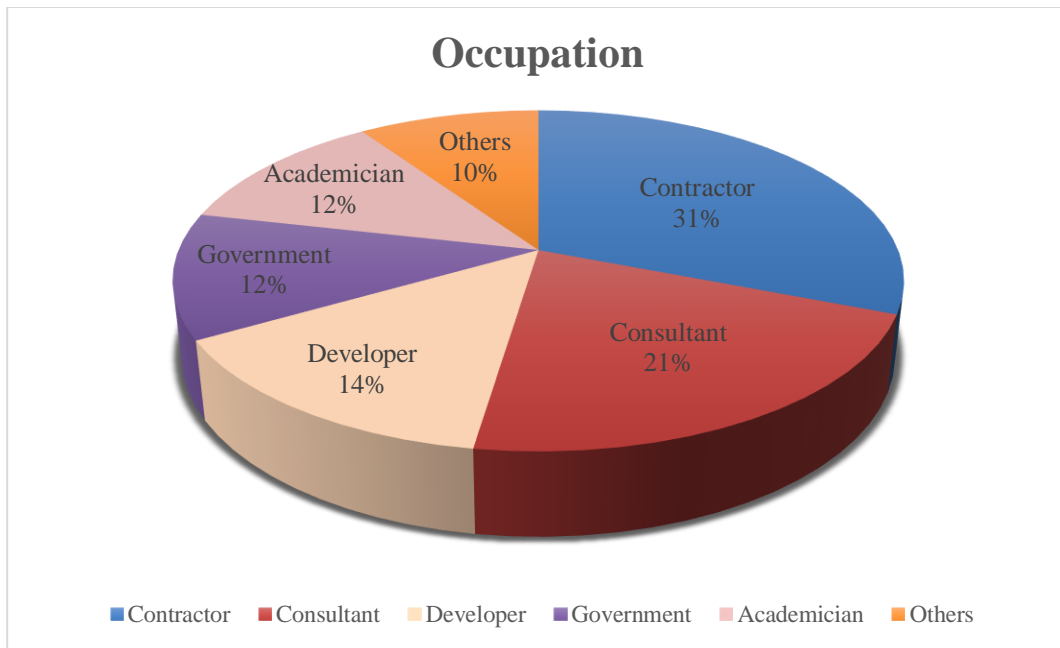


Figure 4-1: Respondent's occupation

#### 4.4 Section B: Responses about Knowledge of Abandoned Housing

##### 4.4.1 Part A: About Abandoned Housing

Figure 4.2 show the ranking about abandoned building that made from the value relative index inequality at table 4.3. From figure, the result show that the highest rank 1 of disagreement is about the housing become abandonment when the construction housing project has been continuously stalled for six(6) months or more prefer the Ministry of Housing and Local Government. It indicated the range in 0.50 of the relative index. It is followed by the experienced in housing development with relative index 0.46 in rank 2. That's mean not all of the responses are involves in housing development.

Mostly all of the responses are heard about the abandoned building because it in the range of 0.30 of the relative index in rank 6. It's because the issues or the abandoned building we often heard in the newspapers also appear in the current news on television. Furthermore, refer to (The Rakyat Post, 2017) articles as many as 253 abandoned private housing projects were recorded in Peninsular Malaysia from 2009 until now. Housing and Local Government Minister Tan Sri Noh Omar said the number comprised 64,291 housing units that involved 43,538 house buyers.

Table 4-3: Relative Index value of about abandoned housing

No	About abandoned housing	Frequency					Total	RII Value
		1	2	3	4	5		
1	Have you heard about abandoned building?	29	8	3	0	2	42	0.30
2	Have you experienced in housing development	14	13	6	6	3	42	0.46
3	Abandoned house when no occupants in a long time	14	19	7	1	1	42	0.39
4	Construction housing project has been continuously stalled for 6 months or more.	8	10	19	5	0	42	0.50
5	Residential area is left without buyer	17	18	2	5	0	42	0.38
6	The developer has absconded and the existing purchasers are not interested or are unwilling to rehabilitate the projects so abandoned	13	18	9	2	0	42	0.40

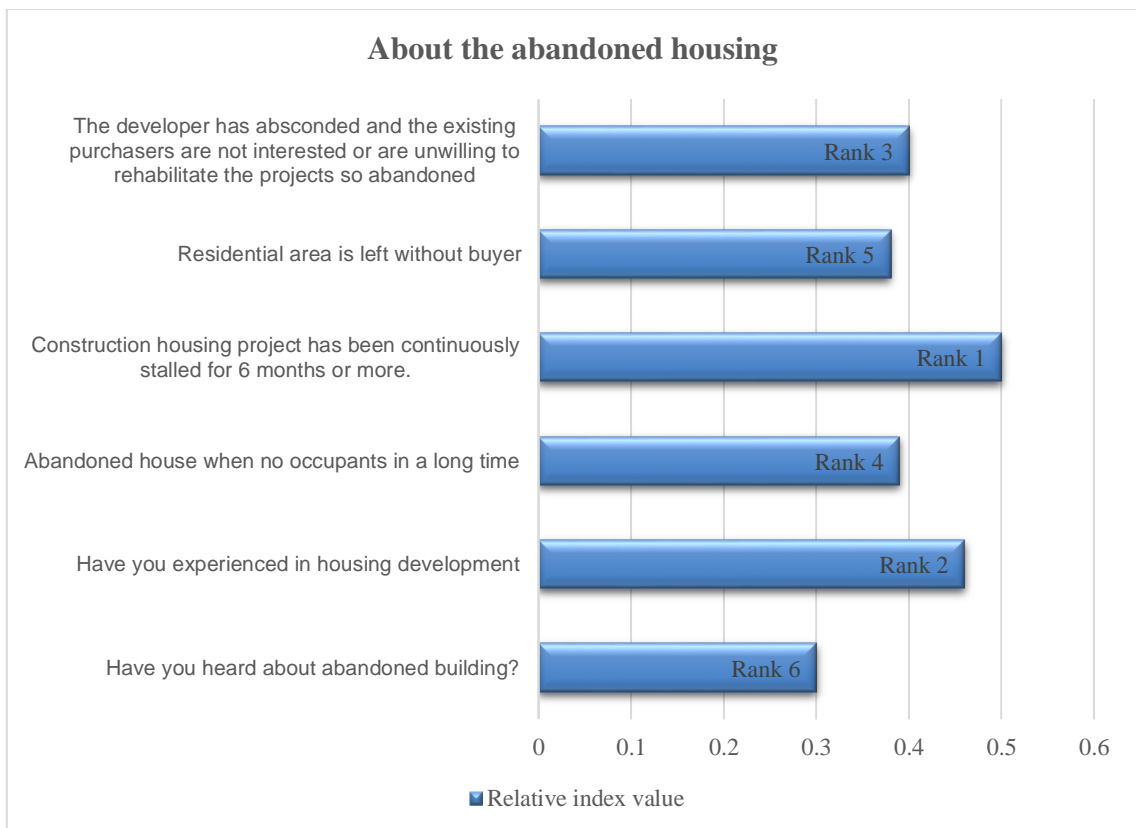


Figure 4-2: Analysis of about abandoned housing

#### **4.4.2 Part B: The Causes of Abandoned Housing**

The results in figure 4.3 below indicate that the majority of the respondents were uncertain that the developer abandons a completed project which does not meet all specification is the one of the causes the housing become abandoned. In relation to this, the result of the survey is 0.54 of the relative index with the first rank in disagreement. However, some of the literature review result show one of the interviewee gave a scenario of a contractor not constructing up to specifications. The contractors' workmanship and material are substandard (Hoe, 2013) .When the contractor know that the consultant is strict, then contractor abandon the project. So it can delayed the construction time before find the new contractor but with a higher price. This will be one of the factors contributing abandoned housing.

Nevertheless, one can deduct from the behaviour of those respondents who answered this question, that there was a tendency among them agree that the factor of a house not suit to the market needed such as wrong location, limited in choices for choosing or flooded areas with 0.33 of relative index value with the highest rank of agreement. As we know, all of the business has to compete with each other to attract the target market to buy their house or building. Same as the buy of house property we must know the target need such as, the housing is close to workplace, school, and health care providers. However, some buyers that need facilities ranging from pool or lounge for intimate gathering or private parties that near their residential. Furthermore, have the developer that develop the residences at wrong location it far from city it can be hard to people get their facility in emergency. Also, the residence had experienced in major floods causing losses. This situation can make people abandon their house to become abandoned. The cause followed by natural disaster with a 0.35 relative index. The natural disaster are the cause of the housing abandonment from reason the damage and destruction might be too severe for rebuilding work to ever take place; there might be a chance that the disaster could occur again at a later date or the loss of life that occurred might be too heart breaking. Indeed, you might have heard about the abandonment of places like Highland Tower. A housing development project, known as the Bukit Antarabangsa Development Project was constructed on the hilltop behind the Highland Towers. All site in hill was cleared of trees and give the exposing of the soil to land been eroded that is the leading factor of causing landslides.

Table 4-4: Relative Index values of causes of Abandoned Housing

No	Cause of abandoned housing	Frequency					Total	RII Value
		1	2	3	4	5		
1	The developer has financial problem	14	14	10	1	0	42	0.39
2	Construction is incomplete	15	19	6	1	0	42	0.37
3	The developer takes a deposit and keep it or uses it for others	7	14	13	4	2	42	0.50
4	The developer abandons a completed project which does not meet all specification.	5	14	14	7	2	42	0.54
5	Natural disaster	21	8	9	1	0	42	0.35
6	The house not suit to market need such as wrong location, limited in choices for choosing or flooded areas.	20	15	5	0	0	42	0.33
7	The residential are less facilities.	13	12	11	3	1	42	0.44

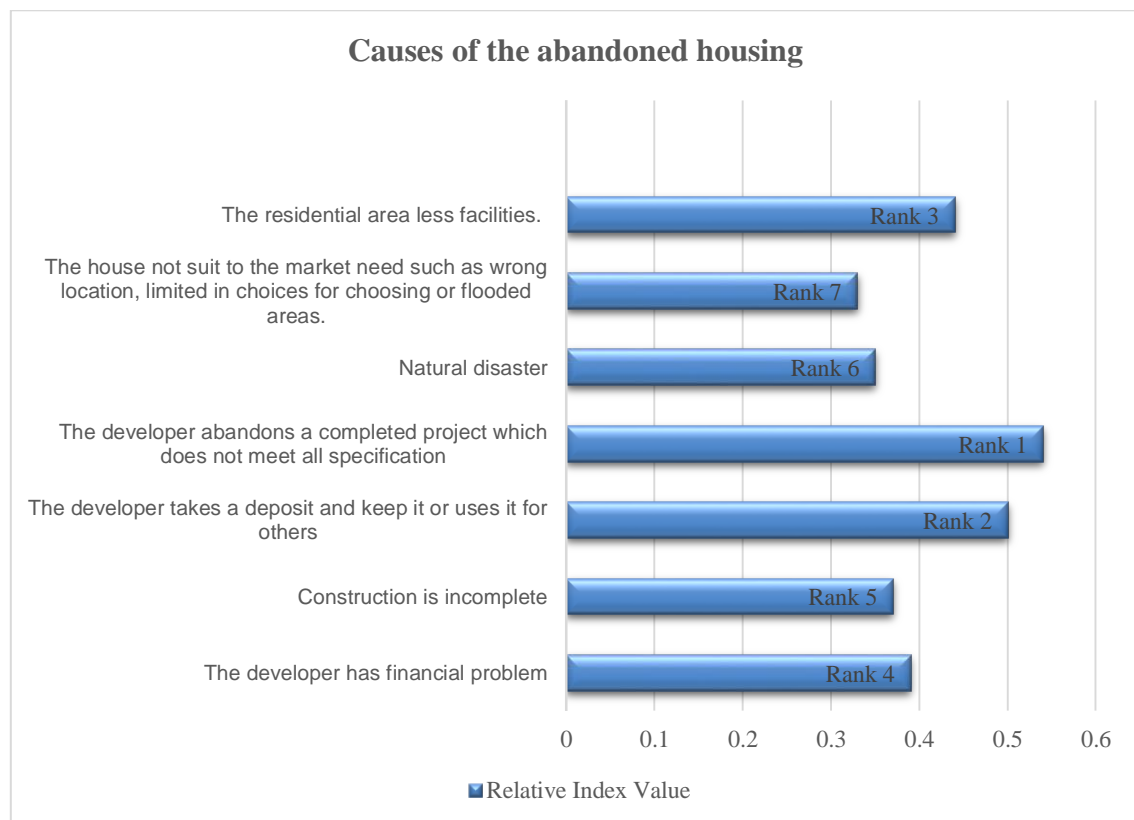


Figure 4-3: Analysis of causes of abandoned housing

#### 4.5 Section C: Effect of Government Policies towards the Abandoned Housing Project

This section has seven questions as show at figure 4.4. This section focused on the effect of government policies towards abandoned housing project. The data show how the important policies' in the construction project and how the policies give impact to the abandoned housing project. For example, in question 4 the analysis show sell and build are the factors that contributing in the abandoned housing project issues. It also discuss about opinion from the respondent on government policies towards abandoned housing project. The sell and build system, in an effort to provide more housing to Malaysians, has contributed to a certain extent to the problem of abandoned housing. The Government has little choice but to step in and try to revive them. This is necessary as abandoned housing projects involve various parties such as house buyers, financiers, contractors and investors. All of the analysis will discuss in this section.

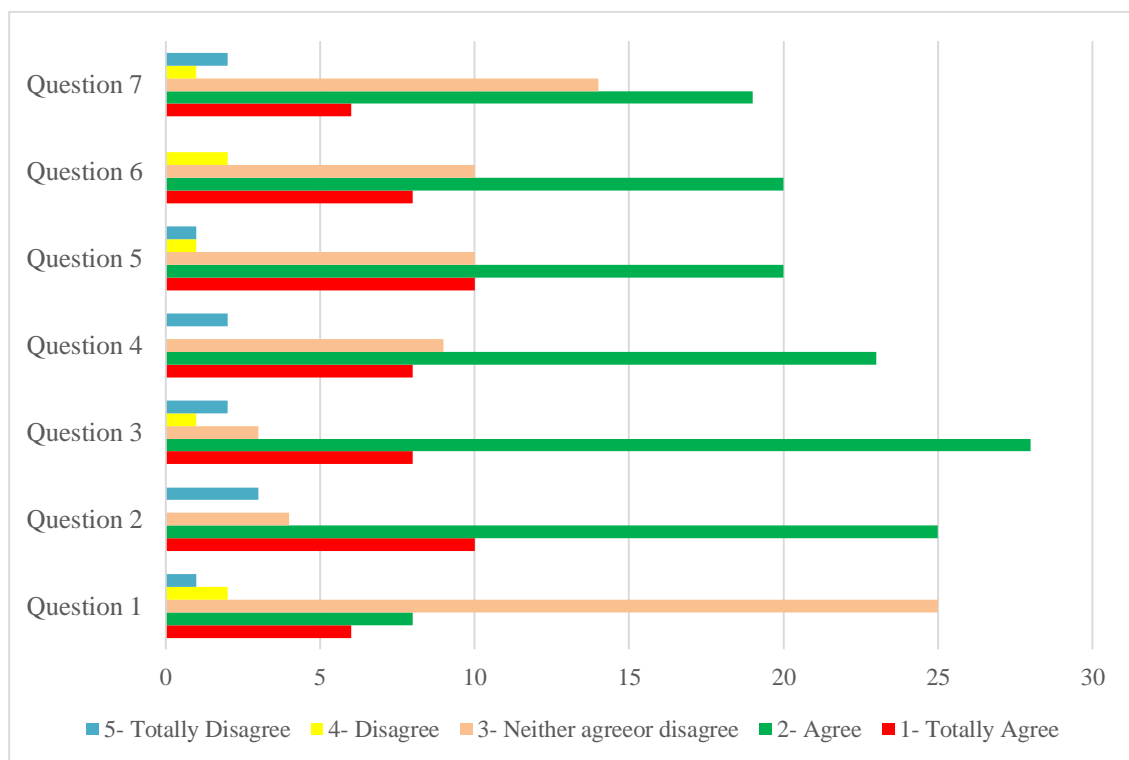


Figure 4-4: Analysis of effect the government policies towards abandoned housing project.

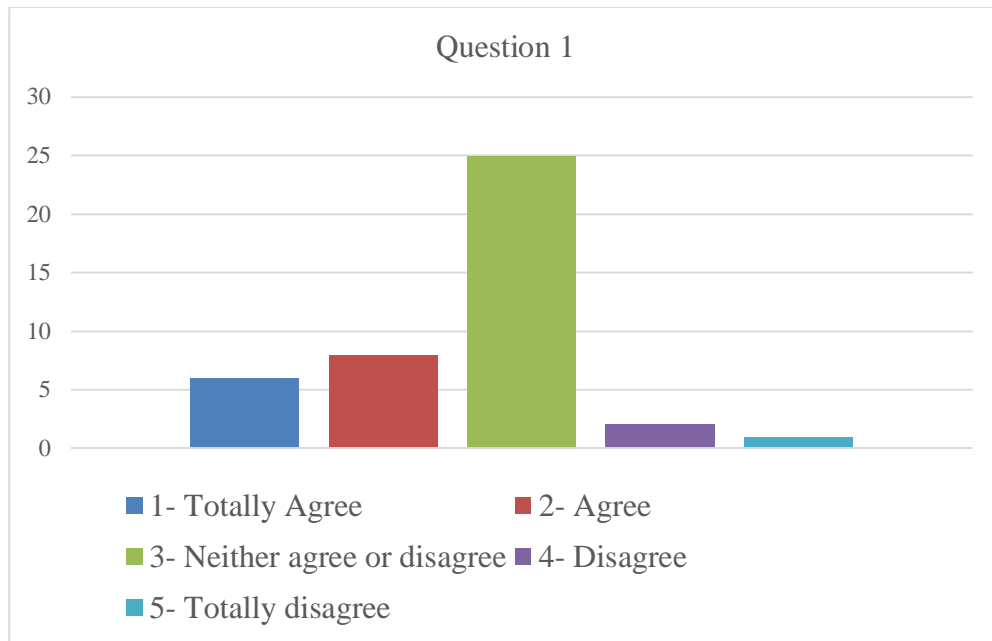


Figure 4-5: Analysis of the complicated government policies is one of the causes of housing become abandoned

Based on question 1 in this section uncertainty statement, whether the complicated government policies is one of the causes of housing become abandoned because 60% of that respondent answered neither agree nor disagree shown in figure 4.5. Many policies made by Government are meant to be implementing in several sectors and country. However, (Prof. Madya Dr. Saodah Abd Rahman, 2013) pointed out policies that introduced by the government should be understood by the public in detail so that misunderstandings can be avoided. Besides that, Government should monitor the implementation of policies so that no individuals who abuse policy.

The policies become less effective implementation due to attitude are not serious to take action against corrupt individuals is a key factor. However, this corrupt attitude and mentality should be eradicated especially in development environment. Furthermore, this can affect Malaysia economic due to abandoned housing project. Because some of the government policies make difficult to fulfil in processing of housing project that can contribute the causes of the abandoned housing project.

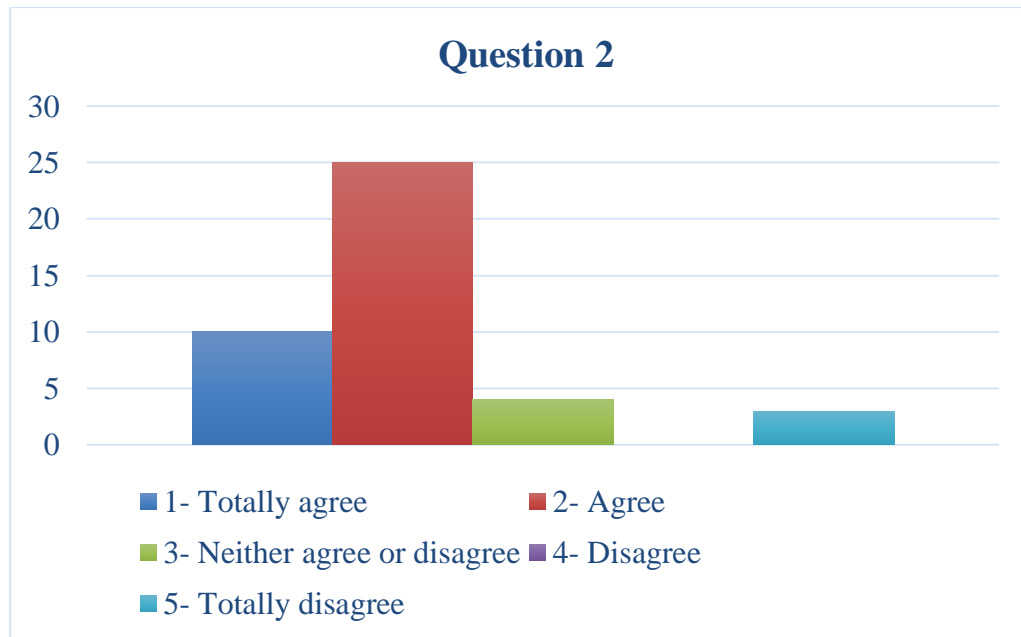


Figure 4-6: Analysis of agree that the Malaysian government was preparing law and policies to govern the housing industry, but the problem of abandoned housing project is still an unresolved issue until today

In addition , is about agreement the Malaysian government was preparing law and policies to govern the housing industry, but the problem of abandoned housing project is still an unresolved issue until today. Based on the result at figure 4.6 around 60% of the respondent agree with the statement. The issues unresolved due to some of the parties involved not follow the regulations and policies set out by the government. This is because, certain of developers and consultants thought it difficult to fulfil all the requirement set out by policies in construction, especially in terms of the formal required such as rules and regulations by local authorities, i.e. planning requirements, land policy and housing policy might be the causes of housing abandonment.

As well as some of irresponsible contractors, they replace a good material to less well without following the requirement from the Government Policies or client requirement. From what we all know many people don't want to take responsible with what they are doing. Similar in construction sector, such as developers who develop residential housing but when there are some housing cannot be sell it and they let the house became abandoned.

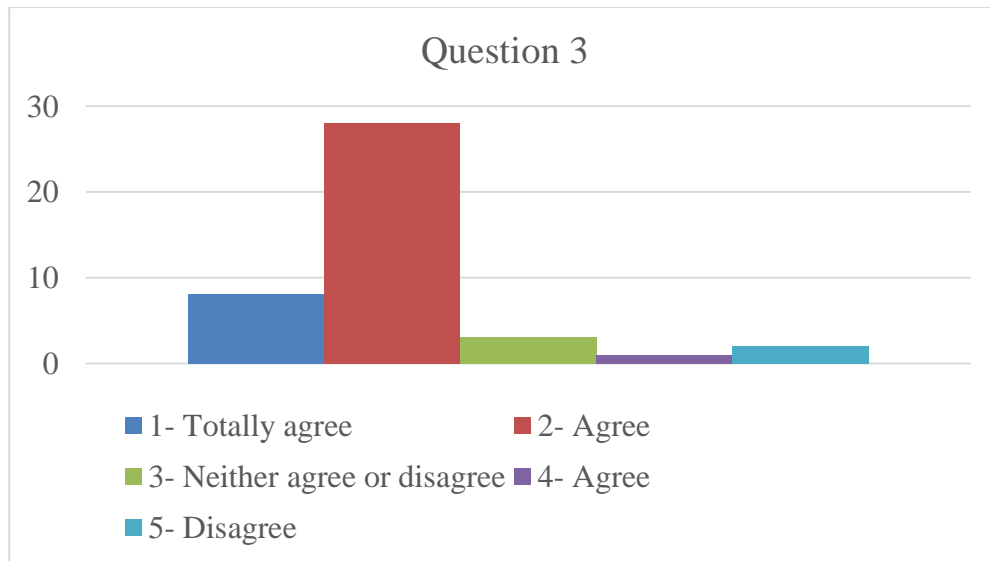


Figure 4-7: Analysis of the sell and build the system may give a problem because the developers had to depend critically on their sale to meet their cash flow.

Question 3 stated the sell and build the system may give a problem because the developers had to depend critically on their sale to meet their cash flow. When sales are not up to the expectations, the cash flow may be affected. Therefore, projects can be delayed and finally there were abandoned. For question 3, the figure above show 67% of the respondent are agree with the agreement that, the policies of sell and build will affect the financial of the housing development project and cause the abandoned housing. When sales are not in the expectations, consequently the projects may be detained and eventually possibility will slow down the development process of the project. The sell-then-build system is also less risky than a build-then-sell system from bankers' point of view (Teoh & Lim n.d.).

This might have resulted in banks not exercising a duty of care by often relying on architects employed by the developer to sign off progress certificates, knowing that they can still collect repayment from house buyers even if a project is abandoned (Heng 2011). However, it is not surprising when the government has instructed the banks and financial department not to approve the loan facilities for those developers who do not achieve the sale of 80% of housing units. This regulation was made to ensure that the particular project undertaken by the private developers is absolutely valuable.



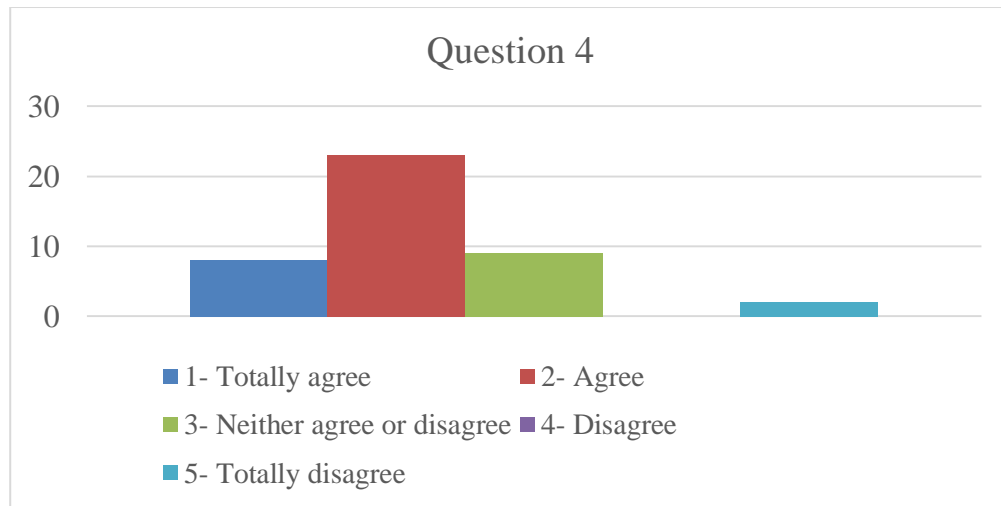


Figure 4-8: Analysis of sell and build systems that are introduced may be inconvenient to the buyer due to scams by developers that misuse of funds or even slow up the management is left abandoned.

The policies that stated in question 3 is become complicated, if the question 4 about Sell and build system that are introduced inconvenient to the buyer due to phobia for dealing with fraud made by the developer in buying a house. But there are also developers who have been deceived by the contractor. Contractors have fled after getting money upfront work and money building materials and leave the construction site under construction and left abandoned. The statement has proven in question 4 when the 55% of the respondent agree and 19% totally agree shown in figure 4.8. However, the sell and build system was designated to enable more houses to be built at a faster rate and a lower price (Chen 2007). This system implies, houses can be sold before the houses are being built finish, therefore there is more cash flow from the start of the construction phase and less of burden for the developers to use own capital. But the overconfident developers are often inexperienced developers who result in overestimation of sales and overpricing of products of development projects.

So that, developers do not consider whether the location is good, i.e. there are enough population and good transportation which are important for good sales. (Hoe,2013) also pointed out that there will inevitable units which are hard to sell initially, e.g. units facing junction, units near sewage treatment plant, units too near a slope, units too near the main road, units too near a cemetery and units with access road that is too narrow. These internal bad units are inevitable even in good locations.

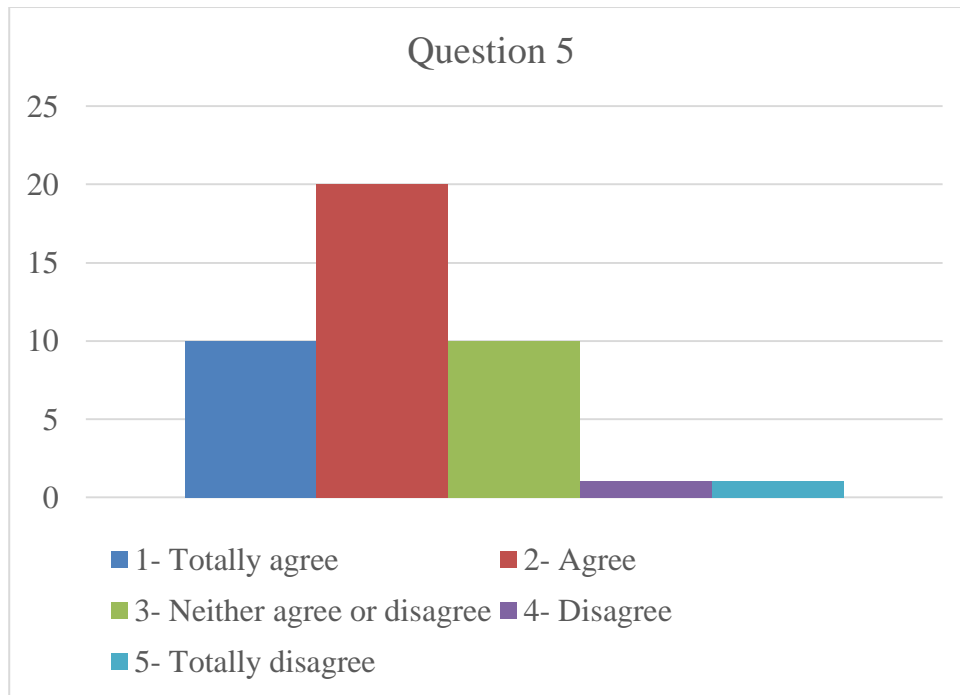


Figure 4-9: Analysis of housing loans troublesome affairs of the bank resulting in fewer buyers interested in buying a home.

In addition, the policies stated that person who want to buy the house have to make a deposit even though the house are still in process. In question 5 stated that Housing loans troublesome affairs of the bank resulting in fewer buyers interested in buying a home. Figure 4.9 shows for question 5, that 48% are agree and 24% totally agree with that question. The Tribunal for Homebuyer Claims is a channel for aggrieved homeowners to look for redress against developers without having to pass through a prolonged legal procedure in Malaysia (Chen 2007). The Tribunal consists of a Chairman and Deputy Chairman and not less than 5 other members, all of whom are members of the judicial and legal services. They are appointed by the Ministry of Housing and Local Government.

Ibrahim (2006) found that the limitation of the jurisdiction of the Tribunal for Homebuyer Claims is one of the reasons of deserted housing projects, The Tribunal does not have any jurisdiction over the claims for example for the recovery of land or any estate or interest in land, or any personal injury or death. But contrary to Ibrahim's (2006) finding, Chen (2007) claimed that the Tribunal for Homebuyer Claims has proven to be very effective.

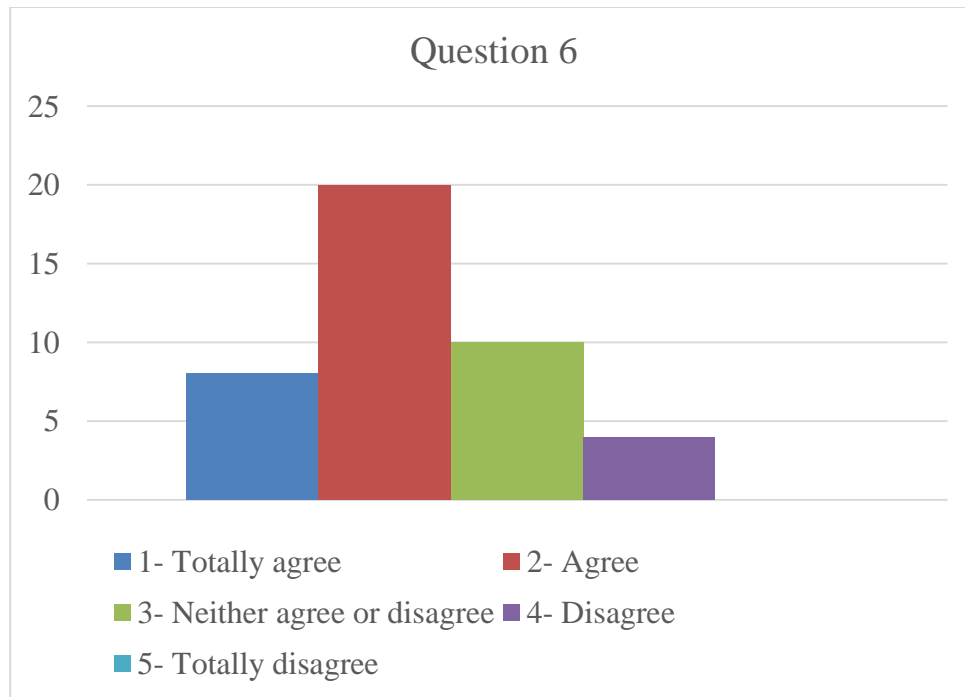


Figure 4-10: Analysis of unavailability Home Indemnity Insurance in Malaysia cause the developers not able to continue the construction project and at the same time did not have the protections for home buyers.

In question 6, the policies about Unavailability Home Indemnity Insurance (HII) in Malaysia, when developers in the country are not able to continue the construction project, at the same time did not have the protections for home buyers. Figure 4.10 show 48% of the respondent are agree. It's because people do not know about this policies. The policies actually stated, owner is responsible taking out HII and for giving the owner a copy of the certificate of insurance before starting any residential building work, asking the home owner to pay a deposit or asking the home owner to pay any other money under a residential building contract.

As practiced in Western Australia, is an insurance policy which a builder is required by law to take out on behalf of the house buyer to assist to ensure that the house can be finished in the event that the builder dies, disappears or becomes insolvent (Anon n.d.). However, with the unavailability Home Indemnity Insurance, in February 2011, the Real Estate and Housing Developers Association of Malaysia (REHDA) proposed a home completion guarantee scheme (Heng 2011).

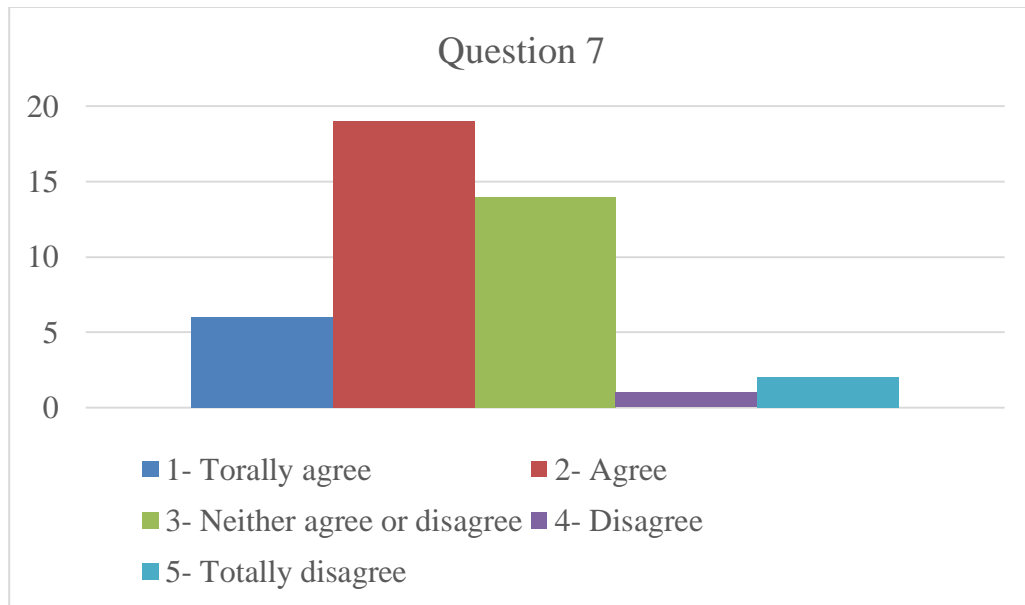


Figure 4-11: Analysis of recommendations provided by the Real Estate and Housing Developers' Association Malaysia (REHDA) on a ready home guarantee scheme should be proposed.

Question 7 is about Recommendations provided by the Real Estate and Housing Developers' Association Malaysia (REHDA) on a ready home guarantee scheme should be proposed? Where the government and the developers will contribute 5% and 2% of the gross development cost of the project into a fund managed by an independent third party. As a guarantee that the project will be completed. Analysis of effect the government policies towards abandoned housing project Figure 4.11 above show 45% of the respondent are agree but 33% of the respondent still uncertain. Some of the respondent still uncertain about this scheme because this is new scheme that still being discussed in parliament in 2016.

However, The Real Estate and Housing Developers' Association of Malaysia (Redha) wants to meet with relevant government ministries to consider the incentives given under the 2017 Budget for private developers. President Datuk Seri FD Iskandar said, he will also talk to the government and banks about an end-financing scheme as it is one of the main concerns of potential home buyers stated by (themalaymailonline, 2016). However, he admit there is a mismatch in the supply of affordable homes at certain locations, but there has always been a huge demand.

#### **4.6 Section D: Solution of the Abandoned Housing Project**

At this section, it is important to note that this questionnaire was newly constructed in order to achieve the research objective of solution and precaution step of abandoned housing. In figure 4.12 below show the opinion of the respondent to solve the abandoned housing issue 52% of that are suggest the abandoned housing project have to take over by other developer. But, the logical sequence that the causes should be known first prior to the solutions. Whether the problem of the abandoned housing project are from the developer or other factors. If the problem come from contractors, new contractors are needed also with other parties involves in construction that make problem. In this case, all parties, including the original developer or court order or the landowner, must agree the process from the beginning. (Khalid, 2010) said the government's effort to solve current abandoned housing projects through the rehabilitation programmes has not been totally successful. The lowest opinion of the solution by respondent is demolition (2%), maybe some of respondent minded the demolition of structured activities will harm the environment especially people who near. It became more serious if the demolition activities for high-rise building because it will more dangerous.

Meanwhile, figure 4.13 show the opinion of respondent to avoid the abandoned housing project. 45% of that choose to track and record the legality of the developer. It's we have to restrict the license granted to provide information to the owners so they don't take the developer to make the housing project. Unfortunately, no amount of legislations can guarantee the success of any housing project or for that matter. A lot of the way to track the legality of the developer which is we have to compare past record with the commitment their made. Pankaj Kapoor, Managing Director, Liases Foras (2017) said "One should evaluate a developer on the basis of project delivery and size of commitments". We must know how long the developer has been involved in business. Especially about projects that developer has been delivered. Was they able to finish those on time? If there was a delay, find out the period for the delay as well as the reasons. From that, possibility the chances of delay in other project are higher. How many projects are still pending because percent of the focusing with new project can low? They have to handle many of project in one time. We also can check the builder has provided occupancy certificates for all projects that he has completed. It can make sure they don't have any bad issues before in legality activities.

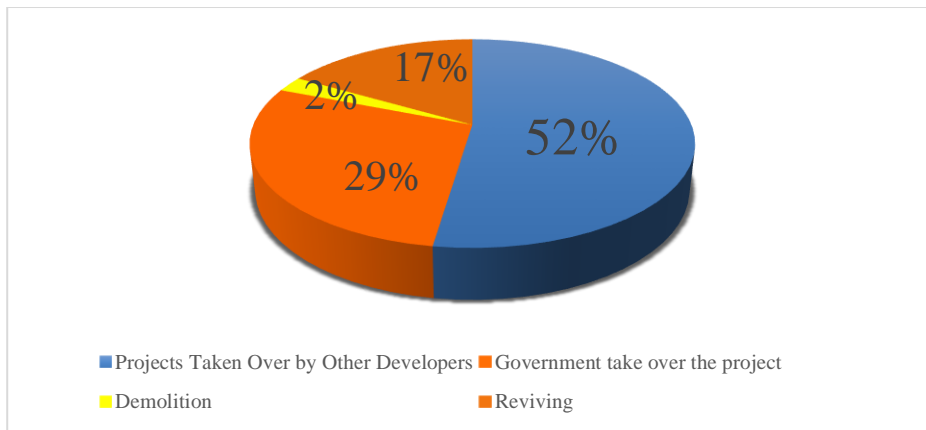


Figure 4-12: Analysis of solution the abandoned housing project



Figure 4-13: Analysis of avoid abandoned housing project.

#### 4.7 Summary

By conducting analysis and discussion in this chapter, various findings and results are obtained. The pre-defined objectives are achieved by focusing to answer the research question during the analysis and discussion. The effect of the government policies towards abandoned housing projects were identified ranked and compare. The solutions were identified by the pie chart. The methods in minimizing project delays also establish in Section D. Thus, the following chapter, which is the final chapter, will comprise of conclusion, and recommendation for this study, and recommendation for further research on this topic. Problems that exist during the study and the limitation will also be described in the following chapter.

## **CHAPTER 5**

### **CONCLUSION**

#### **5.1 Introduction**

This chapter ascertained the conclusions of this research, the proposals to manage the problem of abandoned construction projects, limitations of this research, and the implications of this research for research and for practice. It started with the explanation of the causes of the abandoned housing as the appropriate statistical test for analysing the data in order to achieve the research objective. From the statistical procedures discussed earlier, it is proved that the factor analysis using the principal component analysis was an appropriate technique based on the data gathered from the survey questionnaire. It is useful for data reduction and summarization of the set of observed variables which contained variables for identifying in this study.

#### **5.2 Conclusion**

The issues of the causes of abandoned housing in Malaysia as related to Objective 1 of the research. From the discussion on the causes of housing being abandoned, one can see that the respondents had the same perception about what causes the abandonment of housing which is the factor of a house not suit to the market needed such as wrong location, limited in choices for choosing or flooded areas. In order to achieve this objective, chapter 2 has been reviewed the existing research on the causes of the problems. The causes of abandoned housing that found in Chapter 2 are financial flow problem, Management problem, Government Issue and others problem

From the analysis are presented in Chapter 4 of the responses participants to the survey questionnaire in section C which was based on the perspectives of effect of the government policies towards abandoned housing project theories, this study has

established Objective 2 can be used together in property research, especially in the study of abandoned housing projects. This result can be used to support the discussion on the causes of abandoned housing projects from the other perspectives. This section define the effect of the government policies towards abandoned housing project is the lack of enforcement of housing law and policy as one of the main contributing factors of abandoned housing projects and the house buyers are not adequately protected under the existing law and practices. The government policies will be a big blow for a nation's rise and fall.

Last but not the least, a few solutions and precaution to the problems have been proposed in to the survey questionnaire in section C to achieve the objective 3. The finding shows that the old developer that can't continue the project due to faced problem, have to take over by other developer. This solution also can give job opportunities to other. If government take over the project, the government will face problems in the financial crisis because the entire problem in country, government have to solve it with hand flatly. Then, precautionary steps should take before the project want to start to avoid the abandoned housing project happen, where should track and record the legality of the developer. Check whether the builder has provided occupancy certificates for all projects that he has completed. Why we have to record illegality activities because we have to restrict the license granted to provide information to the owners so they don't take the developer to make the housing project

### **5.3 Recommendation**

Further studies on the research need to be conducted in the future in order to come out with better and good result. Several recommendations are proposed for the future studies of this effect of the government policies towards abandoned. The following recommendations might be useful for future investigation to achieve the objectives of this research:

1. Proposed that the following researches be conducted a study that focuses on investigating the potential solutions to abandonment of projects to complement the lack of this research



2. As to profile of the respondents of the questionnaire survey, in that despite fact appears to be a fair representation by different categories of respondents, for example in fields of role of respondent, it is not known whether this represent the actual profile of the industry
3. Information is obtained through the questionnaire survey should more variety, likely the semi-structured interviews should do to get the quality answer and become closer with the respondent. Because some of respondent answer the questionnaire lackadaisical.
4. A study that focuses on investigating the potential solutions to abandonment of project to complement the lack of this research.
5. The Government should make the housing delivery system sustainable and workable by strengthening the collaboration of all stakeholders involved.
6. As an enabler between these two parties, the Ministry should ensure that the procedures for the issuance of license to a housing developer are stringent. Licenses should only be given to developers with a good track record of completion and with sufficient finances.
7. A study on the ineffective and lack of legal remedy against fraudulent developers, and how to mitigate this problem.
8. Insufficient knowledge of the sites causes many delays in projects. Investigation of site conditions, together with the design of groundwork and foundations, should be thorough, complete and clearly presented before commencement of construction so as to reduce the impact of any unforeseen ground conditions.
9. Prescribe that the study on the implementation of the centre ground solution between the STB (sell then build scheme) and the BTS (build then sell scheme). The study should include the setting of the initial proportion of financing between developer and house buyers.

This finding could help the practitioners in construction industry to gain better understanding about the problems time of projects during construction stage. By taking care of these potential causes in their present and future projects, construction participants can reduce and control the extent of delays and cost overruns.

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**APPENDIX**  
**SAMPLE OF QUESTIONNAIRES AND RESPONDENTS FEEDBACK**

## **EFFECT OF GOVERNMENT POLICIES TOWARDS ABANDONED HOUSING PROJECT IN MALAYSIA**

The “Abandoned Project”, it is a project that fully stopped where no more work is carrying on the entire project. Therefore, it have to justify whether the construction project undergoing is abandoned or not by certain criteria. There is different meaning between abandoned housing project and abandoned housing. For an abandoned housing project, it refers to the project that partially completed mean that it haven't fully complete and the project already stopped. And for an abandoned housing, it is a completed housing project but it not occupied.



## SECTION A : RESPONDENT'S BACKGROUND

### Gender

- ☐ Male
- ☐ Female

### Age

- ☐ 25 – 30
- ☐ 31 – 35
- ☐ 36 – 40
- ☐ 41 – 45
- ☐ 46 – 50

### Occupation

- ☐ Contractor
- ☐ Consultant
- ☐ Developer
- ☐ Government
- ☐ Academician
- ☐ Others

### Location

- ☐ Kuala Lumpur
- ☐ Negeri Sembilan
- ☐ Pahang
- ☐ Others

## SECTION B : ABANDONED HOUSE

From the scale 1-5 rate, tick for the best answer.

1-Totally agree    2- Agree    3- Neither agree or disagree    4- Disagree

5- Totally disagree

### A. About abandoned building

	1	2	3	4	5
Have you heard about abandoned building?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Have you experienced in housing development	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Abandoned house is a house where there is no occupants in a long time	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Construction housing project has been continuously stalled for 6 months or more.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Residential area is left without buyer	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The developer has absconded and the existing purchasers are not interested or are unwilling to rehabilitate the projects	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## B. Cause of abandoned building

	1	2	3	4	5
The developer has financial problem	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Construction is incomplete	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The developer takes a deposit and keep it or uses it for others	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The developer abandons a completed project because it does not meet all specification	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Natural disaster	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The house not suit to the market need such as wrong location, limited in choices for choosing or flooded areas.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The residential area has improper facilities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## SECTION C : GOVERNMENT POLICIES IN HOUSING PROJECT

A total of 134 abandoned private housing projects were recorded in Peninsular Malaysia between 2013 and November, 2016, the record of abandoned housing always increase. Abandoned housing give a negative impact to our country. There are many factors contribute to the housing abandonment. In this study, the government policies are the famous factors.

### C. Government policy issue

	1	2	3	4	5
The complicated government policies is one of the causes of housing become abandoned	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Do you agree that the Malaysian government was preparing law and policies to govern the housing industry, but the problem of abandoned housing project is still an unresolved issue until today?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The sell and build the system may give a problem because the developers had to depend critically on their sale to meet their cash flow. When sales are not up to the expectations, the cash flow may be affected. Therefore, projects can be delayed and finally there were abandoned.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sell and build systems that are introduced may be inconvenient to the buyer due to scams by developers that misuse of funds or even slow up the management is left abandoned	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Housing loans troublesome affairs of the bank resulting in fewer buyers interested in buying a home.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Unavailability Home Indemnity Insurance in Malaysia cause the developers not able to continue the construction project and at the same time did not have the protections for home buyers.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Recommendations provided by the Real Estate and Housing Developers' Association Malaysia (REHDA) on a ready home guarantee scheme should be proposed. The government and the developers will contribute 5% and 2%, respectively to the gross development cost of the project into a fund, managed by an independent third party as a guarantee that the project will be completed.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>



## SECTION D : SOLUTION OF ABANDONED HOUSING

**What your opinion to solve the abandoned housing project? \***

- ☐ Projects Taken Over by Other Developers
- ☐ Government take over the project
- ☐ Demolition
- ☐ Reviving

**What your opinion to avoid abandoned housing?**

- ☐ The track record and the legality of the developer is important to avoid the case of abandoned house
- ☐ The bank must take legal action on the developer if it fails to deliver the house on time
- ☐ The existing laws and regulations are insufficient to ensure justice to customers in cases of abandoned house