

**THE MANAGEMENT OF HOUSING SUPPLY IN MALAYSIA :  
Incorporating Market Mechanisms in Housing Planning Process\***

**Alias bin Rameli<sup>1</sup>, Dr. Foziah Johar<sup>2</sup> and  
Assoc. Prof. Dr. Ho Chin Siong<sup>3</sup>**

<sup>1</sup>Department of Urban and Regional Planning (Doctorate candidate)  
(aliasrameli@yahoo.com)

<sup>2,3</sup> Department of Urban and Regional Planning  
Faculty of Built Environment, Universiti Teknologi Malaysia,  
Johor Bahru, Malaysia.

**ABSTRACT** : The planning mechanisms particularly through development plan and development control and the market system as operated in the housing development process are among the factors that influenced the effectiveness of housing supply system. Previous literature has proven that there was a close interaction between the planning and the market system, particularly with regard to the structure, operation and outcomes of housing supply. Even in the situation of imperfection and failure of the housing market, it becomes a function of planning mechanisms to rectify the failure. In relation to the responsiveness of planning system in managing housing supply, besides focusing on meeting broad housing needs, it is important for the planning system to incorporate the elements of effective demand, housing choice and the market conditions in the housing planning process. This paper aims to clarify the relationship between the planning and the market system in the process of housing supply. It will also highlight the current issues of housing supply in Malaysia and discuss possible method of analysis to be used in evaluating the responsiveness of the planning system in managing housing supply.

**\* Presented at International Conference on Construction Industry 2006 (ICCI 2006) from 22<sup>nd</sup> . -23<sup>rd</sup> . June 2006 at Pengeran Beach Hotel, Padang, Sumatera, Indonesia. Jointly organised by Universitas Bung Hatta and Universiti Teknologi Malaysia**

# **THE MANAGEMENT OF HOUSING SUPPLY IN MALAYSIA : Incorporating Market Mechanisms in Housing Planning Process<sup>†</sup>**

**Alias bin Rameli<sup>1</sup>, Dr. Foziah Johar<sup>2</sup> and  
Assoc. Prof. Dr. Ho Chin Siong<sup>3</sup>**

<sup>1</sup>Department of Urban and Regional Planning (Doctorate candidate)  
(aliasrameli@yahoo.com)

<sup>2,3</sup>Department of Urban and Regional Planning  
Faculty of Built Environment, Universiti Teknologi Malaysia,  
Johor Bahru, Malaysia.

**ABSTRACT :** The planning mechanisms particularly through development plan and development control and the market system as operated in the housing development process are among the factors that influenced the effectiveness of housing supply system. Previous literature has proven that there was a close interaction between the planning and the market system, particularly with regard to the structure, operation and outcomes of housing supply. Even in the situation of imperfection and failure of the housing market, it becomes a function of planning mechanisms to rectify the failure. In relation to the responsiveness of planning system in managing housing supply, besides focusing on meeting broad housing needs, it is important for the planning system to incorporate the elements of effective demand, housing choice and the market conditions in the housing planning process. This paper aims to clarify the relationship between the planning and the market system in the process of housing supply. It will also highlight the current issues of housing supply in Malaysia and discuss possible method of analysis to be used in evaluating the responsiveness of the planning system in managing housing supply.

**Keywords :** Land Use Planning, Housing Development, Housing Supply.

## **1. INTRODUCTION**

The planning system and its land use control mechanisms play an important role in controlling and managing the physical development to achieve sustainable and efficient development. In housing sector, the planning system particularly through the development plans and development control as provided in the Malaysian Town and Country Planning Act, 1976, is recognised as a tool to determine the current and future housing needs, the formulation of the housing policies, the allocation of the amount of land and location suitability for housing development and the controls of the housing production process. The planning role in this sector is not only to fulfil the fundamentals of housing as a basic

---

<sup>†</sup> Presented at International Conference on Construction Industry 2006 (ICCI 2006) from 22<sup>nd</sup>. -23<sup>rd</sup>. June 2006 at Pengeran Beach Hotel, Padang, Sumatera, Indonesia. Jointly organised by Universitas Bung Hatta and Universiti Teknologi Malaysia.

human need by ensuring adequate housing but also to recognise housing as an important economic sector by providing and encouraging an efficient housing market.

Theoretically, the market forces should be operated to achieve an equilibrium between demand and supply. But in actual fact the housing market system fails to provide a balanced situation between housing demand and supply. Imperfection of the market system and unethical speculation by housing developers are amongst the factors contributing to the market failure, resulting in an oversupply of housing property. Besides faulty market systems, there is an argument that irresponsiveness of the current planning practice also contributes to the issue of oversupply (Bramley, 1995). The nature of planning system which focuses on housing needs, neglects the element of effective demand in housing forecasting. Inefficient development approval process by the Local Planning Authority in 'filtering' and assessing the new housing development applications may also contribute to oversupply of housing and subsequently exacerbated the problems in the housing market.

With this background, this paper aims to clarify the role of the planning and the market system as well as its relationship in housing supply process, the nature of the planning system in meeting housing needs and the importance of the market criteria in the operation of the planning system. Further to those, this paper also highlights the current issues of unsold, overhang and oversupply of housing as experienced in the Malaysian housing property industry. This paper will also discuss the methods of content and perception analysis to be used in evaluating the responsiveness of the planning system in managing housing supply.

## **2. HOUSING DEVELOPMENT AND PLANNING LEGISLATIVE FRAMEWORK IN MALAYSIA**

The government of Malaysia recognises housing as a basic human need and an important component of the urban economy. This has led to the formulation of policies and programmes aimed at ensuring that all Malaysians have access to adequate shelter and related activities. In Malaysia, housing development programmes are carried out by both the public and the private sector. The public sector concentrates mainly on low-cost housing programmes while the private sector (housing developers), apart from complying on the 30 percent low cost housing unit, concentrates on medium and high-cost housing programmes. The Malaysian government has also formulated a housing policy which aims to strengthen the involvement of private sector in housing production and delivery especially in housing schemes development (Asiah, 1999).

Besides the involvement of central government, the current housing development mechanism also provide a statutory power to the state and local authorities to formulate certain policy related to housing and land use planning. Generally the formulation of housing policy comes through the preparation of structure plan which cover the whole area of each state. The broad policies in the structure plan will be detailed in the local plans. With regard to housing, the local plan will determine the total land supply, quantity and location suitability for new housing development. Subsequently, document of structure and local plans will be used as a basis of development control. Thus before granting any planning approval (planning permission) for housing development application, Local Planning Authority should ensure that it confirms to the provision of the local plan. All the above process and procedures to prepare the development plans (structure and local plans) and the controlling of the development through development control has been enacted in the Town and Country Planning Act, 1976 (Act 172). After obtaining planning permission, the housing development application also have to go through the land approval process (especially for conversion and sub-division of land) by the State Authority, as enacted in the Malaysian National Land Code, 1965 (Act 56). At this stage planning permission given under the Act of 172 (planning act) will be used as a basis for consideration to any land development approval by the State Authority.

In theory the above legislative procedures shows that the current planning mechanism is significant and capable enough to plan and control the housing development in the country, especially in meeting the housing needs and to balance the housing supply with actual demand. But in practice there are other external factors which also contribute and influence the supply, demand and the production of housing such as macro and micro economic situation, role and behaviour of actors in housing development and production process, changes in government policy, speculation by housing developers and the market conditions (Asiah, 1999).

### **3. PLANNING SYSTEM AND HOUSING SUPPLY**

#### **3.1 The Role of Land Use Planning and the Market System in Housing Supply Process**

The planning system, through its land use planning mechanisms and the market system as operated in the housing development and production process are among the elements which exist in the system and the structure of housing supply (Bramley, 1995; Golland, 1998). By looking at the relationship between the planning and market system in the process of

housing supply, Einsiedel (1997) argued that although the determination of housing supply is shaped by the market forces, the planning system also has its role especially in governing the new housing production. He further clarified that both the demand and supply in housing market are affected by the regulatory, institutional process and policies set by the planning system. In relation to this argument, Bramley (2003) identifies that housing supply as determined at the planning stage is clearly of central importance to the operation of housing markets. While Rydin (1993) argues that the interaction between the housing markets and the land use planning activities will determine the extent to which the housing policy goals can be successfully met.

In discussing the role of housing market, theoretically the market forces should operate to achieve an equilibrium by interplay between demand and supply in the housing market where price becomes a determinant factor (Adams, 1994; Einsiedel, 1997). However, in practice the market system fails to provide a balanced situation between demand and supply (Bramley, 2004). Imperfection of the housing market which is distorted by external influences such as unethical speculation by housing developers has contributed to the market failure (Adams, 1994). As a result of imperfections and failure, housing markets are in a perpetual state of disequilibrium. A balance is never achieved between supply and demand. Such markets move from shortages to overprovision and back to shortage (Adams, 1994). In the situation of imperfection and failure of the housing market, Rydin (1993) stressed that it is rational and justify for the land use planning to rectify the failure.

In relation to the planning system and housing supply, Short, *et al.* (1986) generally viewed planning as a system of negotiation which results in a set of rules governing access to land and to housing before surrender it to the market operation. Besides the operation of the markets which governs most part of the housing production process, as argued by Einsiedel (1997), the role of planning in housing development process can be seen in a broader perspective. It begins with the estimation of housing needs, formulation of housing policies and allocation of land and housing supply to cater requirements for future housing supply. In housing production process, the planning mechanism also plays its role by assessing and controlling the new production, which will produce new housing supply. This role and the process of intervention of planning in the determination of housing supply can clearly be seen in the event-based models of the development process, particularly in the development pipeline model, as developed by Barret, *et al.* (1978).

### **3.2 The Nature of the Planning System in Meeting Housing Needs**

In functioning the activities of forecasting, formulation of housing policies, allocating of land supply for future housing in the development plans and the activities of assessing, 'filtering' and controlling of new housing supply at the development control process, it becomes a nature of the planning system to fulfil an objective of meeting housing needs (Ratcliffe, 1981; Golland & Gillen, 2004). Housing needs in this context is defined as the quantity of housing that is required to provide adequate housing to the population without taking into consideration individual household's ability to pay (Chander, 1976; Ratcliffe, 1981; Noraini, 1993; Golland & Gillen, 2004). Generally the housing planning goal is considered as fulfilled, if the planning decision ensures an adequate and continuous supply of housing (Pearce, 1992).

The nature of the planning system which focuses on meeting housing needs has raised several arguments. Nicol (2002) clarifies that by only looking on meeting housing needs it is insufficient to achieve a more integrated and responsive housing supply. He suggests that housing planning strategy should fulfil both objectives of meeting housing needs and housing demand as required by the population. Housing demand is usually associated with the requirement of individual households over and above the basic or minimum level of provision or 'need' (Golland & Gillen (2004), supported by the household willingness to pay for housing (Noraini, 1993). By considering the ability to pay which actually back up by the purchasing power of each household, it reflects the situation of actual demand for housing which is technically defined as effective demand (Chander, 1976; Golland & Gillen, 2004). Determination of housing demand is also associated with the housing choice as required by the population (Golland & Gillen, 2004). As explained by Golland & Gillen, demand for choice can be distinguished by housing tenure (e.g. social-rented sector or private-rented sector), dwelling type and form of housing and the choice of method of new homes to be developed.

In order to ensure the local housing requirement is properly catered, Golland & Gillen (2004) stressed that the housing planning process should recognise that housing needs are not only driven by population trends but also by the affordability of the population. They also clarify that in estimating the overall need for housing, it is necessary to take account of household income, their ability to pay, their preference in terms of prices and location and their choice in terms of tenure, types, form and method of housing to be developed. By

recognising that housing policy is no longer based on housing need, there is a significant changes in the nature of the housing planning system. As experienced in United Kingdom since early 1980s, the role of government in housing provision can be argued that it has changed from one which focused on meeting broad housing needs to one which is now focusing more on addressing the specific demands of households (Golland & Gillen, 2004).

### **3.3 The Importance of Market Criteria in the Operation of Planning System**

As discussed above, the operation of planning system in managing housing supply begins from the stage of estimation of future housing needs, formulation of housing planning policies and allocation of land supply and amount of housing, as operated in the development plans and followed by the stage of assessing and controlling the new housing supply. Rydin (1993) points out that one of the main tasks face by the land use planning system is in allocating future land for housing development and then responding to planning application for such development. In discussing the effectiveness of the planning system, Pearce (1992) starts by posting several questions on how effective is the planning system in achieving its goal, to what extent its success and to what degree of its failure.

In serious argument, Angela (1997) questions on how effective are the roles that the land use planning system has in deciding the amount and location of new houses. By focusing on the mechanisms available in the British statutory planning framework in allocating land for housing growth, she principally agrees that mechanisms within the development system through the Regional Planning Guidance Notes (RPG), Structure Plans and Local Plans to Unitary Development Plan provides significant formal arenas for stakeholders both to mobilise their support and influence housing policy direction. However she argues that the process of forward planning and production of housing still suffers from lack of reliable information on market indicators and current flow between the housing markets and levels of investment in the housing stock. Related to that she stresses that apart from playing a role in assessing and meeting of housing need and demand, the process of forward planning and housing development approval should critically looks at the importance of the market mechanisms in the process of housing supply especially on the aspects of marketable location. This statement is in line with the view by Pearce (1992) who clarifies that although the planning goals in meeting an edequate housing need is considered as has been fulfilled, he stresses that any planning decision in supplying new houses has to respond to the situation of market demand.

The importance of incorporating and considering the housing market criteria in the planning process was also addressed by Bramley (1995), who suggests that land use planning should have a greater degree of awareness of the market, by incorporating policies and procedures in a way that sensitive to the needs of the market. According to Nicol (2002) it is a responsibility of a local authority to have an adequate understanding of the housing market before making any decision in releasing new housing supply. Golland & Gillen (2004) stress that it is necessary for planning process to consider consumer tastes in the housing market. In relation to the importance of the market, Healey (1992) concluded that in achieving the housing policy goals, three approaches should be applied by the planning system i.e. following the market, managing the market and creating the market.

#### **4. CURRENT ISSUES OF HOUSING DEVELOPMENT IN MALAYSIA**

##### **4.1 Issues of Unsold, Overhang And Oversupply Of Housing**

One of the main issues which is regularly being discussed and debated in the Malaysian housing industry is on the unsold, overhang and oversupply of housing development throughout the country. The National Economic Action Council (NEAC)(1999) has identified that one of the reasons why the economy of the country suffered badly during the 1997 economic recession was due to overhang and oversupply in the property market, including in the housing property. Official figures published by the National Property Information Centre (NAPIC) from year 2000 to 2005 (*Appendix 1*) clearly proved that the issue of overhang of the housing property continuously exist in the Malaysian housing property market. A total of 51,348 housing units unsold or overhang in the year 2000 with a total worth of RM 6.6 Billion remain as an issue until 2005. The latest figure in 2005 also shows that there are 19,577 units or 20.45 % from the total 95,714 units launched, is in the category of overhang with a total worth of RM 2.63 Billion. The overhang figure in 2005 slightly increased from 15,558 units (18.9 %) in 2004 and 9,300 units (13.3 %) in 2003 which worth RM1.34 Billion and RM1.87 Billion respectively.

Further to the overhang issues highlighted, information of higher figures in total unsold housing comprising of completed, under construction and unconstructed which are already launched for sales should also need to be considered. Data in 2005 shows that 102,430 units, represent 32.58 % from 314,441 units launched is in the unsold category. Total unsold housing in 2005 also indicates an increase compared to the previous figures in 2004 and 2003. Further to that, the data on sales performance of new launched housing units from 2001 until 2005 also indicates an issue of overhang and unsold in the housing property

market. In 2001, housing sales performance is at 53.0 %, slightly increase to 54.7 % in 2002 and steadily decreased to 52.3 % in 2003, 48.0 % in 2004 and 46.0 % in 2005.

Besides the critical figures of unsold, overhang and low performance in the new housing launch sales, data on oversupply of housing as published in the National Physical Planning (NPP) Report (2002) also highlighted the overall issues in housing development in Malaysia (*Appendix 2*). The figure which only covers Peninsular Malaysia indicates that out of a total of 5,338,000 units of housing supply (including existing and committed units) in 2000, basically required only 3,941,000 units to fulfil the households housing need at that period. This figure indicates that around 1,396,000 units are actually an oversupply. Similar problem exists in the housing need in 2005. By comparing with a total supply in 2000, it indicates a surplus of housing supply is at 755,000 units. This surplus figure will be more worrying if new committed units from the period of 2001 to 2005 be considered in that calculation.

#### **4.2 Government and Private Sectors Response to the Issues**

The critical issues of overhang, unsold and oversupply of housing have sparked lively discussions and debates. From the Federal Government perspective, since 1999 NEAC has identified that the process of speculative demand and supply by the private developers and loop-holes in the planning, as well as land approval system are the major factors which contribute to the issue of overhang and oversupply (The Government of Malaysia, 1999). Further to that the Ministry of Housing and Local Government also clarifies that besides the influence of open market and market force in housing market, this problem originated from the weaknesses in the planning approval system by the local authorities where housing applications were being permitted without taking into due consideration the actual demand (Peter Chin, 2003). In similar tone, the Secretary General of Housing and Local Government Ministry (2003) and the Director General of Federal Town and Country Planning (2005) also identified that failure in complying the housing planning policy, guidelines and other determinations as contained in the development plans, particularly by the local planning authorities also contributes to the issue of overhang and oversupply.

At the State level, the Chief Minister of Johor (2004) when discussing the disturbing situation of overhang in State of Johor, as published in the 2004 Property Market Report, has declared his supports to the continuous effort by the central government to reduce the glut in the property market but posted his worries with the production line. He also explained that the developers still carry on with their plan, building new projects and pursuing projects

that have been approved. The continuous uncontrolled activities in producing the new housing supply has caused the mismatch between demand and supply. The situation is further aggravated by lack of information pertaining to the property market by both the developers and the approving authorities. The approval process at the Local Planning Authorities and State Authority which conventionally focus on the technical requirements without taking an equal consideration of the actual demand also contributes to the issue of overhang and oversupply.

Besides views from the government sector, property players also have their own perspective on this issue. Property market analyst, Mohd. Talhar (2005) commented that the critical figures are not only on the higher rate of unsold property and low sales performance, but also on the higher rate of unoccupied in the current housing stock. In overcoming this issue, he proposed that the developers should be more aware of the stronger relevance of use and occupation in the assessment of actual demand before making an investment. For the approving authorities, he suggested that the authority should manage the supply of land for housing use, by defining target population and specific occupation and introducing the priority scheduling of housing development areas. On the other hand, housing developer has a different view on this issue. According to the preliminary interviews with one of the housing developers in Johor, Chang (2005) highlights that generally developers are aware of the current situation of overhang, unsold, oversupply and low sales performance in housing market but as businessmen, they have to pursue to build houses, even though facing the investment's risk of low sales. He also clarifies that in attracting the housing buyers, most of the developers are seeking a niche market by creating a better environment and enhancing the aspects of security in their housing project. They will also be working hard in promoting and marketing their scheme and trying to outbeat their competitors.

The preceding discussion clearly shows that the unsold, overhang and oversupply of housing are the critical issues in Malaysia. To address this issue, it requires a profound understanding of numerous internal and external factors and their inter-relationship. Besides looking at the operation of the market systems which contribute to the issue, identification of weaknesses in the planning system as clarified by the NEAC, the Ministry of Housing and Local Government and by the Department of Town and Country Planning, also need to be explored in detail. It is justifiable and timely to further analyse, particularly on the role of the planning system which is significantly involved in forecasting, allocating, assessing and controlling the supply of housing.

## **5. METHODOLOGICAL ISSUES**

### **5.1 Researching The Planning System and Housing Supply**

Fundamentally, housing development policies aim to achieve the social, physical and economic goals by providing housing to meet the population's need (Golland & Gillen, 2004), encouraging sustainable housing growth (Golland & Blake, 2004) and ensuring efficiency in the system of housing delivery and its production process (Einsiedel, 1997; Lawrence Chan, 1997). Considering the argument that housing issues are complicated, complex and involves a lot of stakeholders (Lawrence Chan, 1997), discussion on this matter creates a variety of debates from different perspective and interest. Research on housing can be discussed from the various scope of social, economic, market, demand, supply and production.

One of the important areas which can be explored in details is the system and the structure of housing supply. Discussion on housing supply can and being discussed from the various perspective, i.e. from the perspective of economics of the housing industry (O'sullivan, 2003), operation of the housing markets (Bramley, 2003) and to the role of the government, including the planning mechanisms and its responsibility (Pearce, 1992; Rydin, 1993; Angela, 1997). By looking on the relationship between the planning system and housing supply, it also creates a debate from different perspective. As identified in the British literature (Monk & Whitehead, 1996; Rydin, 1993; Monk, *et al.*, 1996; Bramley, 2003), most of the researches on the this relationship looked at the mechanism in planning system as a constraint to the housing development, since it restricts the supply of land, the total supply of housing, the location, type and density of the development and finally the timing, when the development can take place (Monk, *et al.*, 1996; Asiah, 1999).

Secondly, the previous research also attempts to study the interrelationship between the role and the systems of planning and market in the production process of housing supply. The theoretical literature generally encompasses of the operation of the market system and how the market forces work to achieve an equilibrium between demand and supply in housing market, the role of planning in governing housing production, the concept of market failure and how the planning system can rectify the failure. Based on the understanding from the previous literature (Einsiedel, 1997; Short *et al.*, 1986; Bramley,

1995; 2003), findings showed that there are close interaction between the planning and the market system with the structure, operation and outcomes of housing supply.

Thirdly, the previous research also looked on the aspects of effectiveness or responsiveness of the mechanisms in the planning system to properly manage the housing supply in order to meet the social needs and to balance with the actual demand (Pearce, 1992; Rydin, 1993). A paucity of research in this scope as identified by Rydin (1985) and Bramley (2003), gives an opportunities to further exploration in this field, particularly on the responsiveness of the planning system in managing housing supply. In relation to the term of 'managing' the housing supply, the level of responsiveness of the planning mechanisms can be assessed from the stage of estimation of future housing needs, formulation of housing planning and land use policy to allocation of land supply and amount of housing in terms of location, types and determination of timing for development which commonly becomes a part of the content in the development plans. Further to that, it also can be evaluated at the housing development approval stage by the Local Planning Authority, relating to the assessment and controls of new housing production.

In exploring the above matter, several questions related to the management of housing supply are arise as follows :

- i. What are the factors influencing the determination of housing supply in the housing development process and how it works?
- ii. How the mechanisms in the planning system play their roles in the system of housing supply?
- iii. How responsive are the development plans in forecasting land and housing amount, determining housing types and allocating suitable location for future housing supply?
- iv. To what extent the development control process by the Local Planning Authorities comply with the provision of development plans and how effective the process in assessing and controlling housing supply?
- v. Is the planning system responsive and have an ability to manage the housing supply, in meeting the housing needs and balancing with the housing demand?

## **5.2 Research Approach**

In evaluating the role and the responsiveness of the planning system in managing housing supply and to answer the above questions, qualitative method of analysis is deemed appropriate. By considering the nature of an evaluation research, this method of analysis is seen as the most suitable when evaluating the level of the responsiveness of both process and outcomes in the preparation of development plans and at the development control stage. Basically, selection of this methodology is parallel with the opinion of Cassell and Symon (1994), whose argue that “*only qualitative method are sensitive enough to allow the detailed analysis of evaluation*”.

In adopting this methodology, a case study approach will be applied by selecting Johor Bahru Local planning authority's areas. The rationale of selecting this area is its location, whereby it is currently experiencing rapid urbanization process and as one of the fastest growing region in Southern Peninsular Malaysia. The Cencus 2000 shows that the population of Johor Bahru is approximately 1,159,079 people, with an average growth rate of 4.59 percent between 1991 – 2000. The growth of population directly influence and increase in the housing needs. The statistics at year 2000 shows that there are 304,829 units of housing stock in Johor Bahru with an average growth rate of 5.68 percent from a similar period. From this figure, around 249,865 units (81.9 %) are occupied, while around 54,964 units (18.1%) were identified as unoccupied (State of Johor, 2003). In terms of the housing market, overhang units in Johor Bahru at the end of 2004 is around 3,060 units, represent 80.8 % from the total 3,785 units of overhang as registered in the state of Johor. For the sales performances of new housing launched both in 2004 and 2005 were at a below 50.0 %, i.e. 44.2 % and 37.7 % for the respective year (Property Market Report, 2004 and 2005).

The method of the content analysis will be used in exploring the contents and the process of the development plans and the housing development applications. This analysis required a collection of primary data using the `pro-forma', as follows :

- i. Data on how the development plans, as enforced by the Local Planning Authorities give attention to the housing development. The analysis will focus on the extent to which the structure and local plan play its functions in forecasting of land and housing amount, formulation of housing policies, determination of housing types and allocation of suitable location for future housing supply.

- ii. Data on housing development applications, as assessed and approved by the Local Planning Authorities. The analysis will focus on the extent to which the process of housing development control by the local planning authorities comply with the provision of the development plans and responsive in assessing and controlling the housing supply.

In supporting the content analysis of the development plans and development control process, the perception analysis will also be applied by collection of primary data in a form of a structured questionnaire and in-depth interview. The sample consists of the government and private planners and housing developers, who are involved in the housing development and production process. The focus of the questionnaires and interviews are to know the respondent's views and their perception on the responsiveness of the development plans and development control in managing housing supply.

Both of data gathered from the 'pro-forma' and the perception questionnaire will be analysed by making use of Stastical Package for Social Science (SPSS) in producing a quantitative data in a forms of descriptive statistics. Subsequently data and information from the interview will be analysed qualitatively by quoting all the relevant transcriptions. Outcomes from both of the quantitative and qualitative empirical analysis will be synthesised and inter-related with the theoretical frameworks as established at the literature stage. The findings of the theoretical and empirical research will be used in designing a framework to strengthen the role of development plans and development control in managing housing supply.

## **6. CONCLUSION**

This paper has clarifies a close interaction between the planning and the market system in the process of housing supply, the nature of the planning system in meeting housing needs and the importance of the market criteria in the operation of the planning system. By applying qualitative method of analysis using the technique of content and the perception analysis, it is expected that the research will prove and answer the questions related to the responsiveness of the planning system in managing housing supply. In terms of the importance of the elements of effective demand (affordability and household willingness to pay for housing), housing choice (choice by housing tenure, dwelling type, form of housing and method of new homes to be developed) and the market criteria (housing market, preference in terms of price, location, type of housing, etc), the research will justify the possibility of incorporating this market mechanisms in the preparation of development plans and the operational housing approval activities at the local planning authority level.

By recognising these elements in the housing planning process, it not only attempts to solve the issues of unsold, overhang and oversupply of housing, but will significantly contribute to change and to strengthen the planning fundamentals, policy and the nature of the planning system which conventionally merely focuses on meeting the housing needs.

## 7. REFERENCES

- Asiah Othman (1999). *The Effect Of The Planning System On Housing Development : A Study Of The Development : A Study Of Developers Behaviour In Kuala Lumpur and Johor Bahru, Malaysia*. University of Aberdeen : Ph.D. Thesis.
- Adams, D. (1994). *Urban Planning and the development process*. London : UCL Press.
- Ball, M. (1983). *Housing Policy and Economic Power : The Political Economy of owner occupation..* London : Methuen.
- Barret S., Stewart M., and Underwood J. (1978). The Land Market and Development Process. *SAUS Discussion Paper 2*. University of Bristol.
- Bramley, G. (2003). Planning Regulation and Housing Supply In a Market System. In : O'Sullivan, T. and Gibb, K. eds. *Housing Economics and Public Policy*. United Kingdom : Blackwell Science Ltd.
- Bramley, G., Bartlett, W. and Lambert, C. (1995). *Planning, The Market and Private Housebuilding*. London : UCL Press Ltd.
- Bramley, G. (1992). Land Use Planning and the Housing Market in Britain : The Impact on Housebuilding and House Prices. *Journal of Environmental and Planning : Volume 25*. England : 1021 – 1051.
- Einsiedel, V. (1997). Towards A Sustainable Housing Strategy. *Proceeding of The National Housing Convention*. Kuala Lumpur : 26-27 May, 1997. ISIS Malaysia.
- Foziah Johar (2002). *Amalan Kawalan Perancangan Pihak Berkuasa Tempatan Di Semenanjung Malaysia : Tumpuan Kepada Aspek Alam Sekitar*. Universiti Kebangsaan Malaysia : Tesis Ph.D.
- Golland, A.(1998). *System of Housing Supply and Housing Production in Europe : A Comparison of the United Kingdom, the Netherlands and Germany*. England : Ashgate.
- Golland, A & Gillen, M (2004). Housing need, housing demand and housing supply. In : Golland, A and Blake, R, eds. *Housing development : Theory, process and practice*. London : Routledge. 45 – 70.
- Golland, A & Blake, R (2004). Sustainable housing development and urban capacity solutions. In : Golland, A and Blake, R, eds. *Housing development : Theory, process and practice*. London : Routledge. 123 – 163.
- Golland, A & Oxley, M (2004). Housing development in Europe. In : Golland, A and Blake, R, eds. *Housing development : Theory, process and practice*. London : Routledge. 295 - 320.
- Healey, P. (1983). *Local Plans in British land use planning*. England : Pergamon Press.
- Ho Chin Siong (1994). *Evaluation Of Housing Estate Development In Relation To Housing Supply In Malaysia (With Reference To Urban Management and Housing Approval System*. University of Tokyo, Japan : Ph.D. Thesis.
- Hull, A (1997). Restructuring The Debate on Allocating Land for Housing Growth. *Housing Studies : July 1997, Vol. 12 Issue 3*. Great Britain : 367 – 382.

- Jabatan Penilaian dan Perkhidmatan Harta (2000 - 2006). Property Report, 1999 - 2005. Kuala Lumpur : Percetakan Nasional Malaysia Berhad.
- Jabatan Perancangan Bandar dan Desa (JPBD) Semenanjung Malaysia (2004). *Rancangan Tempatan Daerah Johor Bahru : Laporan Teknikal Sektor Perumahan*. Johor : JPBD Semenanjung Malaysia.
- Lawrence Chan, K.T. (1997). Housing Delivery System. *Proceeding of The National Housing Convention*. Kuala Lumpur : 26-27 May, 1997. ISIS Malaysia.
- Malaysia (1997). *Kertas Memorandum Daripada Menteri Tugas-Tugas Khas (MTK(R)03/01 : Ke Arah Memperkukuhkan Perkhidmatan Perancangan Bandar dan Desa Melalui Perseimbangan Kuasa Persekutuan Dan Negeri*. Mesyuarat Ke 78 Menteri-Menteri Besar dan Ketua-Ketua Menteri Pada 15 Julai 1999. Tidak diterbitkan.
- Malaysia (2005). *Town and Country Planning Act, 1976 (Act 172)*.
- Malaysia (2003). *National Land Code, 1965 (Act 56)*.
- Malaysia (2005). *National Physical Plan*. Kuala Lumpur : Federal Department of Town and Country Planning.
- Mohd. Fadzil Mohd Khir (2005). Isu dan Cabaran Dalam Pembangunan Hartanah. *Seminar Kebangsaan Perancangan dan Pembangunan 2005*. Majlis Perbandaran Sepang. 1 Jun 2005.
- Mohd Talhar Abdul Rahman (2004). Johor Property Investment Outlook and Redefining Property Development Strategies and Portfolios for Competitiveness in Real Estate Investment. *The Proceeding of Johor Property Investment Outlook 2004 And Beyond : Monetising Assets, Balancing Supply and Demand*. Johor Bahru : Institute of Sultan Iskandar, Universiti Teknologi Malaysia.
- Monk, S. and Whitehead, C.M. E. (1996). Land Supply and Housing : A Case Study. *Journal of Housing Studies*. Volume 3. United Kingdom : 407 – 422.
- Monk, S., Pearce B.J. and Whitehead, C.M. E. (1996). Land Use Planning, Land Supply and House Prices. *Journal of Environmental and Planning A 1996*. Volume 28. United Kingdom : 495 - 511.
- Muliyono Tukiman (2004). Johor Property Overhang and Balancing Supply and Demand. *The Proceeding of Johor Property Investment Outlook 2004 And Beyond : Monetising Assets, Balancing Supply and Demand*. Johor Bahru : Institute of Sultan Iskandar, Universiti Teknologi Malaysia.
- Nicol, C. (2002). *The Formulation of Local Housing Strategies : A Critical Evaluation*. England : Ashgate.
- Noraini Yusoff (1993). *A Culturally Appropriate And Economiccally Sustainable Housing Delivery System For Malay Urban Low-Income Households In Malaysia*. Texas A&M University : Ph.D. Thesis.
- O’Sullivan, T. (2003). Economics and Housing Planning. In : O’Sullivan, T. and Gibb, K. eds. *Housing Economics and Public Policy*. United Kingdom : Blackwell Science Ltd.
- Pearce, B.J. (1992). The Effectiveness of the British Land Use Planning System. *Journal TPR*. Volume 63.
- Ratcliffe J. (1974). *An Introduction To Town Planning*. London : Hutchinson.
- Ratcliffe, J (1981). *An introduction to town and country planning*. 2<sup>nd</sup> ed. London : UCL Press.
- Ratcliffe, J., Stubbs, M. and Shepherd, M. (2004). *Urban Planning and Real Estate Development (Second Edition)*. London : Spon Press.

- Rydin, Y (1985). *Residential development and the planning system : A study of the housing land system at the local level*. Diamond, D & McLoughlin J.B. (eds.). Britain : Pergamon.
- Rydin, Y. (1986). *Housing Land Policy*. London : Gower Publishing Company.
- Zailan Mohd Isa (2004). Property Market – Present and Future Scenario. *The Proceeding of Johor Property Investment Outlook 2004 And Beyond : Monetising Assets, Balancing Supply and Demand*. Johor Bahru : Institute of Sultan Iskandar, Universiti Teknologi Malaysia.

## Appendix 1

### THE NUMBER AND VALUE OF UNSOLD HOUSING UNITS IN MALAYSIA FROM 2000 TO 2005

YEAR	TOTAL UNSOLD			
	Unit Launched	Unsold (Overhang) Unit	Unsold (Overhang) Rate (%)	Overhang Value (RM Mil)
2000	n.a.	51,348	n.a.	<b>6,609.37</b>
2001	179,030	40,977	<b>22.90</b>	<b>5,528.68</b>
2002	277,231	59,750	<b>21.60</b>	<b>7,882.03</b>

**Notes :** The definition of property overhang (including residential or housing) as noted in Malaysian Property Report was three times changed from year 1999, 2000 and 2003.

- In 1999, 'overhang' was referred as the total number of housing units remained unsold after it was launched for sale on or after 1 January 1997.
- Figures from 2000 to 2002, using the term 'overhang' as property remained unsold for more than 9 months after it was launched for sale on or after 1 January 1997, completion units, under construction and not built.
- With effect from 2003, property overhang has been given a new meaning to include only the completed housing unit with Certificate of Fitness for Occupation (CF) and remained unsold for more than 9 months after it was launched for sale on or after 1 January 1997.

YEAR	COMPLETED				UNDER CONSTRUCTION			NOT CONSTRUCTED			TOTAL UNSOLD		
	Unit Launched	Unsold (Overhang) Unit	Unsold (Overhang) Rate (%)	Overhang Value (RM Mil)	Unit Launched	Unsold Unit	Unsold Rate (%)	Unit Launched	Unsold Unit	Unsold Rate (%)	Total Unit Launched	Total Unsold Unit	Total Unsold Rate (%)
2003	69,805	9,300	<b>13.30</b>	<b>1,336.15</b>	163,124	54,108	<b>33.2</b>	33,856	17,046	<b>50.3</b>	266,785	80,454	<b>30.16</b>
2004	82,343	15,558	<b>18.90</b>	<b>1,817.70</b>	188,601	63,950	<b>33.9</b>	42,166	19,861	<b>47.10</b>	313,110	99,369	<b>31.74</b>
2005	95,714	19,577	<b>20.45</b>	<b>2,632.89</b>	177,144	61,129	<b>34.5</b>	41,583	21,724	<b>52.24</b>	314,441	102,430	<b>32.58</b>

**Note :** Collection of data related to the housing market is confined to individual dwelling units inside and outside housing schemes located within the local authority area.

**Source :** Malaysian Property Market Report (Reports from year 2000 – 2005) (<http://www.jp-ph.gov.my>)

## Appendix 2

### COMPARISON BETWEEN HOUSING SUPPLY AND HOUSING NEED IN PENINSULAR MALAYSIA, 2000 – 2005

STATE / REGION	HOUSING SUPPLY			HOUSING NEED		Total Surplus (2000)	Total Surplus / Shortfall (2000 - 2005)*
	Existing Units (2000)	Committed Units (2000)	Total Supply (2000)	2000	2005		
Perlis	44,900	4,700	49,600	43,500	47,400	6,100	2,200
Kedah	365,100	45,800	410,900	351,000	398,100	59,900	11,900
Pulau Pinang	334,300	21,700	355,900	279,500	322,700	76,400	33,200
Perak	520,700	136,200	656,900	436,400	484,900	220,500	172,000
<b>Northern Region</b>	<b>1,265,000</b>	<b>208,400</b>	<b>1,473,300</b>	<b>1,110,400</b>	<b>1,253,100</b>	<b>362,900</b>	<b>219,300</b>
Selangor	882,700	303,200	1,186,000	891,200	1,126,400	294,800	59,600
Kuala Lumpur	323,100	54,900	378,000	293,500	351,300	84,500	26,700
N. Sembilan	230,300	122,200	352,500	183,000	201,700	169,500	150,800
Melaka	164,700	26,900	191,700	135,300	151,300	56,400	40,400
<b>Central Region</b>	<b>1,600,000</b>	<b>507,200</b>	<b>2,108,200</b>	<b>1,503,000</b>	<b>1,830,700</b>	<b>605,200</b>	<b>277,500</b>
Johor	652,600	304,000	956,600	583,100	671,000	373,500	285,600
<b>Southern Region</b>	<b>652,600</b>	<b>304,000</b>	<b>956,600</b>	<b>583,100</b>	<b>671,000</b>	<b>373,500</b>	<b>285,600</b>
Pahang	276,400	43,100	319,600	274,100	303,400	45,500	16,200
Terengganu	176,700	20,000	196,700	191,200	225,100	5,500	(28,400)
Kelantan	257,800	25,800	283,600	279,400	299,600	4,200	(16,000)
<b>Eastern Region</b>	<b>710,900</b>	<b>88,900</b>	<b>799,900</b>	<b>744,700</b>	<b>828,100</b>	<b>55,200</b>	<b>(28,200)</b>
<b>Peninsular Malaysia</b>	<b>4,229,300</b>	<b>1,108,500</b>	<b>5,338,000</b>	<b>3,941,200</b>	<b>4,583,000</b>	<b>1,396,800</b>	<b>755,000</b>

**Note \*** : Total surplus / shortfall of housing supply for 2005 is based on comparison with the total supply in 2000 without considering of any new committed units from 2001 – 2005 (data not available). This figures which was presented in NPP report, is intentionally highlighted to describe the worse scenario of surplus in housing supply, particularly in Peninsular Malaysia.

**Source** : Adapted from Housing Technical Report, National Physical Plan (NPP)(2002).