



STRUCTURAL CHANGES, HOUSE PRICE DYNAMICS AND HOUSING AFFORDABILITY IN KOREA

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Abstract

Korean housing sector as of early 1990s was described as an example of financial repression combined with rigid urban regulations. Since then the Korean real estate finance system has gone through a structural change in the wake of the Asian Currency Crisis of 1997. Mortgage market was liberalized and secondary mortgage market was created. Developers emerged as a key player in the residential development market relying on project financing. Unlike the real estate finance system, there was no fundamental change in housing supply system in the direction of making it more responsive to market signals.

As the economy recovered from the crisis, housing market bounced back, then housing price boom followed. The increase in mortgage financing and the inelastic supply in prime submarkets in Seoul were responsible for the price hike. The rapid house price inflation in the these hot markets was countered by various policy interventions with limited impact. Then the global financial crisis broke out, which affected the real estate sector but not as much as it was initially feared. In fact, house prices recovered again and started rising again, which invited government intervention on the mortgage market.

This paper aims to trace the major changes that took place in the Korean housing market and real estate finance system and to evaluate the impact of government policies along the way. We focus our attention on the role of the expansion of mortgage lending on housing market interacting with inelastic supply responses to demand shocks during the two crises and the intervening period of a housing boom. The paper draws implications for future policy.

INDUSTRIAL MARKET STRUCTURE AND CONCENTRATION IN MALAYSIAN REAL ESTATE INDUSTRY

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Abstract

Malaysia has introduced several important institutional and policy changes (e.g property sector) in recent years in order to strengthen the Malaysian real estate industry. The government believed that the New Economics Model (NEM) will turn Malaysia into a developed countries by 2020 whereby NEM will be based on competitiveness, innovation, creativity and high value added, and will focus on growth areas such as real estate industries. In modern economic theory, an industry is said to be competitive (or more precisely, purely competitive) only when the number of firms selling a homogenous commodity is so large, and each individual firm's share of the market is so small, that no individual firm finds itself able to influence appreciably the commodity's price by varying the quantity of output it sell. Greer (1992) defined market power as the ability to influence market price and/or to subdue rivals. Empirical studies commonly reveal the association of profit and market concentration due to the 'ability' of firms to influence price levels. In other word, the more concentrated an industry, the more it approaches the monopolistic situation and the higher the price-cost margin or profits. The level of its concentration can characterize markets. The more concentrated an industry, the more it approaches the monopolistic. Driven by these circumstances, the identification of these factors is crucial for effective policy making in order to face market liberalization and enhance competitiveness in real estate industry. An econometrics analysis employing ordinary least square method was conducted to determine the factors influence the industrial market structure of Malaysian real estate industries.

Keywords: Concentration, competition, market power, economies of scale, entry barrier.

JEL Classification: L10, L11.

HOUSING DEVELOPER STRATEGY A COMPARISON BETWEEN MALAYSIA AND SOUTH KOREA APPROACH

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Abstract

Malaysia and South Korea have the same form of economic organisation that operates within a capitalist framework. Both countries consider housing as a commodity, which is produced for profit and distributed via market mechanism. Hence, these countries have almost similar actors involved in the private housing development process. They have the same imperatives i.e. profits, the need for land and finance for development, and the market for their products. Even so, the workings of each system differ. Different market context produces different kind of opportunities and risk, thereby producing different forms of economic behaviour and responses. In Malaysia, despite of having substantial amount of new housing units not being taken up, developers continue to build. The problem of unsold housing has been prevailing since the aftermath of 1997 Asian Financial Crisis. In Korea, there is the problem of under-supply of housing and ever-high house prices in the market.

The paper is based on a comparative study on the housing development process between Malaysia and South Korea. The study explores how developers organized themselves in the process, their strategies and responses to risks and uncertainties as well as to the actions of agents and regulatory framework. This paper highlights that the housing delivery system is closely associated with risks and uncertainties. Housing development markets have become structured by complex public and private institutional arrangements and interactions. In this context, the developer has been identified as the key agent in the development process from the inception stage to house completion. Finally, this paper will proceed to answer as to why developers continue building in spite of low market absorption rate as well as the motivating factors that influence the developers to continue with overbuilding.

Keywords: Developer's strategy, housing development, Malaysia, Korea



WHAT WORKS IN RESIDENTIAL REAL ESTATE MARKETING? AN ESTATE AGENT'S PERSPECTIVE

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Abstract

In the residential real estate agency market across the country, various promotional tools are used by real estate agents to achieve property transactions. Yet few research projects have investigated the effectiveness of these promotional tools.

This research aims to fill this gap in understanding what works in residential property marketing by determining the effectiveness of various promotional tools used in the promotions of residential properties in Malaysia.

The objectives of this study are:

- (a) To determine which promotion tool is currently most popular,
- (b) To determine which promotion tool is perceived as the most effective,
- (c) To determine which promotion tool will be the preferred promotional outlets in the near future by estate agents.

The results of this research are compiled from a questionnaire survey on participants of the Malaysian Annual Real Estate Convention 2009. 163 participants out of the total 450 Convention participants returned the questionnaire forms which represent a 21.6% return rate. Out of the 163 participants 93 are estate agents. The findings of this paper reflect the views of these estate agents.

The survey results showed that the top three most popular promotion tools are signages/signboards at the subject property, advertisements and emails. In terms of effectiveness, signages/signboards placed at the subject property are perceived as the most effective promotional tools, followed by newspaper advertisement, email and internet.

However marketing in the future is expected to change as the rating on the usage of internet in the future is higher than advertisements and for email. In fact most estate agents planned to increase the use of internet substantially compared to other promotional tools. The survey clearly indicates that estate agents will increase the use of internet for real estate marketing in the future.

Keywords : Real estate marketing, effective promotional tools, estate agents



APPLICABILITY OF SUN TZU'S THE ART OF WAR FOR REAL ESTATE MARKETING

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Abstract

Over twenty five centuries, Sun Tzu's The Art of War has been the tremendous winning strategies in warfare. This classic treatise is popular in many countries. This can be proven through the existence of numerous articles that study on the treatise and also countless sums of book references available in different language translated. Today, this classic treatise is still applicable, but not merely in warfare but in other disciplines as well. This ancient war strategy is deemed to be pertinent for various real estate disciplines, especially in marketing. This paper is divided into two sections where the first section discusses the various concept of Sun Tzu's The Art of War that can be applied in real estate marketing. The second section verifies the identified concept through interview with Sun Tzu's The Art of War wisdom expert and the practitioner from real estate industries. Their feedback would confirm the linkage of Sun Tzu's The Art of War in real estate marketing and thus secure the connection to study this classic treatise in order to improve the marketing strategy for real estate industries. The outcome would enhance the grasp and understanding on the identified concepts of treatise for real estate practitioner in marketing implementation. A better planning and implementation in marketing shall be the key success for real estate business.

Keywords: Marketing, Real estate, Sun Tzu, War strategy



PSYCHOLOGICALLY IMPACTED HOUSES – SUPERSTITIONS AND MARKETABILITY PROBLEMS

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Abstract

Psychologically impacted houses may be a new context in Malaysia, but the term psychological impacted have been recognized in the United States and Australia. The present increase in crime rates, contributes to the probability of death related crimes in building and houses, thereby resulting a phenomenon of psychologically impacted houses. This paper focused on the issues in relation to psychologically impacted houses and discussed the perception of the society towards these houses, and the problems in marketing these tainted properties. A study is carried out to obtain information on the superstitious beliefs that are still practiced and acknowledged by the Malaysian society. The problems regarding the marketability of psychologically impacted houses are highlighted based on the findings obtained from interviews with estate agents and negotiators. Thus, the main aim of this paper is to evaluate the dilemma faced by estate agents and negotiators when marketing houses with psychological defects. The suggestions to improve the situations are presented to help the estate agents and negotiators to market these tainted property successfully.

Keywords: Psychological impacted houses, superstitious beliefs, marketing, estate agents.

AFFORDABLE HOUSING FOR MIDDLE INCOME HOUSEHOLDS IN MALAYSIA

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Abstract

Housing affordability has become an increasingly important policy issue in most developed and developing countries. Its growth can be seen as having both secular and cyclical components. Acknowledging this importance, the Malaysian government has drawn various policies to facilitate homeownership. However, little is done to attend to the needs of the Middle income households. Therefore, the main objective of this study is to investigate the affordability profiles of middle-income earners in each major city to derive the levels of house prices they can afford. The second key objective is to evaluate accessibility to affordable housing amongst the middle income households (MIH). In undertaking this, the study will investigate the profiles of affordable housing supply (both existing and future supplies) in terms of the prices, the types of houses and the locations. The study discusses the findings and analysis based on the literature review and surveys on an average of 120 respondents from the households in each of the major towns and cities of Kuala Lumpur, Penang, Kangar, Alor Setar, Melaka, Johor Bahru, Kuantan, Kota Bharu, Kuching and Kota Kinabalu. This study adopted three main types of interview techniques; structured interviews, semi structured interviews and in-depth interviews. The findings of this study established that categorisation of Middle income households is divided into three main sub-groups; Low-Middle Income, Middle-Middle Income and Upper-Middle Income. The acceptable price range for affordability is between RM120,000 and RM150,000 except for Kuala Lumpur. In Kuala Lumpur the findings demonstrated that a median of between RM180,000 and RM200,000 as the affordable price for their property. For Kota Bharu and Kuantan, the range for affordability is wider to be between RM120,000 and RM180,000. The study concluded that affordability for middle income households in Malaysia is dependent on few variables; location and size of the cities and towns, cost of living and most importantly, the size of the households.

Key words: Affordability, middle income households, affordable housing, affordable price

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SPATIAL AND TEMPORAL CONSIDERATIONS IN HOUSE PRICE INDEX CONSTRUCTION

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Abstract

Location and time play an important role in explaining real estate prices (Sun *et al.*, 2005). Location matters because of the spatial dependence between real estate prices and the spatial heterogeneity across prices. Time also matters in the determination of real estate prices. It has been well recognized that real estate prices depend not only on recent market events but also on their lagged prices. Since housing prices are well known to be influenced by the prices of recent house sales nearby, one must allow for possible spatio-temporal dependencies between such prices (Smith and Wu, 2009). Although methods for constructing real estate indices have generally been based on the hedonic framework, they fail to explicitly account for space and time effects. A modeling approach that has potential to overcome these problems is the one that utilizes spatiotemporal data. Spatiotemporal models, which have been developed recently, jointly consider both spatial and temporal effects and have shown the potential in explaining the evolution of housing prices. Disadvantages as mentioned before could limit the usefulness of the hedonic method which is used to construct the Malaysian House Price Index. Therefore, research into spatiotemporal autoregressive hedonic modeling for index construction is vital in filling up an information gap and thus improves the efficiency of the real estate market. In addition, the fact that no study conducted on spatiotemporal autoregressive hedonic modeling for real estate index construction particularly housing in Malaysia underlines the importance of the study. This paper evaluates the consideration of spatial and temporal elements in the Malaysian House Price Index and proposes the Spatiotemporal Autoregressive Hedonic Model (STAHM) in improving the Malaysian House Price Index.

Keywords: Hedonic modelling, spatiotemporal autoregressive model, spatial econometrics, house price index



A NEW PROCEDURE OF THE SALES COMPARISON METHOD

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Abstract

Several methods of property valuations exist and the most popular method is the sales comparison method (SCM), residential properties in particular. SCM is based upon the economic principle of substitution, uses direct evidence of market value based on past transactions, for the property to be valued. With transaction data becoming more accessible and are of quality, this trend will continue indefinitely. However, a major critic of SCM is its subjectivity; a property is predicted with different value by different valuers even if the same set of transaction data is available to them. Existing procedure within SCM is imprecise requiring input based on the experience of valuers. This paper proposes a new procedure of SCM to minimize, if not eliminate subjectivity. The proposed procedure uses precise rules for selecting, adjusting and reconciling comparables. The new procedure also enables SCM automated valuation systems with low degree of user intervention to be implemented which is not possible with existing SCM procedure. An empirical example is provided.

Keywords: Property valuation, automated valuation,



ADVANCED METHODS OF MASS APPRAISAL

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Abstract

Mass appraisal of properties demands its own method which differs from any method of single property valuation. A mass appraisal exercise involves a large number of properties which must be completed rapidly such that methods designed for single property valuation proved unsuitable to be used in a mass appraisal task. An efficient mass appraisal method is urgently required to meet the need of predicting property values for the purpose of property taxes at local authorities. In the last two decades, several advanced methods of mass appraisal have emerged and most of them have shown superior performance in terms of property values prediction accuracy. It is anticipated that these new methods of mass appraisal will dominate the industry replacing the incompetence MRA method in a very near future. This paper discusses three of the advances; Spatial Autoregressive Models (SAM), Geographically Weighted Regression (GWR) and Moving Window Regression (MWR). SAM which is also known as Spatial Hedonic Models (SHM) are global models while GWR and MWR are local models. Empirical examples are provided.

Keywords: Property valuation, property tax, spatial models



SPATIAL TEMPORAL VALUATION MODELS

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Abstract

Real estate transaction data has two effects; spatial and time effects. A good model should account for both effects in order to obtain high accuracy prediction of property values. Several models that account for spatial effects have emerged but models that account for time effect are lacking. Leaving out time effect in valuation models means a large portion of the transaction data cannot be used; only recently transacted data of not more than six months or one year are used. Such a strategy denies valuers of valuable information contains in older transactions. This paper reviews potential spatial temporal valuation models including Spatial Temporal Auto Regressive (STAR) models, temporal geographically weighted regression, moving window STAR model and temporal kriging model. The discussions include theoretical foundation, their merits and limitations, and requirements for implementing spatial temporal models.

Keywords: Property valuation, property tax,



ASSESSING THE IMPACT OF FLOODS AND FLOODS LEGISLATION ON RESIDENTIAL PROPERTY PRICES

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Abstract

The changing development and population sprawl in major cities, especially those located in high rainfall areas, has resulted in the need to review and re-assess potential flood impacts in these cities.

In many cases these new flood lines and flood maps have placed residential property that was previously considered to be flood free to now be considered to be potentially flood liable.

Previous research based in Sydney and the UK has identified the fact that residential property that has been subject to flooding has a decreased price and higher investment risk than flood free property in the same location. These studies have also shown that the greatest impact on residential property subject to flooding is just following a flood event.

In June 2009, Brisbane City Council released revised flood maps for the Greater Brisbane region and these maps have identified areas that have not previously been considered flood liable.

This paper will analyse the sale performance of flood liable streets in the main flood areas of Brisbane over the period January 1990 through to June 2009, to determine the variation in price for these flood liable areas to the residential property immediately adjoin them. The average price will be tracked on both a geographic location and socio-economic basis.

Sales data from June 2009 to February 2010 will also be tracked to determine if the announcement and availability of new flood level data has had any impact on residential property prices in these locations.

Keywords: Flooding, flood liable property, residential property, disaster impact, property returns

**THE IMPACT OF HOUSING REGULATIONS ON THE
STRUCTURE OF HOUSING PROVISION: INITIAL FINDINGS
FROM A MALAYSIAN CASE STUDY**

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Abstract

In the past, there has been a strong tradition in the neo-classical economic perspective in examining the impact of regulations on housing provision. These studies have often found that regulations have inflationary effects on housing costs which contribute to higher prices of new houses. Accordingly, the main recommendation has often leaned towards deregulation. Generally the approach entails constructing econometric models using economic and non-economic variables to predict or measure the impact of specific regulations on housing. Whilst the findings have been useful in guiding policymakers, nonetheless this approach effectively puts the roles and behaviour of actors involved in housing provision in the proverbial 'black box'. In so doing, the actual effects of regulation on the structure of housing provision have not been adequately explained. As a result, this approach has offered only a partial analysis of the impact of regulations on housing. An institutional approach is proposed in illuminating this processual 'black box'. This paper presents the initial findings of a PhD research on the impact of housing regulations on the structure of low cost housing provision in a region in Malaysia. The study area is a previously understudied region that is undergoing rapid development due to a new economic master plan. The study adopts the structure of housing provision approach (Ball, 1986) in examining how the economic behaviours of the actors are influenced by the current regulatory regime.

Keywords: Low cost housing provision, regulations, institutional approach



ACQUISITION OF ORANG ASLI SAKA LANDS – DOES MONETARY COMPENSATION MATTERS?

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Abstract

This paper discusses the issues of land acquisition and compensation for Orang Asli saka lands. Acquisition of Orang Asli saka lands is inevitable as land is scarce to meet the national growth agenda and socio-economic developments. Unfortunately, due to land rights of Orang Asli saka lands are not being clearly defined in Malaysian legal system, payment of compensation to acquisition of the saka land is unstructured in nature, and disparity exists among states. This research adopts questionnaire survey as the method of study, and the descriptive analysis technique to present the results. The research revealed that laws of Malaysia are lacking with regard to the protection of Orang Asli lands and rights to fair and just compensation. Due to unresolved land rights issue, the present structure of compensation as spelt out under the sections 11 and 12 of the Aboriginal Peoples Act 1954 is perceived as inadequate. In absence of enforced guidelines and regulations, the determination of compensation solely on the discretion of the various authorities. Furthermore, this research revealed that the issue of survival is more prominent for Orang Asli as compared to monetary compensation.

Keywords: Land acquisition, saka lands, land rights, monetary compensation, survival.

**THE AFTERMATH OF TAN TING HONG vs. TAN SIAN SAN:
ISSUES AND CHALLENGES RELATING TO BONA FIDE
PURCHASER FOR VALUE.**

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Abstract

In the case of **Tan Ying Hong V Tan Sian San & Anor**¹ the issue whether an acquirer of an interest or title under the National Land Code 1965 by way of forged documents can obtain an indefeasible title has been addressed by the Federal Court. In the overwhelming decision of the learned judges, it was decided that the decision of Supreme Court in *Bonsoom's* was erroneous. It further reiterated that any transaction arising from void instrument, it automatically follows that they are liable to be set aside at the instance of the registered proprietor. The pertinent effect of this decision is that there will be certainty in determining Section 340(3) of the National Land Code 1965 and that the registered proprietor's title is indefeasible vis a vis bona fide purchaser for value. However, in conveyancing practice it is unethical for the purchaser's solicitor to encroach into the scope of duty of the vendor's solicitor such as to verify whether the client is the actual proprietor of the land in question or is an impersonator. In brief, there is no means to determine or to verify the authenticity of the registered proprietor and this could have an adverse effect on the bona fide purchaser. This paper is to examine the extent of duty imposed on solicitor acting for purchasers and the difficulties faced by them in relation to land dealing in Malaysia.

Keyword: bonafide purchaser, indefeasible title, void instrument, conveyancing practice,



IT'S PLACE IN PROPERTY EDUCATION: WHERE DOES PROPERTY LAW FIT IN TO PROPERTY PROGRAMS?

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Abstract

Property Law is one of the key elements in any property-based degree program. In particular, an understanding of 'property law' is one of the required knowledge fields for inclusion in property programs accredited by professional institutes such as the Royal Institution of Chartered Surveyors, the Appraisal Institute and the Australian Property Institute. Despite the importance of property law as a cornerstone element of all property programs this aspect of the program is often approached from a more generic legal perspective with teaching resources used and pedagogical approach more aligned to the study of law than property. The specificity of this type of program is rarely adequately acknowledged. The question arises as to what the study of 'property law' entails and what the composition of a 'property law' subject should be. Replicating the methodology used by Placid and Weeks (2009) in their examination of the composition of real estate law courses in the United States, this paper examines the current composition and pedagogical approach adopted by Australian universities based on the study of three Queensland property programs. In particular the curriculum, teaching resources used, assessment and engagement strategies are considered with a view to making improvements to the way these property law courses can be more effectively tailored to property students. It is anticipated the outcomes of this paper will be of interest to all academics who are responsible for developing and delivering property law subjects and those who manage property programs in Australia and internationally.

Keywords: Property education, property law, curriculum, pedagogy, community of practice

**PROPERTY EDUCATION:
THE KNOWLEDGE GAINED BY THE GRADUATES VS. THE INDUSTRY
EXPECTATION**

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Abstract

Property education is a program specifically designed to educate and equip students with strong principles of Real Estate Valuation, Property Management and Real Estate Agency that lead to and sustain a productive Real Estate based career. Various moves and efforts to strengthen the education sector as the foundation for the development of human capital are continuously being monitored and evaluated so that the education system will meet the targeted quality. Finding the gaps will help to understand the unmet requirement or syllabus which has not been filled by the service provider i.e. the university.

The aim of this paper is to investigate whether the knowledge gained by the graduates match the industry expectation.

The findings of the study revealed that; (i) soft skills as well as interpersonal and communication skills are still lacking; (ii) graduates feels that the basic education that they received is insufficient to prepared them with the working environment, however this is understandable as they are inexperienced and lack of self- confidence; (iii) overall the industry is satisfied with the performance of the graduates although the robust syllabus and the right attitude of the graduates is a complementarity.

Key words: Property education, industry expectation, graduates



SIMULATION GAMES IN REAL ESTATE TRAINING AND EDUCATION

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Abstract

Playing game is a way of learning. Games appear in countless types and serve for various purposes. Children and adults alike engaged with games which are suitable, appropriate and suit their taste. Games provide joyful experience to the player as well as in achieving learning objective. Hence, application of games in education and training can have its positive impacts to the learners. Nowadays, games are very common to be used as an essential tool in teaching and training. The preference of games in education and training is in the upward trend, especially in supporting and assisting the traditional educational system. Simulation games are being implemented in various disciplines of education, such as business management, resource management, hospitality, language teaching, etc. Previous researches have proved that application of relevant games in particular discipline can result in positive impact and are significant. Therefore, real estate education system, which still considers the traditional teaching and training method, should grab the opportunity and benefits of applying pertinent games to enhance the teaching and learning in the discipline of real estate. This paper intends to review the practice of real estate education and training, games evolution, games and simulation games, application of simulation games in various different disciplines and the benefits or advantages of applying simulation games into real estate discipline.

Keywords: Education and Training, Games, Real Estate, Simulation Games



INCOME MULTIPLES AND MORTGAGE REPOSSESSION IN THE UK

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Abstract

The income multiple of mortgage loan determines the size of potential mortgage debt; it is also indicative how much of the borrower's income would be devoted to paying the mortgage. During the housing finance boom, people tend to take on commitments which they subsequently found difficult to maintain; this has led to an upsurge of home repossessions. At the end of the boom, with the subsequent fall in house prices, people who have borrowed on the strength of equity in their homes found themselves in a state of negative equity. Also, with the economic downturn that has thrown markets all over the world into a slump, many people are losing their jobs, as companies are going out of business or downsizing. Even those that are not in danger of losing their jobs are finding it harder to manage their finance because of rising costs. The Financial Services Authority shows that for the month period up to September 2008, there were about 14,000 homes repossessed. Also, the Council of Mortgage Lenders, reported that its members were involved in the repossession of 11,300 homes during the third quarter of 2008; an increase of 12% over the same time in 2007, the CML also reported that the number of borrowers in arrears on their mortgage during the same period increased by 8%.

This study aims to:

1. Examine how income multiple for mortgage loan associates with home repossession using the data from the Council of Mortgage Lenders.
2. Use appropriate statistical tools to unravel the pattern of association evident from the data including the consideration of lags.
3. Investigate, based on the data, what is the optimum income multiple-the income multiple that minimizes home repossession.
4. Undertake a sensitivity analysis to show how home repossessions in each segment of the market respond to change in income multiples.

For each of the above points, the study will compare the aggregate borrowers market, first-time-buyers, and home movers.

INFLATION HEDGING CHARACTERISTICS OF MALAYSIAN RESIDENTIAL PROPERTIES

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Abstract

The inclusion of property assets in investment portfolio in general would bring in various benefits such as the diversification towards risk, higher flow of income and hedge against inflation. However, inflation hedging characteristic of the property may not necessarily available in every property market or property types due to factors such as property performance, market behavior and others. This area of study has invited many interests from researchers since late 70's and became a major interest in 1990's, however, in recently, the intention on this topic then has slowly shifted. They adopted various approaches to prove this inflation hedging characteristic looking at different perspectives including the property types and time horizon. But they unable to have the same results as the property is heterogeneous and the uniqueness of the methodology adopted. In Malaysian context, the question arise whether the property market in Malaysia has this inflation hedging capability because there is a probability that property movements may different here due to its emergence status which is not so established like the other prominent property markets in other countries. The aim of this research is to present the findings on the inflation hedging characteristics of Malaysian residential property market. Meanwhile the study objectives are namely first, as to test the inflation hedging characteristics on the Malaysian residential property, and secondly, to analyse the inflation hedging characteristics of the property returns in different sub-periods. The study will use the technique developed by Fama and Schwert's (1977) as Malaysia has a limited source of data that can be utilized, which is impossible to be use with other techniques. The study is expected to produce results which support the notion that property can hedge against inflations by providing better protections on the property returns.

Keywords: Inflation Hedging, Residential Property, Malaysia



ECONOMIC GROWTH AND RESIDENTIAL HOUSING SUPPLY IN MALAYSIA

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Abstract

The demand for residential housing is expected to grow in tandem with economic growth. However, the demand for low cost residential housing should fall relative to medium and high cost residential housing with the growth of people's income. As a result, the supply of high and medium cost residential housing should increase relative to low cost residential housing. This paper will specifically analyzes the effect of national economic growth on residential housing supply in Malaysia for the period of 1976 - 2007 using the cointegration analysis. The basic model expresses supply of residential housing or the volume of investment in residential structures and new housing construction in units as a linear function of gross domestic product (GDP), interest rates, inflation rates and population growth rate. From the findings, it is hoped that it can provide useful information as guidelines to assist researchers and policy makers, as one basis for planning and making decisions on future policies regarding residential housing market development in Malaysia.

HOUSE PRICE INFLATION AND AFFORDABILITY: CHALLENGES AND ISSUES

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Abstract

The fundamental objects of most macroeconomic policies is to sustain high economic growth with low inflation. However, economic theories reach a variety of conclusions pertaining to the responsiveness of output growth to inflation. Mundell (1963) cited, an increase in inflation or inflation expectation immediately reduce people's wealth. Fisher (1993) however concluded that in line with past theories and studies, inflation impacted on growth by reducing investment and by reducing rate of productivity growth. Tsatsaronis and Zhu (2004) concluded that house prices generally depend on inflation, the yield curve and bank credit and also the different in the mortgage market does matter. This paper intend to examine the inflation in house price between 1985 and 2008 and investigate whether this run-up in prices can be "explain" by increases in demand fundamentals such as population, income growth, movement in interest rates and several other economic variables pertaining to market demand and supply among the selected developed and less developed states of Malaysia. Concurrently, this paper also intent to analyse to what extend the inflation in house price can affect the levels of housing affordability during that period on those states. Affordability encompasses to own or to rent where owning and renting are highly correlated as to price where high house price leads to higher rent and vice versa. As housing plays a crucial part of our daily life, it is important to consider the social circumstances that are predominantly related to both the standard of living and the national economy.

Keywords : Macroeconomic policy, inflation, productivity growth, affordability.

MEASURING PERFORMANCE OF MUNICIPAL REAL ESTATE: SOFTENING THE IMPACT OF FINANCIAL CRISIS TO LOCAL GOVERNMENTS

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Abstract

Asset management in local government is an emerging discipline and over a decade has become a crucial aspect towards a more efficient and effective organisation. One crucial feature in the public asset management is performance measurement toward the public real estates. This measurement critically at the important component of public wealth and seeks to apply a standard of economic efficiency and effective organisational management especially in such global financial crisis condition. This paper proposes alternative solution for local governments softening the impact of global financial crisis to the local governments organisation. The paper first discusses the impact of the global financial crisis to the local governments financial conditions, then proposes alternative solution to soften the impact. The second part discusses the application of private practices performance measurements into local governments organisation. The last part discusses the elements of public real estate performance measurement. The measurement of performance has become an essential component of the strategic thinking of assets owners and managers. Without having a formal measurement system for performance, it is difficult to plan, control and improve local government real estate management system. A close look at best practices in public sectors reveals that in most cases these practices were transferred from private sector real estate management under the direction of real estate experts retained by government. One of the most significant advances in government property performance measurement resulted from recognition that the methodology used by private sector, non real estate corporations for managing their real property offered a valuable prototype for local governments. In general, there are two approaches most frequently used to measure performance of public organisations. Those are subjective and objective measures. Finally, findings from this study will provide useful input for the local government policy makers, scholars and asset management practitioners to establish a public real estate performance measurement system toward more efficient and effective local governments in managing their assets as well as increasing public services quality in order to soften the impact of global financial crisis.

Keywords: Performance Measurement, Local Government, Financial Crisis, Asset Management



ISSUES ASSOCIATED WITH HOUSING DELIVERY SYSTEMS PRACTICED IN MALAYSIA

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Abstract

Property is the main motivator of property market from 1990 until today. The common concept of housing delivery system practiced in Malaysia is Sell Then Build system. Anyhow, Malaysia economic is affected by the recent unstable world economic, and a lots of property development projects has been abandoned. In response to such issue, Malaysian government has introduces various types of housing delivery systems to stimulate the property market to aid the process of recovering nation economic. One of the new concepts introduced by Ministry of Housing and Local Government on 12 April 2007 was Build Then Sell system which intends to protect the consumer's right. However, most of the developers are not so contentment and not yearn for this system where they need financial support from end buyers to hold up their construction cost. In response to this, a more acceptable new system Build Then Sell 10:90 system has been introduced. Followed by, another new concept inaugurated on 19 January 2009 to entice housing purchasers, known as 5/95 Home Loan Package. However, the society is still unclear with neither the practiced Sell Then Build system nor the proposed Build Then Sell systems. In this context, it is important to identify the problems associate with various types of housing delivery systems and establish a new system that can benefit all the related parties. Therefore, this paper intends to review the problems that rose from Sell Then Build system, to study the issues emergence by Build Then Sell system, Build Then Sell 10:90 system as well as 5/95 Home Loan Package. With that, this paper would serve as supplement information for Malaysian housing buyers, developers, as well as government agencies to have a deeper understanding toward issues associated with housing delivery systems practiced in Malaysia.

Keywords: Build Then Sell, Housing Delivery System, Sell Then Build, 5/95 Home Loan Package, 10:90.



AN EVOLUTION OF WATERFRONT DEVELOPMENT IN MALAYSIA: FROM HISTORY TO MODERNIZATION

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Abstract

River has long been recognized as one of humanity's most important natural resources. It is one of the most important of all the natural resources necessary to ensure human health and civilization. A close association between cities and water is inherent since the history of civilization and in fact, many urban cities in Malaysia are located close to river areas. The last two decades shown Malaysia has shifted development strategy from agricultural based to industrialization, and manufacturing industries have become the economy's main source for the country until now. This transformation in 18th century is clearly shown that rapid urbanization, industrial and intensive agricultural activities, as well as wide-spread land development, have contributed to extensive changing of river functions for economy, national development and environment. In particular, river roles are become less significance for human life and river function limited only for transportation purposes only. So, viewed historically, waterfront development in Malaysia have undergone cycles of change over the decades and the latest in this pattern to more public purposes such as recreational and mixed used development. This paper aims to identify a transition of waterfront development in Malaysia from history time to modernization era and it would give a significance contribution for the research is currently on going.

Keywords: Waterfront development, Riverfront development, Urbanization



DEVELOPMENT OF KNOWLEDGE MANAGEMENT STRATEGIES FOR PROPERTY MANAGEMENT COMPANIES IN MALAYSIA

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Abstract

This paper attempts to develop a knowledge management framework concept that can be used by property management companies in Malaysia. The strategy, which is a conceptual model, is formulated from various literature surveys on knowledge management. It is then being tested to property management companies in Malaysia. Case study includes the 25 property management companies registered with the Board of Valuers, Estate Agents and Appraisers. The empirical validation was done to propose KM strategies model in the context of property management. Using statistical analysis, several magnitudes were identified as key strategies of KM in property management companies. From the findings, an inclusive set of activities of KM in property management companies in Malaysia is shown.

Keywords : Knowledge Management Strategy, Property Management, Malaysia.



THE NEED TO INCORPORATE THE CORPORATE REAL ESTATE (CRE) INTO STRATEGIC BUSINESS PLANNING: AN OVERVIEW

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Abstract

A Study on Corporate Real Estate (CRE) received many attentions among researchers in developed countries like US and UK. The emerging trends of CRE roles resulted from the changing in business environment, especially in global competitive market where the innovation of workplace design is essential. Thus, this requires firm to utilize all possible resources in order to meet those challenges. This includes the physical aspect such as an efficient working environment in attracting and retaining workers as well as improving their performance and satisfaction. In doing so, the corporation need not to overlook the role of CRE in the organisation. The involvement of CRE manager in formulating strategic business plan will contribute to the profitability of the firm. The aim of this paper is then to review the general concept of CRE such as its definitions and emerging trends. Major discussion was based on the important roles of CRE in the organisation and the need for corporation to incorporate the CRE manager into overall strategic planning.

Keywords : Corporate Real Estate (CRE), Corporate Real Estate Strategies (CRES), Strategic business planning



THE CRITICAL FACTORS TO IMPROVE PROPERTY MANAGEMENT PRACTICE IN THE MALAYSIAN PUBLIC SECTOR

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Abstract

Property management is a professional discipline that has been practiced for many decades in every country or sector in order to ensure the owners or stakeholders of properties will gain maximum benefits/profits from their property holdings in line with their respective objectives. Generally, this practice offers a proper approach that can be run either in private or public sectors to make sure that the related parties manage their properties effectively and efficiently. However, in the Malaysian public sector, there is an awareness that this practice is not being implemented systematically and comprehensively as the government agencies are facing many problems in managing their properties. By looking at this scenario, this paper is presented in order to explore the key factors that need to be considered by government sectors so as to ensure their agencies are having and practicing a good property management practice and further more, enabling it to contribute to the continuous improvement. Besides that, the related information was collected and gathered through the review process on secondary resources such as text books, reports, articles and others. Based on these activities, finally this paper found there are a few key factors that need to be considered as critical factors in order to improve the implementation of property management practice in public sectors. Those factors are strategic implementation approach, information management system, established government property management procedure, policy and regulations, training, sufficient resource, proper property advisory and controlling department, performance measurement, leadership, competency and others.

Keywords: Property Management, Critical Factor and Public Property



FACILITIES MANAGEMENT IN FINANCIAL INSTITUTIONS

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Abstract

The influence of financial institutions especially banks to the global economy is tremendous. It was evidenced by the latest economic turmoil which was largely due to the collapse of some giant banks in the United States and in a few developed countries. It is vital for banks to take necessary precautions to further reinforce their strengths to weather the changing economic challenges. One of the actions that can be taken by the banks is to strengthen the core businesses by embarking on the long term strategic business plans. However the actions will only be successful with the availability of the proper ambience at workplace which will boost the staff productivity, creativity and morale. It will be enabled by ensuring that all the important physical resources such as premises, facilities, telecommunication equipment, office supplies, etc are readily available to use and in good condition. However to realize the objective an effective and efficient supporting unit is required. The role which is usually undertaken by the Facilities Management (FM) unit may need to be revisited in order to determine whether or not the FM unit has been able to cope with the requirements of the banks. The performance of the FM unit can be improved through the suitable management tools. One of the feasible management tools is the Service Level Agreement or also known as Agreed Service Level (ASL). The ASL which is usually documented specifies the mutually agreed minimum level of service or standard that needs to be met by the Service Provider (SP) on the specific type of services delivered to the Customer. The subject SP is the FM unit whilst the Customer is the internal core business units of the banks. It is vital to identify the key elements of the effective and efficient ASL to ensure that it is relevant to the core business of the banks. The success to establish the proper ASL will also influence the value-added and survival of the FM unit in banks. This study is made based on the experience of the FM unit in one of the premier banks in Malaysia in committing its deliverability to the needs and requirement of its internal core business units. The study also further explores the key elements required in establishing an effective and efficient ASL as the framework to the banks and facility managers in improving the performance of FM units in order to achieve the *raison d'être* of the organisation.

Keywords : Agreed Service Level, Facilities Management, Performance

THE DEVELOPMENT AND PERFORMANCE OF ISLAMIC REITs IN MALAYSIA

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Abstract

With the significant growth in Islamic financial products in recent years, the world's first Islamic REIT was established in Malaysia in August 2006; with these REIT portfolios needing to be Shariah-compliant. This paper constructs three M-REIT series and assesses the significance, risk-adjusted performance and portfolio diversification benefits of Islamic M-REITs in a mixed-asset portfolio in Malaysia, contrasting this performance with conventional M-REITs in Malaysia. While the impact of the global financial crisis is evident, Islamic M-REITs are seen to be a differentiating property investment product to conventional M-REITs, as well as displaying the defensive characteristics of low risk levels and portfolio diversification benefits to that seen by conventional M-REITs. These differentiating features and portfolio diversification benefits for Islamic M-REITs were further evident and enhanced in the global financial crisis; reflecting a degree of robustness not seen in most other global REIT markets during the global financial crisis. The ongoing implications for Islamic M-REITs and Islamic REITs in other global REIT markets are also highlighted.

Keywords: Islamic finance, M-REITs, Islamic M-REITs, risk-adjusted returns, portfolio diversification, global financial crisis

THE WILLINGNESS TO INVEST IN ASIAN REAL ESTATE FROM A DUTCH PERSPECTIVE

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Abstract

Real estate investment in Asia has only been a significant activity for let's say the last ten years in the Netherlands, mostly out of diversification motive or saturation of the domestic real estate market. Although Dutch investors tend to be more active in other European countries nearby and North-America, some have applied new real estate strategies and also started investment activity in Asia. The overseas continent North-America is in general comparable with (mostly West and Northern) Europe when it comes to transparency and therefore maturity. Unknown deals are barely available and competition between investors is relatively large effecting prices set between buyers and sellers. However, the Asian real estate market is, along with the economic situation, still developing and offers many opportunities for investment. Total returns are said to be much higher in general, though in combination with a high risk perception. Smart investors are capable to take up profitable investments. Though, a developing continent like Asia is exposed by challenges like unstable government regulations and possible oversupply of real estate that leads to low value- and rental growth. The main question to be answered in this paper is to what extent is Asian real estate an interesting asset for Dutch investors? But also, how does Asian real estate perform relatively? This paper uses both qualitative and (slightly) quantitative research methods. The qualitative part of the research will be done exploratory, where 15 interviews will be conducted with Dutch real estate investors. The quantitative part will examine the performance of Asian real estate markets by variables like vacancy, supply, yields and rental growth. One of the results of our analysis is that the strong influence of Asia on the world economy makes it inevitable for Dutch investors to include Asian properties in their real estate portfolio's.

Keywords: growth strategies, investors, structured interviews, performance modelling, internationalisation, diversification

INSTITUTIONAL INVESTORS' INVESTMENT IN MALAYSIAN PROPERTY SHARES

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Abstract

This study examines the qualitative and quantitative trends of institutional shareholdings in listed property companies in Malaysia. Using a sample of 20 property companies from 2004 to 2007 – the author investigates the quantum of shareholdings of various categories of institutional investors in listed property companies, identify their shareholdings trends, correlation effects with one another and the factors affecting their shareholdings in property firms.

The key finding of this dissertation is that institutional investors are significant shareholders in Malaysian listed property firms with the most prominent being family and/or corporate controlled shareholdings at circa 50%. The empirical results indicate that insurance companies have significantly small equity ownership in Malaysian property shares unlike in the UK and US. The evidence also suggests that foreign shareholdings are negatively correlated to corporate and local institutional ownership, possibly due to managerial and agency factors. Further, the findings indicate positive significant correlation between percentage of total and local institutional shareholdings with firm size and returns while the results of foreign institutional shareholdings with firm size and returns are not conclusive.

Keywords: Institutional investors, shareholdings, listed property companies



FOREIGN OWNERSHIP OF RESIDENTIAL PROPERTIES AND 'MALAYSIA MY SECOND HOME PROGRAMME'

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And

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Abstract

This paper undertakes an analysis of the foreign ownership of residential properties under the Malaysia My Second Home Programme (MMSH), a programme launched by the government to boost tourism industry and foreign direct investment.

The purpose of this paper is two folds. First, it evaluates how a tourist led policy could influence foreign investment into the Malaysian real estate market. Second, it examines the origin and magnitude of foreign capital flow into the housing market.

Frequency analysis of transaction data from National Property Information Centre (NAPIC) indicates the location and types of properties sort after under the programme. The results of this study showed that special programme such as MMSH has no significant impact on the property market generally, as the number of participants are comparatively few and those involved in purchasing of residential houses are very small in number. Foreign purchase has no influence on the local property markets.

Keywords: Foreign direct investment, Malaysia My Second Home Programme, tourism, residential property market

EFFECTS OF PROPERTY CHARACTERISTICS ON RISKS OF REIT PROPERTY PORTFOLIOS

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Abstract

This study examines the effects of property characteristics on Malaysian REIT property portfolios. Risk is represented by three different proxies, i.e. log of standard deviation, beta and Sharpe's ratio. The analysis is based on the March 2007 to December 2008 period. Three separate regressions are carried out and a total of ten independent variables are used in this study. These independent variables are property type Herfindahl Index to represent diversification, management type, insider ownership, age, debt/equity ratio to represent leverage, price/FFO, variable to fixed debt ratio, total market capitalisation and book to market value. The cross-sectional regression technique is used to derive each variable's effect on risk and whether the risk factor is significant.

The findings of this study identify diversification as a factor which consistently affects property portfolio risks while other characteristics such as insider ownership, age, leverage, debt ratio and size are also found to have high significance in explaining the risk of a REIT property portfolio. The findings of this study suggest that REIT managers should pay attention to diversification as it affects a REIT's property portfolio risk in a consistent manner.

Keywords: REIT, risk, property portfolio, property characteristics



INVESTMENTS IN ECO-FRIENDLY RESIDENTIAL SCHEMES: WHAT MOTIVATION FOR THE DEVELOPERS?

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Abstract

The debate on environmental issues, like global warming and sustainable development has been going on for more than two decades. Since the Earth Summit in Rio, the government has taken various initiatives to create public awareness on environmental issues. This research attempts to explore whether the initiatives are being translated into the residential developments by developers. The study investigates the motivation for developers in implementing eco-friendly residential development. This include looking at the existing regulatory framework, i.e. what new requirements on eco-sustainability imposed on new residential developments, the cost of implementation, the market appeal on the eco friendly concepts and the price differentiations. The methodology includes examining the planning requirements and the cost to the developers, the use of eco-friendly concept in the marketing strategy and the price differentiation relating to the concepts. The paper will conclude on the motivating factors for residential developers to embark on eco-friendly developments.



FACTORS AFFECTING FOREIGN DIRECT INVESTMENT (FDI) ON INDUSTRIAL PROPERTIES IN MALAYSIA.

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Abstract

This study described the factors affecting FDI on Industrial Properties In Malaysia. It highlighted the numbers of FDI towards the ownership or rental possession on different type of industrial properties throughout Malaysia. The data gathered involve 28 different sub-sectors of industry in Malaysia provided by Malaysian Industrial Development Agency (MIDA). Out of 200 online questionnaires distributed, 84 respondents replied and the findings was analysed using SPSS packages. The paper conclude that eventhough the volume of FDI was high in monetary, only certain percentage was distributed for property ownership, whilst the option of rental possession among the investors were more appreciated. The findings help the relevant authorities with the current ownership of industrial properties by the investors, and what is the main criteria in investing towards industrial property ownership.

IS THERE A HOT SPOT IN ISKANDAR MALAYSIA?

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Abstract

Iskandar Malaysia is one of the five economic corridors introduced during the tenure of Prime Minister, Datuk Seri Abdullah Ahmad Badawi. It's purpose is to attract foreign investments and to provide a catalyst for business development and turning it into an economic center.

Preliminary findings by Napic, the National Property Information Center reveals that there is a hotspot for residential development in the Iskandar Malaysia region. This is despite the presence of unsold and abandoned projects in the area. This peculiar situation has brought about this study to delve further into the situation.

Based on some hotspots drivers of growth i.e. demographic, geographic, social, economic and real estate market drivers, it is found that there is an emerging hotspots in Iskandar Malaysia. However due to the global financial crisis, which has slowed down sales transactions and capital growth, and the economy is in a downturn, it is possible to define Iskandar Malaysia as a hotspots based on indicators of hotspots during a downturn i.e. land development and infrastructure activities. This includes improved road networks, new developments of educational and medical centres, international resort theme park and government office complex.

The growth phenomena and the oversupply situations have different pattern. Growth spots are more closely located in Flagship A and Flagship B of Iskandar Malaysia while the oversupply situations extend further away from Johor Bahru town centre. New developments which incorporate security features and sustainable concepts appeal more to buyers than the conventional developments developed before 2006.

Keywords: Residential hot-spots, Iskandar Malaysia

TEN YEARS REVIEW OF MALAYSIA MY SECOND HOME PROGRAMME (MM2H)

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Abstract

This paper reviews the ten years operation and performance of Malaysia My Second Home Programme (MM2H). MM2H is an international residency scheme enacted by Malaysian government in 1996 (previously known as the Silver Hair Programme from 1996 to 2002) to enable foreigners to purchase home and stay in Malaysia on a long-stay visa with specify financial and medical criterion qualifications. Throughout the ten years, second home ownership has brought positive as well as negative impacts to the nation. At present, the numbers of MM2H participants are not encouraging (less than average of one thousand participants per year) due to many reasons, such as lack of promotion budget, no proper planning and implementation of the programme, no record on the allocation of second homers and others. Also, the paper has investigates the second home ownership practices in other countries. It suggests that the government and the real estate professionals should take more aggressive role in promoting MM2H to the foreign buyers. In this context, collaboration is important for many key players, including property developers, MM2H Agents, governmental parties such as Ministry of Tourism and Ministry of Housing & Local Government. The paper reveals that there is a need to identify the characteristics of second home projects preferred by foreigners. By comparing the identified characteristics to the many developed MM2H projects, the reasons of bad sales in certain MM2H projects can be revealed. This paper provides a chronology review of MM2H and intends to serve as the fundamental and reference points for future housing policies.

Keywords: Second Home Programme; Malaysia My Second Home Programme (MM2H); Second Homes; Market Study; Property Developer



RECENT DEVELOPMENT OF THE JAPANESE REAL ESTATE APPRAISAL INDUSTRY

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Abstract

This paper will explore major issues in the valuation profession in the recent past in Japan both during the “lost decades” since the early 1990s and after the global financial crisis and worldwide recession in 2008. The first section will explain the history of real estate appraisal as well as related legislations in the country. It will also review the characteristics of the real estate markets in Japan. The second part will focus on the limited availability of market data compared to the situations of major countries and will describe how valuers have attempted to improve the quality of their reports with accessible data. The third section will deal with the involvement of the industry group and the Japanese government to enhance the appraisal business environments. The public-private efforts include continuing education, valuation firm audit by the government, the revisions of the Real Estate Appraisal Standards, and so on. The fourth section will examine the new areas of valuation, such as valuation for financial reporting, portfolio valuation for REITs and other institutional investors, appraisal of overseas properties, and “non-appraisal” value estimation. The last part will conclude this paper with the industry’s future opportunities.

Keywords : Real Estate Valuation, REITs, Valuation for Financial Reporting, Japan



IDENTIFYING STRATEGIC RESEARCH AREAS FOR THE REAL ESTATE SECTOR IN MALAYSIA

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Abstract

This study aims to identify the strategic research areas for the real estate sector in Malaysia. Feedbacks from various institutions and agencies involved in real estate activities pertaining to the current issues and problems in real estate in Malaysia are obtained from survey and focus group meetings. The survey shows that the highest concerns in real estate were issues pertaining to its policy and planning that received 58.1% interests, followed by management of real estate (51.3%) and real estate finance (50.6%). Other concerns were environmental (29.4%), economics (28.1%), legal (26.9%) and construction technology (11.3%). For the focus group meetings, nine criteria have been identified for research categories; economic/ industry potentials, ability to resolve issues, sustainability, national, strategy and policy impact, application, new ideas/ concept, theoretical basis, product and technology, and international competitiveness. In term of research priority, the focus group meetings have suggested several research issues such as real estate management and services, real estate law and policy, real estate finance and development, real estate valuation, economics consideration, real estate industry analysis, and environment and sustainability issues. The needs for integration across topics are seen very important by the Focus group delegates such as real estate management and law concerning the management of high rise properties.

Keywords: Research areas, survey, focus group meetings

IDENTIFYING DESCRIPTORS FOR DEVELOPING THE OFFICE BUILDING GRADING FRAMEWORK IN MALAYSIA

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Abstract

The development of office grading framework in Malaysia involves various stages of confirming the criteria to be included. Having identified the main criteria through a series of focus group meetings, it was necessary to identify also the descriptors for each of the main criteria and sub-criteria. In doing so, the elements of effectiveness the office space was also taken into account. It depends very much on the quality of support facilities and services that are provided within the office building. Occupants of these spaces expect the providers to link the facilities and services to their overall business strategy. This paper discusses the framework's descriptors that have been identified and used in a pilot study for determining the grades of selected office buildings.

Keywords: office grading framework, descriptors, criteria, sub-criteria

ASSESSMENT METHOD TO EVALUATE BUILDING CONDITION OF ECSTRUCT™ USING CONDITION SURVEY PROTOCOL (CSP) 1 MATRIX

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Abstract

Building inspection is a key component in performing maintenance task. Without inspection, it is very difficult to determine the current status of our built asset. Failure to inspect means we are planning the asset to be fail later on. The primary purpose of performing building inspection is to evaluate the building condition. Traditionally, long-hand survey description is widely used for property condition report. In this paper, we propose a new assessment method which derived from the basis of rating system i.e. to capture the condition and priority assessment of every defect identified. These two assessments criteria are then multiply as to get the score, which we called as Condition Survey Protocol (CSP) 1 Matrix. This matrix is tested on-site for the evaluation of ECSTRUCT™, an eco-sustainable toilet located at Pulau Langkawi, Kedah. Instead of long-hand defects description, this matrix required concise and short explanation about the defects identified, thus saving on-site time during building inspection. The summation of the score is going to conclude the overall rating of the building, either Good, Fair or Dilapidated. As ECSTRUCT™ is concern; the overall score for this building is Good. This score reflects the current condition of the ECSTRUCT™, which in turn support the reliability of the CSP1 Matrix.

Keywords: Building survey, Condition assessment, Eco-sustainable toilet, Survey protocol, Visual inspection

THE SIGNIFICANCE OF LIFE CYCLE COSTING IN MALAYSIA PROCUREMENT PROCEDURE

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Abstract

Costs may change and accumulate as a project progresses. Initial provisions made to manage whole of life costs should be evaluated and updated before committing to one alternative. A LCC model provides a mechanism to compare these costs. Life cycle cost analysis is used as the basis for monitoring and management of costs over an asset's life. It is essentially a financial management tool costs are generally not expressed as real or discounted costs but as nominal costs such as estimated costs that are to be paid when due to enable a comparison of the predicted cost and the actual cost. This enables better prediction and adjustment in preparing the procurement data. The LCC that reflect best practices have sufficiently long analysis periods to reflect long term cost differences associated with reasonable investment alternatives, employ accepted discount rates, and address the inherent variability in input parameters. Ironically, observations indicate that the effect of life cycle costs on purchasing decisions is typically minor; there are many other issues that were perceived to be more important. Life cycle costs analysis include cradle to grave costs converted to NPV economic models. When failure costs are included, the quantity of maintenance manpower required can be engineered which avoids the use of antique rules of thumb about how maintenance budgets are established. LCC is a method to correctly consider long term business decisions which have advantages for profitability. LCC is not easy, but it is effective for building for action. In this paper, LCC literature was surveyed from the stand point of methodological content. Besides that, the entire surrounding environment will help to understand them better. Together with that, this paper will focus in explaining the benefit of implementing the LCC due to procurement procedure.