

## CHAPTER EIGHT

### CONCLUSION

Previous studies show that the supply of dwellings is limited compared to the demand for dwellings. This is mainly due to "red tape problems", property market cycles, and demand trends. Thus the shortage of houses for low and middle income people still exist in various locations in the Klang Valley. This problem is indicated by the creation of new squatter areas around the city centre and higher rental returns for dwellings in the Klang Valley.

In order to increase the supply of low-cost and medium-cost dwellings, the government should provide more subsidies for housebuilders. For low-cost houses, the government should provide land at lower prices, compared to medium-cost and high-cost dwellings' land prices. This will encourage more developers to construct such dwellings and thus finally increase the supply of such dwellings. This will enable the public to buy such houses compared to rented units. Furthermore, this will put a downward pressure on rental returns and also capital appreciation for existing dwellings. This will enable more buyers to buy new properties and thus boost the housebuilding industry's growth.

Besides, in order to improve the housing supply, the government through its relevant authorities or agencies should reduce the red tape problems. The authorities should process the various documents at a shorter time frame. This will enable the developer to start construction work as soon as possible and supply the dwellings for occupation in a shorter time. Therefore, if the relevant authorities can process the documents in time, the developers can construct the houses at a faster time frame and this will enable the buyers to occupy them sooner. This will finally put a downward pressure on rental rates and reduce squatter settlement problems.

The number of houses for each buyer should be limited in order to house those without a house to stay. At present, investors just buy houses for rental returns and capital appreciation purposes and not owner-occupied reasons. Therefore, houses in the Klang Valley especially in new townships like Bandar Sunway, Puchong, Subang Jaya, Kepong, Batu Caves and others, are mainly tenant occupied and not owner-occupied units. Furthermore, for low-cost house buyers they have no alternative apart from renting those houses. Since, medium-cost house buyers could not afford to buy or rent high-cost dwellings, they are left with no choice apart from renting houses or

buying medium-cost houses at higher prices from speculators and investors who simply buy the houses for profit purposes. Thus, it is timely for the relevant authorities to check the issue before it gets worse. The authorities must make sure that only low income earners buy the low-cost houses and not the middle income earners. For the medium-cost dwellings, it will be better if the government can restrict the existing home owners to buy a second, third or fourth house for investment reasons.

This restriction will obviously enable the new house buyers to buy the houses at developer's price and not at speculators price. In addition, the rental rates for dwellings can be checked. If more people are able to buy the houses, the demand for rental units will be lower and this will finally reduce the rental rates. This will enable the squatter settlers to rent a house and thus reduce the squatter area problems.

The government should encourage the private sectors to build more low-cost and medium-cost houses in the Klang Valley region. At present, the public sector tends to provide more low-cost units compared to the private sector. Since the public sector is less efficient compared to the private sector in

housebuilding activities, it will be more efficient if the private sector takes over the public sector's role. If this is successful, then in future there will be more dwellings available for the public.

The relevant authorities should take action to control the construction cost of new dwellings. The cost of labour and building materials should be maintained at a lower level in order to encourage more construction activities and thus the housing supply. At present the cost of cement, steel and other building materials are relatively more expensive if compared to imported inputs. Thus, the government should create a competitive domestic market so that, domestic producers will be more efficient and thus supply housing inputs at cheaper prices. This to some extent will induce more housebuilders to increase the supply of new dwellings.

Apart from that, the authorities should make sure that, there will not be any labour or housing input shortage. The skilled and semi-skilled labour shortage will increase labour costs and thus the construction costs of new dwellings. This will reduce the profit margin for housebuilders and finally discourage them from building new dwellings unless they raise the selling price of such dwellings. Input

shortage will also create similar problems to the housing industry.

Land development should be planned carefully and efficiently. In urban areas, the demand for land is always high for various development reasons. Therefore, the authorities should make sure that the allocation of land is balanced between economic and social needs. Furthermore, the land cost for housing areas should be monitored so as to not be speculated by cash rich investors for short term gains. Therefore, it is timely for the authorities to check the amount of golf courses available for certain groups of people. In addition, in the Klang Valley over the past few years, more developers tend to built high-cost dwellings especially condominiums due to its huge profit margin. This is further boosted by the ongoing upswing in the domestic property cycle which guarantees maximum profit. Therefore, the authorities must make sure that economic growth is balanced with the social needs of the people in various income brackets.

Overall, the future of the housebuilding industry is determined by the cooperation between the public and private sectors. The government must make sure that the social needs are satisfied through rapid

economic growth. The supply shortage can be reduced if the government practises the existing policies efficiently.