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Housing Industry:  
Problems and Prospects

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## **Executive Summary**

The economic downturn in the mid-1997 had definitely affected the housing industry. The oversupply especially in the commercial sector had affected many developers and financial institutions. Non-Performance-Loans had soared up. Housing projects delayed in completion, and worst, abandoned. Of course, oversupply is only one major problem facing the housing industry. On the other hand, the problem of low-cost housing for the poor, striving hard by both the private and the public sectors, only ended up never enough to meet the demands. Sometimes, there is no demand because of wrong locality (mismatch). During the 6<sup>th</sup> Malaysia Plan (1991-1995), only about 75 per cent of the low-cost target was fulfilled while the high and medium-cost exceeded their targets. The presence of squatters was often quoted as one of the delaying factor for low-cost projects. The other factor was the shortage of suitable lands in strategic localities. Developers blame the government for too many red tapes and labour and material shortages as hindrance to the development of houses. Another factor is the release of unsold bumiputera quotas or units. End-financing or banking institutions finding hard to get suitable and eligible buyers for low-cost houses. Housing technology is another area neglected by both the private and public sectors.

With the recovery of the economy, the housing industry is again picking up its momentum but with much care now, I suppose. This paper analyzes the source of the housing problems (developers' failure to analyze situation correctly) rather than the symptoms (oversupply and mismatch). No doubt, these symptoms will be discussed in details. Like many other business endeavours, housing development involves risks, indeed high risks. Housing developers have themselves to blame for their failures. They have failed to analyze the general and industrial environment. They failed to utilize their core competencies in the housing industry to gain competitive edge. Strategic Management Process and Models which include the Industrial Organisation (I/O) and Resource-Based

Models of Super Returns, Value-Chain Model and Porter's Five Forces Model of Competition will be explained. These management tools are valuable and can help developers avoid failure and disastrous in their housing projects and gain competitive edge. Every business endeavours should analyze the environment thoroughly which includes its current problems and future prospects. This paper will also discuss the future prospects of the housing industry following the economy recovery and some recommendations for its improvement or advancement. Without thorough analysis of the environment through Strategic Management Process and Models, developers have themselves to blame for their projects failures and disastrous endeavours.

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