

**STUDY ON FACTORS THAT LEAD TO THE
ABANDONED BUILDING PROJECT IN
BORNEO (SABAH & SARAWAK)**

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STUDENT'S DECLARATION

I hereby declare that the work in this thesis is based on my original work except for quotations and citations which have been duly acknowledged. I also declare that it has not been previously or concurrently submitted for any other degree at Universiti Malaysia Pahang or any other institutions.

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Thesis submitted in fulfillment of the requirements
for the award of the
B.Eng (Hons.) Civil Engineering

Faculty of Civil Engineering and Earth Resources
UNIVERSITI MALAYSIA PAHANG

MAY 2019

ACKNOWLEDGEMENTS

I am grateful to the God for the good health and well-being that were necessary to complete this thesis.

First and foremost, I have to thank my research supervisors, Dr. Nur Farhayu Binti Ariffin. Without her assistance and dedicated involvement in every step throughout the process, this thesis would have never been accomplished. I would like to thank you very much for your support and understanding. Getting through my thesis required more than academic support, and I have many people to thank for listening to and at times, having to tolerate me during my thesis completion time. Thank you to the panel during my presentation for final year projects, Dr. Abdul Rahimi Bin Abdul Rahman and En. Mohd Adlizan Bin Rizwan (Engineer, KKM). All advises, tips and experienced that has been shared will always be remembered by me and my teammates.

Most importantly, none of this could have happened without my family and my dear friends. To my parents and my siblings, it would be an understatement to say that as a family, we have experienced some ups and downs in the past four years. Furthermore, to both of my parents, thank you so much because has being a very good sponsor team for my thesis. Every time I was ready to quit, you did not let me and give more courage to continue and I am forever grateful.

For my dear friends especially my housemates, thank you so much because has helping me by giving advice and some tips on how to do this thesis, sending me to meet my supervisor and accompany me during day and night to complete my thesis. This thesis stands as testament to your unconditional love and encouragement.

Special thanks also to the respondents that willingly to help me by volunteer answering my questionnaire. Your kindness has helped me to accomplish the result for my thesis.

Lastly, to all of the special peoples that accidently or un-accidently involved during my thesis completion, thank you so much. They have been unwavering in their personal and professional support during the time I spent to complete my thesis and my university life. [Click here to enter text.](#)

ABSTRAK

Projek perumahan dikategorikan sebagai "terbengkalai" oleh Kementerian Perumahan dan Kerajaan Tempatan (KPKT) apabila tiada aktiviti di tapak projek, secara berterusan, selama lebih daripada enam bulan selepas tarikh jangkaan penyerahan pemilikan kosong. Ini adalah berdasarkan tarikh Perjanjian Jual Beli pertama (S & PA) yang ditandatangani di antara pemaju dan pembeli yang diselaraskan dengan kontrak kerja. Penangguhan projek perumahan dianggap sebagai salah satu masalah yang paling biasa dan serius yang melanda industri pembinaan Malaysia daripada bilangan dan nilai projek yang terlibat. Ia tidak hanya memberi kesan kepada pembeli secara langsung tetapi juga semua pihak yang terlibat dengan projek tersebut serta orang awam dan kerajaan. Sabah dan Sarawak adalah dua negeri di Malaysia dan projek perumahan dikendalikan sendiri oleh Kementerian Kerajaan Tempatan dan Perumahan (KKTP) Sabah dan Sarawak tidak seperti di Semenanjung Malaysia yang menyeluruh diuruskan oleh Kementerian Perumahan dan kerajaan Tempatan (KPKT). Kajian ini ingin meneroka dan mengumpulkan maklumat mengenai faktor-faktor yang membawa kepada projek perumahan terbengkalai yang berlaku di Sabah dan Sarawak. Objektif kajian ini adalah untuk menganalisis faktor-faktor yang menyebabkan projek perumahan ditinggalkan di Borneo (Sabah & Sarawak), untuk mengkaji sebab dan akibat faktor-faktor yang menyumbang kepada rumah dan projek terbengkalai, dan mencadangkan penyelesaian yang sesuai untuk mengatasi masalah projek bangunan terbengkalai. Survei soal selidik telah dijalankan untuk mengumpul data berdasarkan skala likert untuk menilai persetujuan responden terhadap soalan-soalan yang dikemukakan menggunakan Average Index method (AI). Bagi responden, mereka datang dari bidang yang profesional dalam industri pembinaan untuk meminta pendapat dan nasihat mereka mengenai kajian ini dan memberikan data yang lebih tepat dan jitu. Tambahan pula, faktor-faktor yang membawa kepada projek perumahan terbengkalai boleh dikategorikan sebagai masalah kewangan, keadaan ekonomi, dasar kerajaan yang kurang baik, salah urus dan sistem penyampaian awam yang tidak cekap. Memandangkan mengetahui sebab dan akibatnya, penyelesaian untuk mengelakkan masalah juga perlu dicadangkan. Penyelesaian yang diberikan dapat menyelamatkan industri pembinaan daripada lebih banyak projek perumahan terbengkalai daripada sekarang.

ABSTRACT

Housing projects are classified as "abandoned" by the Ministry of Housing and Local Government (MHLG) when there is no activity at the project site, continuously, for more than six months after the expected date of delivery of vacant possession. This is based on the date of the first Sale and Purchase Agreement (S&P) signed between the developer and a purchaser that align together with work contract. Abandonment of housing project is considered one of the most common and serious problems hit the Malaysian construction industry from the number and value of the affected projects. It not only affects buyers directly but also all parties involved with the project as well as the public and the government. Sabah and Sarawak are the two states in Malaysia and housing projects are handled by the Sabah and Sarawak Local Government and Housing Ministry (LGHM) unlike in Peninsular Malaysia which is managed by the Ministry of Housing and Local Government (MHLG). This study wants to explore and collect information toward the factors that lead to the abandoned housing project that occur in Sabah and Sarawak. Objective of this study are to analyse the factors that lead to the abandonment housing project in Borneo (Sabah & Sarawak), to investigate cause and effect of the factors that contributes to the abandoned houses and project, and to propose the suitable solution to overcome the abandoned building project problem. The questionnaire surveys are conducted to collect the data based on likert's scale to rank the agreement of the respondent towards the questions in the questionnaires based on Average Index method (AI). As for respondents, they come from the professional field in the construction industry because want to ask for their opinion and advice regarding this study and to give more accurate and precise data. Furthermore, the factors that lead to the abandoned housing project can be categorized as financial difficulties, economic condition, unfavourable government policies, mismanagement and inefficient public delivery system. Lastly, as knowing the cause and effect, the solution to avoid the problem also needed to be proposed. The solution is to save the construction industry from rotten more than now.

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LIST OF SYMBOLS

Act 118 Housing Development (Control and Licensing) Act 1996

LIST OF ABBREVIATIONS

KKTP	Kementerian Kerajaan Tempatan dan Perumahan
S&P	Sale and Purchase Agreement
MHLG	Ministry of Housing and Local Government
MDI	Malaysia Department of Insolvency
HLD	Housing Loans Department
NHBA	National House Buyers Association
STB	Sell Then Build
HII	Home Indemnity Insurance
TH	Tribunal for Homebuyers
THC	Tribunal for Homebuyers Claims
AHP	Abandoned Housing Project
LGHM	Local Government and Housing Ministry
AI	Average Index Method

CHAPTER 1

INTRODUCTION

1.1 Background of Study

Construction industry is one of the important sectors that contributes to the economic growth and employments of the country. However, abandoned building project is a major concern in construction sectors. Thus, incomplete home construction project is technically known in Malaysia as an abandoned housing project (AHPs). The problem started when the growing rate of delays in project delivery, construction has been continuously stalled for 6 months or more, residential area is left without buyer, and then it lead to the worst case where the project were abandoned due to some reasons when the contract ended.

There are several stages, as defined by the ministry, before a project is declared abandoned. If it has passed its promised delivery date by 10%, it is considered late; if the delay stretches beyond 10%- 30%, then it is considered 'sick'; and finally, if no work has been carried out or no workers are on the project site for up to six months, then it is deemed abandoned (The star, 2009). "Abandoned housing development" means where a licensed housing developer had refused to carry-out or delayed or suspended or stopped or ceased works continuously for a period of six months or more or beyond the stipulated period of completion as agreed under a sales and purchase agreement (Housing Development (Control and Licensing) Enactment 1978, Sabah). "Abandoned housing development" means housing development which has been abandoned as declared by the Minister under section 27(2), (Housing Development (Control and Licensing) Ordinance, 2013, Sarawak).

Besides that, a housing project is classified as "abandoned" by the Ministry of Housing and Local Government (MHLG) when there is no activity at the project site, continuously, for more than six months after the expected date of delivery of vacant possession. This is based on the date of the first Sale and Purchase Agreement (S&P) signed between the developer and a purchaser that align with the work contract. A project is also classified as abandoned if, within this six month period, the developer has been wound-up and the company taken over by an official receiver or private liquidator recognised or affirmed by the Housing Controller, who is the Secretary-General of MHLG.

Furthermore, the causes that leads to the abandoned housing project also including economic condition, mismanagement, unfavourable government policies, inefficient public delivery system and financial problems. Besides that, the action or inaction of the owner as a client, developer, contractor, subcontractor, consultant or the government also lead to the problem and can gives an adverse effect on them. This study is being carried out to investigate the factors that lead to the abandoned housing and building project in Borneo (Sabah & Sarawak). On top of that, this research may come out with the ideas on suitable solution on how to overcome this problem. By doing this, a lot of money can be saved from being wasted and help to save the environment of the location.

1.2 Problem Statement

Malaysia's economic growth was influenced by the construction industry. Unfortunately, nowadays there was a lot of case regarding to the delayed delivery project then finally lead to the serious abandoned housing project. Abandonment project will give negative effect on the parties involved and towards the surrounding environment. Parties involved such as developer, contractor, subcontractor, consultant, government as well as the client, they may loss huge amount of profit and loss citizen's trust in the future especially when the project was funded by the government. Next, as a developer, before started anything they should know in details what is the objectives for the project so that the completion of the project within its time frame and without any disputes.

Besides that, some project may facing the problem in design and structural aspect, then will lead to the abandonment because it take time to resolve the problem. The longer the building become abandoned, the cost of the project will also increases. Furthermore, from the perspective view of the society, the abandonment of building also can become the place for the crimes to occur. Lastly, enactment and law of the houses also can be a burden to the developer to complete the project and finally become abandoned housing project and this research purpose is to study on factors that lead to the abandoned building project in Borneo (Sabah and Sarawak).

1.3 Objective of Study

The aim of this study is to investigate what is the related main factor that can lead to the abandoned housing project that occurs in Borneo (Sabah and Sarawak). This will achieved through the following objectives:

1. To analyse the factors that lead to the abandonment building project in Borneo (Sabah & Sarawak).
2. To investigate cause and effect of the factors that contributes to the abandoned houses and project.
3. To propose the suitable solution to overcome the abandoned building project problem.

1.4 Scope of Study

The scope of the study will be in the Malaysia, East Malaysia, Borneo (Sabah and Sarawak). The information regarding the cause of abandoned housing project was collected using two methods of collection, which is from the primary data collection and the secondary data collection. Primary data will come from the questionnaire that will be prepared and the secondary data comes from the literature review that related to this study. The data receives will be used to study the objectives of this study. The effect of abandoned housing project to the people surrounding and for the country will become others factors that should be taken serious to takes the effective action to prevent abandonment houses and building project from happening.

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