CHAPTER 1

INTRODUCTION

1.1   Housing Market in Malaysia

The developers of residential properties in Malaysia are struggling to rise from the ashes of the 1997 debacle and reinvent itself as a much more efficient enterprise. With ongoing projects still adding to stock, and investors and consumers remained skittish about the growth prospects of real estate going forward, recovery is expected to crawl at a snail's pace. The uncertainty regarding the economic outlook and the overbuilt real estate market may somewhat constraint purchase and investment decisions.

According to the latest quarterly Residential Property Stock Report by the Ministry of Finance (see TABLE 1.1), sales of residential properties in Malaysia dropped in the third quarter (Q3) of 2001 to 40% from 59% in the previous quarter. All the residential types had a sales performance of below 50% and sales in most states fell except in Negeri Sembilan (61%), Selangor (59%), Terengganu (54%), and Malacca (50%). Residential stock in the country increased marginally by 1.2% over the second quarter of 2001 to 2,674,515 units. Conventional houses contributed 76% of total existing stock and the remaining were high-rise units, including service apartments. Terraced houses made up 41% and low-cost units 24.9% of total existing stock. It is noted that Selangor continued its lead as the state with the largest incoming supply in the country with 136,979 units in Q3 2001 as revealed by the Finance Ministry in Residential Property Stock Report (Chong, 2001).

Thus, there is real danger that past mistakes would be repeated when developers build too many houses of the same type in the same area. There will be again a mismatch between supply and demand. In this respect it is important that developers should make full use of reliable housing data like those provided by the National Property Information Centre (Cheah, 2001).

TABLE 1.1:
SALES PERFORMANCE OF NEWLY LAUNCHED RESIDENTIAL UNITS BY STATES IN Q3 2001

States	Unit Launched	% Sold
Kuala Lumpur	1,495	34
Selangor	7,684	59
Johor	9,420	24
Penang	1,917	35
Negeri Sembilan	1,787	61
Perak	4,039	35
Malacca	2,224	50
Kedah	2,818	37
Pahang	720	47
Terengganu	96	54
Kelantan	399	42
Perlis	73	22
Sabah	930	21
Sarawak	1,828	38
Malaysia	*35,430*	*40*

Source: The Finance Ministry, Residential Property Stock Report, Quarter 3, 2001

Despite some negative economic trends and the weakening overall demand for residential properties, demand has been considerably strong for selected properties in prime locations. Future prospects on residential property are generally quite bright. The country will experience a constant population growth

rate. According to the Eight-Malaysia Plan, by the year 2005, the Malaysian population would have risen to 26.4 million from 23.27 million in 2000. More than 22% (5.25 million) of the population reside in the Klang Valley currently, of which the major bulk (18% or 3.95 million) are in Selangor. At this rate, Selangor's population will expand to 4.76 million by 2005. This growing population will creates needs for additional housing units (Lim, June 4, 2001).

1.2 Nature of the Study

For many of us, buying our very own home to live in is one of life's biggest goals and dreams. Years of hard work go towards earning enough to pay for that downpayment and subsequent loan repayments for the purchase of a house or apartment. How would you react if you were told that the house you own is not an asset but a liability? You would be appalled, wouldn't you? It is therefore no mystery as to why many of us find looking for a home to be very emotional and time-consuming affair.

The housing market in Malaysia has been selected for this study as the recent economic slowdown has posted greater challenges to the developers. Likewise, general consumer sentiment towards the housing market is bullish. The housing market is dealt with a high-involvement consumer product and a big-ticket item, which is highly priced, entailing a substantial financial to the buyer. The transaction of houses is a complex one as buyers pay large sums of money long before they even see their purchase.

The housing market in Malaysia has, according to the Consumers' Association of Penang, Malaysia, the dubious distinction of being the sector against which complaints are frequently lodged about the seller (Lee & Ng, 1996). People are frustrated with late delivery, product quality deterioration, lackadaisical attitude towards maintenance and property management, inadequate provision of car parks, traffic congestion, flooding woes, landslides, abandoned projects, etc.

The Malaysian housing market is highly competitive and so rife these days. Some projects have achieved overwhelming sales despite depressed market conditions while others have wasted several hundreds of thousands of ringgit on sales-programs and advertisements which are not working towards the targets.

Developer cannot depend on media promotional campaigns to create demand for their projects. Many new projects launched into the market, with eager anticipation of a fortune to follow, fail in their first year, including those with substantial advertising and promotion budgets. In many cases, lacking information on the expectation of the potential buyers is the main contributing factor of those unsuccessful projects (Lim, April 23, 2001).

There is an old adage in marketing which property marketers must commit to the front of their brains: "Sell the sizzle, not the sausage". Many property managers assume that a well designed, well-executed, well-financed sales campaign will work. It is not necessary so. In times of adversity, public interest begins to wane because the people are unsure as to whether they should invest. For a project to be successful therefore, it should have the right concept or product that should be derived through the right kind of research, and then follow through with appropriate packaging (including pricing), and marketing communication and promotion strategies. Thus the first thing that every developer has to recognise is that clever marketing includes researching, developing, packaging, pricing, promoting and selling. It also includes after-sales service.

1.3   Objectives of the Study

The challenges for developers are to produce the kind of houses that meet the buyer's needs by studying the market first before embarking on any project. The success of a housing developer would depend very much on obtaining up-to-date information on consumer preferences. Prior knowledge of consumer needs and wants is important for the formulation of appropriate marketing strategies

which in turn will ensure buyers' satisfaction and company's long term success.

Therefore, the objectives of this study are as followings:
- To identify factors that influence house buyers in their choice of house;
- To study the housing needs of the house buyers;
- To examine the search behaviour of house buyers;
- To explore the most effective channels in reaching the house buyers; and
- To explore the use of Internet in searching of house information.

1.4   Significance of the Study

This study will explore the most important factors for home buyers when come to purchase a home. It will help the developers to determine their most effective marketing strategies in researching the potential market, developing, packaging, pricing, promotion and selling the products. As for the home buyers, the survey results of the study would be a helpful guideline in home search and home buying by referring to the general public preference and experiences.

1.5   Organization of the Report

The paper is divided into five main chapters, which aim to present the research information in a smooth and logical manner. In the first chapter on Introduction, the researcher outlines the housing market in Malaysia, introducing the area of study that discusses the nature, objectives, significance and organization of the report. This chapter will justify why market research on consumer preferences and demand is important before embarking on any project.

Literature Review being the second chapter will discuss on theories, previous studies, definitions and concepts of housing, marketing, consumer decision making and other related consumer behavioral issues. This chapter justifies the theoretical approaches that are chosen for this study.

Research methodology, in the third chapter, will discuss the research instrument, sampling design and method employed, data collection procedures and data analysis techniques chosen for this study. This chapter deliberates how the research survey is conducted with justification of the approaches employed.

The fourth chapter on Research Results will present the analysis and findings gathered from the research. Discussions will cover the demographic profiles of respondents, to identify the attributes that the house owners consider important, the determinants of home buying, the search behaviour of house owner, statistical approaches employed.

Lastly, at the fifth chapter, Conclusion and Recommendation will present an overall discussion on the research findings, the implications of the findings and some recommendations for further studies.