

REHDA Institute In Touch



September 2024

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International Green Build Conference (IGBC) – Building for the Future

The International Green Build Conference 2024, co-organised by GreenRE and REHDA Institute, gathered over 500 participants, including international speakers and delegates from Korea, Singapore, Thailand, Indonesia, and Malaysia. The event, held on 23 July 2024 at One World Hotel, Petaling Jaya, focused on the theme "ESG: Building the Future" and aimed to exchange best practices in sustainable real estate development and the collective journey towards achieving zero carbon by 2050.

During the opening address, Dato' Jeffrey Ng Tiong Lip highlighted the significant benefits of adopting green building practices for the private sector. He explained that by incorporating sustainable methods, businesses can cut operational costs, enhance their brand reputation, and address the increasing demand for eco-friendly products and services. Moreover, aligning with sustainability objectives can unlock new market opportunities and strengthen competitive positioning, leading to improved profitability and growth.



Dato' Jeffrey Ng Tiong Lip, Chairman of REHDA Institute, delivered the opening address during the IGBC 2024.

Datuk Seri FD Iskandar, in his welcoming address, announced the GreenRE Energy Certificate, which targets existing non-residential buildings to enhance their energy efficiency towards super-low consumption. Buildings that secure this certificate will qualify for the Energy Commission's Building Energy Label and be eligible for the investment tax allowance scheme offered by the Malaysia Green Technology and Climate Change Corporation.



[From the left] Chairman of REHDA Institute, Minister of Natural Resources and Environmental Sustainability of Malaysia, Chairman of GreenRE, and Chairman of REHDA Malaysia during the launch of GreenRE Energy Certificate.

YB Nik Nazmi bin Nik Ahmad, the Minister of Natural Resources and Environmental Sustainability of Malaysia in his keynote address, emphasised the Government's commitment to balancing environmental protection with economic growth. Central to this initiative is the National Energy Transition Roadmap (NETR), which targets 70% renewable energy capacity by 2050. The NETR sets ambitious goals to cut greenhouse gas emissions and promote a shift to low-carbon energy across sectors such as power, transportation, manufacturing, and oil and gas.



[From left] YB Nik Nazmi bin Nik Ahmad, Minister of Natural Resources and Environmental Sustainability of Malaysia, with Datuk Ho Hon Sang, President of REHDA Malaysia, during the IGBC 2024.

This conference featured three sessions, discussing key areas of sustainability and industry transformation, and providing insights and strategies for addressing challenges and opportunities across the real estate sector.

Session 1: Transitioning Malaysia's Energy Sector

Session 2: A Scorecard on ESG Reporting & Benchmarking

Session 3: Case Studies - Decarbonising the Real Estate Industry

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[Fifth from left] REHDA Malaysia President, GreenRE Chairman, Malaysia's Minister of Natural Resources and Environmental Sustainability, REHDA Institute Chairman, and over 500 delegates at IGBC 2024.

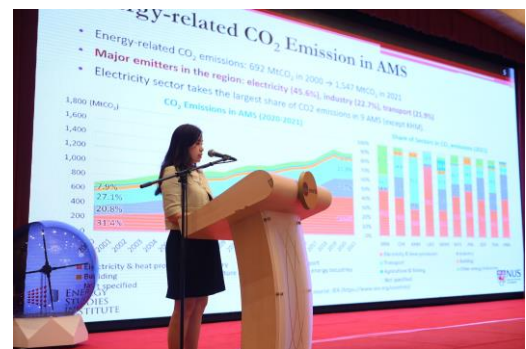
Session 1: Transitioning Malaysia's Energy Sector

The electricity sector stands as the largest contributor to carbon dioxide (CO₂) emissions across ASEAN member States, excluding Cambodia, accounting for 45.6% of total emissions in 2021. Despite notable advancements in renewable energy infrastructure, with installed capacity growing from less than 25,000 MW in 2000 to 105,281 MW by 2023, the reliance on fossil fuels has persisted. Fossil fuel-based installed capacity also saw a consistent rise, increasing from under 100,000 MW in 2000 to 228,260 MW in 2023.

As highlighted by Dr. Kim Jeong Won from the National University of Singapore (NUS) in her presentation 'Energy Transition in ASEAN Member States: Status and Policies', this continued growth in fossil fuel capacity highlights the region's challenge in fully transitioning to cleaner energy sources and underscores the need for more aggressive decarbonisation policies to reduce dependency on carbon-intensive energy production. The challenge comes not only from the reliance on fossil fuels but also from political, regulatory and technological aspects.

Moreover, securing adequate financing is crucial for ASEAN member States to achieve their renewable energy targets. Public funding has been the primary source of investment in the region's renewable energy sector, with a total of USD 23 billion directed towards renewable energy generation projects between 2000 and 2022. Among these, hydroelectric power attracted the largest share, receiving USD 13.5 billion, followed by geothermal energy with USD 3.3 billion. Since 2019, there has been a notable

shift in investment trends, with increased funding directed towards projects utilising multiple renewable energy sources, solar photovoltaic (PV) and wind energy. These sectors are gaining prominence as ASEAN member States diversify their renewable energy portfolios.



Dr. Kim Jeong Won (Senior Research Fellow, Energy Studies Institute, National University of Singapore) during the IGBC 2024.

In addition to traditional public financing, alternative financing mechanisms, such as green bonds and loans, have emerged as significant contributors to renewable energy development. Between 2016 and 2022, a cumulative total of USD 50.6 billion was raised through green bonds and loans across the region. This influx of private capital is playing an increasingly important role in supporting the growth of renewable energy infrastructure, complementing public investments and driving the transition towards a more sustainable energy future.

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Session 1: Transitioning Malaysia's Energy Sector (cont'd)

Bringing the focus to one of ASEAN member States Malaysia, Ir. Hamdan Ali from Tenaga Nasional Berhad (TNB) addressed the grid readiness to support the nation's energy transition initiatives. He highlighted the nation's ambitious goal of becoming coal-free by 2050, as outlined in the National Energy Transition Roadmap (NETR). As of 30th June 2024, a total of 2,531 MW of renewable energy has been connected to the distributed network system, with solar PV accounting for 87% of that capacity. The energy transition has introduced the complex challenge of managing distributed energy resources (DERs), which originate from diverse supply and connection points. DERs refer to small-scale energy resources, such as solar farm and microgrids, typically located near the point of electricity consumption and connected directly to the distribution system or behind the consumer's meter. Ir. Hamdan Ali stressed the importance of balancing energy generation with demand, referencing distributed energy resource (DER) curtailment case studies from South Australia and Vietnam as cautionary examples.



Ir. Hamdan Ali (Head, Asset Planning & Operation, Distribution Network Division, TNB) during the IGBC 2024.

To support the energy transition, TNB has implemented a comprehensive ecosystem focused on visibility, control, and management of DERs. This system is designed to monitor and optimise the supply and demand of renewable energy, addressing challenges such as reverse power flow, curtailment of DER generation, and voltage limit violations. By adopting this proactive approach, TNB aims to ensure a stable, resilient grid capable of accommodating the growing share of renewable energy while minimising disruptions and inefficiencies.

Focusing on solar energy, Mr. Cliff Siaw of Progressture Solar examined the strategic integration of solar energy within Malaysia's green building sector, addressing challenges like solar PV intermittency and the growing financial viability of rooftop solar installations. He also explored future opportunities, including the potential for third-party access to transmission lines, the development of solarised townships, and the integration of battery energy storage systems (BESS) to enhance energy efficiency and reliability. These advancements not only can decarbonise the country's electricity landscape but also offer broader sustainability benefits for the green building sector and beyond.



Mr. Cliff Siaw (Chief Executive Officer, Progressture Solar) during the IGBC 2024.

In conclusion, transitioning the electricity sector is not only an environmental necessity but also a critical step for sustainable economic growth and technological advancement. Moving forward, ASEAN's shift to cleaner energy requires bold, coordinated efforts to reduce reliance on fossil fuels. Achieving ambitious targets, such as becoming coal-free by 2050, will demand the active commitment and collaboration of all stakeholders—governments, industries, and financial institutions alike. Their combined efforts are essential to driving this transformation and securing a sustainable energy future for the region. By adopting aggressive decarbonisation policies, streamlining regulatory frameworks, and harnessing both public and private investments, ASEAN can position itself as a leader in clean energy transformation, ensuring a sustainable and resilient future for its electricity sector.

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Session 2:

A Scorecard on ESG Reporting & Benchmarking

Ms. Arina Kok from Ernst & Young Consulting Sdn. Bhd. highlighted the essential role of green financing in advancing sustainable building practices. She explained how ASEAN banks are increasingly allocating funds to support various green projects, including commercial and residential buildings, energy-efficient solutions, low-carbon building materials, and urban development initiatives. Ms. Kok also outlined three crucial phases for effective ESG implementation:

- i. The conceptual and design phase, which involves identifying capital and resources;
- ii. the construction phase, which focuses on creating sustainable environments while ensuring health, safety, and efficiency; and
- iii. the occupancy phase, which maintains the sustainability and health of buildings over time.



Ms. Arina Kok (Asia-Pacific and Malaysia Climate Change Advisory Leader, Ernst & Young Consulting Sdn Bhd) during the IGBC 2024.

Following this, Dr. Hezri Adnan from Bursa Malaysia discussed the financial effects of climate-related risks and opportunities using the Task Force on Climate-related Financial Disclosures (TCFD) framework, established by the Financial Stability Board (FSB). Dr. Hezri explained how companies can incorporate TCFD recommendations into strategic planning and risk management, pointing out that this integration helps identify financial impacts in three key areas: the income statement, cash flow statement, and balance sheet. This approach allows companies to understand better and manage the financial risks and opportunities associated with climate change.



Dr. Hezri Adnan (Director of Group Sustainability, Bursa Malaysia) during the IGBC 2024.

Mr. Shahril Azuar Jimin from Maybank, shared on Maybank's sustainability agenda and its goal to become a regional leader in ESG (Environmental, Social, and Governance) by 2025. Mr. Shahril outlined three key pillars of the strategy:

- i. Responsible Transition, which involves enabling the shift to a low-carbon economy while balancing environmental and social needs with stakeholders' expectations;
- ii. Community Engagement, which focuses on building resilience in ASEAN communities and promoting economic development and social well-being; and
- iii. Leadership and Management, which emphasises adopting best practices to ensure that Maybank's ESG strategy is built on a strong foundation.



Mr. Shahril Azuar Jimin (Chief Sustainability Officer, Maybank) during the IGBC 2024.

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Session 3:

Case Studies - Decarbonising the Real Estate Industry

The first case study, "Energy Efficient Buildings Retrofitting and Design in Thailand," was presented by Mr. Akin Woraphongsathorn and Mr. Toontam Sukosit from EM Group Thailand. They introduced how their office was designed to align with the Thailand Green Building Institute (TGBI) Standards, emphasising that the entire construction process was completed on an affordable budget using sustainable materials and the DfMA (Design for Manufacturing and Assembly) concept. This approach not only reduces carbon emissions during construction by approximately 20% to 40% compared to traditional methods but also enables faster, more efficient construction at a lower cost, while minimising waste and the risk of project delays. They further highlighted that using sustainable building materials can reduce carbon emissions by an additional 10% to 30% compared to conventional construction practices.



[Right] Mr. Akin Woraphongsathorn (Group CEO, EM Group Thailand) and [Left] Mr. Toontam Sukosit (Group CBDO, EM Group Thailand) during the IGBC 2024.

Following this, Ms. Huang Mei Si from CRT Manufacturing Sdn Bhd, presented on "Corrosion-Free Carbon Steel Alternative," where she introduced STAR BARS, a revolutionary material designed as a corrosion-free substitute for carbon steel. She highlighted that STAR BARS has earned several prestigious certifications, including ISO 14065 from SIRIM, MyHIJAU certification from the Malaysian Green Technology and Climate Change Corporation (MGTC), and the Green Building Index (GBI) from the Malaysian Green Building Council (MGB). STAR BARS, a fiberglass bar with a spiral ribbed profile, is specifically engineered for concrete reinforcement and comes in diameters ranging from 4mm to 30mm. STAR BARS is a superior alternative to conventional steel rebar in many construction applications, reducing embodied energy by 18% and operational costs by 70%.

She also noted the environmental impact of traditional steel, pointing out that constructing a double-story house typically requires 3 tons of steel, which produces 3 tons of carbon emissions, an amount that would require about 120 trees to offset.



Ms. Huang Mei Si (Co-Founder and Deputy Managing Director, CRT Manufacturing Sdn Bhd) during the IGBC 2024.

Continuing the session, Ms. Ovy Sabrina, Co-founder of Rebricks Indonesia, delivered an informative presentation titled "Eco-building Materials from Plastic Waste," where she explained how her company converts rejected plastic waste into sustainable building materials. The plastic wastes are collected through individual donations, corporate contributions, and purchases from Waste Bank Indonesia. Each of their recycling machines can process 88,000 plastic sachets, producing end products such as pavers, hollow blocks, roofs, and tiles. Specifically, Rebricks Pavers have a production capacity of 100m² per day, preventing 88,000 pieces of plastic waste from ending up in landfills and polluting the environment each day. Moreover, these pavers achieve 20 MPa in pressure strength, meeting Indonesian National Standards product requirements despite being crafted from recycled materials.



Ms. Ovy Sabrina (Co-founder and COO, Rebricks Indonesia) during the IGBC 2024.

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Session 3:

Case Studies - Decarbonising the Real Estate Industry (cont'd)

Mr. Vincent Low from G-Energy Holdings Pte. Ltd, presented on "Lessons and Experience Sharing from Singapore on Optimising Energy Efficiency." He began by sharing the potential savings achieved through green building projects in Singapore, citing examples where development projects have saved S\$0.2321 per kWh in total electricity costs per year and S\$1.627 per cubic meter in total water costs per year. He discussed a case study that demonstrates how developers can progress towards achieving a zero-energy target. An office project at 1 Harbourfront Avenue, where the goal was to achieve energy savings of at least 20%, aimed to create Singapore's first super low-energy high-rise office building. The project employed advanced technologies such as AHU fans/AHU optimisers, ADSC integrated sensors, and a smart lighting system, resulting in 22% total building energy savings, 50% cooling tower bleed-off water savings, and an annual cost savings of S\$400,000.



Mr. Vincent Low (Founder and Vice President, G-Energy Holdings Pte. Ltd) during the IGBC 2024.

The final presentation was delivered by Ms. Alice Yeo from Serreno, titled "Reimagining Green Buildings: The Game-Changing Role of Low Carbon Flooring." She focused on reducing embodied carbon through low-carbon flooring solutions, beginning with the fact that the building and construction sector is a major contributor to climate change, accounting for over 40% of global CO2 emissions annually. Given this, the urgent need to cut embodied carbon in construction is critical. Ms. Yeo introduced developers to low-carbon flooring options that significantly lower carbon emissions. Low-carbon flooring can cut emissions by 50%, while offering installation that is five times faster and 20% cheaper. This type of flooring uses materials with environmentally friendly formulations and is free of harmful substances like heavy metals, phthalates, and methanol. Unlike traditional options such

as hardwood or laminate, low-carbon flooring does not involve wood, helping to preserve trees and reduce the environmental impact of flooring production.



Ms. Alice Yeo (Director of Marketing at Serreno) during the IGBC 2024.

In conclusion, the International Green Build Conference 2024 illustrated a range of effective strategies and innovations in the real estate industry aimed at enhancing sustainability and addressing climate change. Attendees benefited from exposure to cutting-edge solutions, such as energy-efficient designs, advanced materials, and recycling techniques, all aimed at reducing carbon emissions and enhancing operational efficiency. These lessons are not only crucial for improving environmental impact but also for optimising costs and driving long-term value in their respective projects. The diverse approaches presented during the event offered practical takeaways that participants can apply across regions and industries, empowering them to be active contributors to a greener, more resilient future.

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Industrial Development Masterclass 2024

On 2nd and 3rd July 2024, REHDA Institute organised the Industrial Development Masterclass at The Club Bukit Utama in Petaling Jaya, marking the third consecutive year of hosting the event, given its growing relevance and value for industry stakeholders. Designed to benefit REHDA members and fellow industry stakeholders, the Masterclass offers a comprehensive insight into the current landscape, challenges, and prospects within Malaysia's industrial sector. The event, themed "How to Develop Award-Winning Industrial Parks and Real Estate in Malaysia," drew participation from 120 representatives from developer companies in Malaysia. Over the course of two days, experts from diverse fields presented their insights on investment trends, legal considerations, strategic planning, and innovations that are driving the evolution of Malaysia's industrial sector.

Since the outbreak of COVID-19, Malaysia's industrial property market has experienced significant growth, driven by the increased demand for warehouses and logistics facilities due to the rapid expansion of e-commerce. Moreover, Malaysia has emerged as a regional hub for high-tech industries and is seeing an expanding data centre market to support its growing digital economy. **En. Farez Amha Abdullah, Senior Deputy Director of the Domestic Investment Division at Malaysian Investment Development Authority (MIDA)** identified four main industry focuses for 2024: semiconductors, green technology, electric vehicles (EV), and the digital economy.

Malaysia's strengths lie in the semiconductor ecosystem, which spans from research and development (R&D) and integrated circuit (IC) design to wafer fabrication, assembly, and testing. The National Semiconductor Strategy (NSS) was noted as a key initiative to attract foreign investors from countries like Taiwan, China, and the United States, leveraging Malaysia's neutral position in the global market and its comprehensive supply chain. A well-established machinery & equipment (M&E) engineering support industry is crucial for investors in the semiconductor industry as proximity to supporting players within the semiconductor ecosystem is a key consideration in their business decisions. En. Farez encouraged industrial park developers and operators to attract these supporting players, fostering the creation of a semiconductor industry cluster.

At the State level, Negeri Sembilan has set a vision to drive economic growth through industrial development under the Malaysia Vision Valley 2.0 (MVV 2.0) development corridor, as presented by **En. Norazhar Bin Musa from NS Corporation**. Spanning approximately 33,227 acres, the MVV 2.0 targets six key industrial sectors, including semiconductors, high-tech industries, smart technology, aerospace, maritime, and unmanned vehicles. With its proximity to Klang Valley, the State offers an attractive alternative for businesses seeking growth while maintaining access to key markets and infrastructure.

In designing an effective master plan for industrial parks, the developers are encouraged to balance maximising return on investment (ROI) with social and environmental considerations, to achieve long-term sustainability and viability. **TPr. Julie Chok, Director at AJC Planning Consultants Sdn Bhd** advocated for a holistic approach with multi-disciplinary input, in which six stages are identified under master planning:

- **Land and site profiling** for natural, man-made and socio-economic environment
- Strategic and flexible **land use arrangement** considering demand, constraints, and surrounding factors as well as emerging markets
- Sustainable and value engineering solutions for **infrastructure provision**
- **Support facilities** such as centralised parking with sports facilities and shuttle services.
- **Manage the growth and use of land and facilities** including title issuance, lease management, and facility and public reserve management
- **Phasing and implementation** of master planning, including infrastructure construction project execution



Photo of delegates during the REHDA Institute Industrial Masterclass Development 2024.

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Managed Industrial Park (MIP)

Pn. Nor Zaliza Binti Mohd Puzi, Deputy Director at PLANMalaysia Selangor presented on the Selangor Guidelines for the Development of Industrial Parks, based on the Managed Industrial Park (MIP) concept, which aims to enhance industrial park development in the State. These guidelines differentiate planned industrial parks from MIPs. Planned industrial parks are equipped with essential infrastructure, including electricity, broadband telecommunication lines, water supply, drainage and wide access road. Some may also offer gated and guarded services and worker dormitories. In contrast, MIPs are centralised, gated parks with proper access control and dedicated management for maintenance, as well as common property facilities such as recreation areas and open spaces, ensuring efficient management, complete infrastructure, and amenities. Going through the approval process for MIP development, Pn. Nor Zaliza emphasised the importance of pre-consultation processes and the approval of Environmental Impact Assessments (EIA) to ensure the successful implementation of industrial projects and shorten time needed to get approval from relevant authorities.



In developing the MIP, the developer should prepare all agreements, including agreement with buyer/tenant and agreement with industrial park manager (IPM) as well as agreement between IPM and Local Authorities, for review and approval by the parties involved before the Certificate of Completion and Compliance is issued, as outlined in the presentation of **Ms. Lim Sheh Ting, a partner at Rosli Dahlan Saravana Partnership (RDS)**. In addressing the foreseeable legal issue in service agreements in MIPs such as for amenities or transportation services, Ms. Lim suggested to have detailed service level agreements (SLAs) covering service disruptions, safety hazard and termination clauses. This is important to ensure continuous and efficient service delivery within the MIP area.

Data Centres

Malaysia is experiencing a data center boom, with global tech giants expanding their footprints. Industry stakeholders are eager to capitalise on the growth of this rapidly expanding market. However, the development of data centers is significantly more complex, and it is uncommon for a single entity to manage the entire process, which includes development, funding, construction, leasing, tenant acquisition, and ongoing management. **Mr. Ong Johnson from Halim Hong & Quek** identified five key factors contributing to the complexity of data center development:

1. **Funding** – development cost is usually measured cost per MW, for instance Tier-3 data center can cost from USD7 million to USD 10 million per MW.
2. **Land** – selection criteria include proximity to fiber optic networks, minimal risk of natural disasters, and availability of renewable energy sources.
3. **Engineering, Procurement and Construction (EPC) Contracts** – sophisticated contracts required to meet requirements in the construction such as high-density power configurations, extensive cybersecurity measures and advance cooling systems.
4. **Data Center Management** – needs for specialised expertise and protocols such as advanced monitoring systems, robust disaster recovery plans and predictive maintenance.
5. **Tenants and Clients** – more than 80% of utilisation rate is needed to ensure successful return.

In tapping into the data center market, developers can choose to sell land at a premium, form joint ventures (JVs) for development and construction with the intention to sell, establish JVs for co-ownership and management, or pursue full ownership. Mr. Ong Johnson emphasised the importance of selecting the right investment model and understanding the specific needs of foreign investors.



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Centralised Labour Quarters (CLQs)

Mr. Alfred Lee from the Dormitory Association Singapore Limited (DASL) identified four types of dormitories in Singapore:

- Purpose-built dormitories are specially designed and built with features to meet the needs of foreign employees.
- Factory-converted dormitories for workers employed by the owner or lessee of the factory, or workers who work on site at the factory, or commercially operated dormitories
- Construction temporary quarters (CTQs) standalone temporary quarters within construction sites or within uncompleted permanent building
- Temporary occupation licence quarters locate on a plot of land nearby to a specific construction project

The need of centralised labour quarters (CLQs) in Singapore differs from Malaysia, as more than 90% of foreign workers in Malaysia are employed in the manufacturing industry, while foreign workers in Singapore spans diverse sectors, including the marine industry. Despite these differences, dormitory management face common challenges such as regulatory compliance, increased operational costs, cleanliness/maintenance, resident behaviour and discipline, cultural and social integration, and a shortage of trained dormitory management personnel. Dormitories with more than seven beds are regulated by the Foreign Employee Dormitories Act (FEDA), which imposes varying management, safety, and health requirements across four classes of dormitories.



Mr. Alfred Lee (1st Vice President, Dormitory Association Singapore Limited (DASL)) presented during the REHDA Institute Industrial Development Masterclass 2024.



TPr Mohd Zainuddin bin Jumaat (Chief Assistant Director, Research and Development Division, Department of Town and Country Planning (PLANMalaysia)) during the Industrial Development Masterclass.

Back in Malaysia, the planning guidelines for CLQs and Temporary Labour Quarters (TLQs) have been approved at the National Council for Local Government (MNKT) Meeting in November 2023. **TPr. Mohd Zainuddin bin Jumaat from Department of Town and Country Planning (PLANMalaysia)** presented on the planning control and internal control of CLQs with three development approaches:

- Proposed CLQ in New Areas
- Proposed CLQ in Brownfield Area
- Proposed Permanent CLQ in Existing Premises (Business or Industrial Only)

CLQs offer the best long-term solution for centrally planned, safe, and conducive employee accommodation. However, TPr. Mohd Zainuddin stressed the importance of having clear ownership and management structures to ensure regulatory compliance and operational sustainability. The guidelines help to ensure the provision of conducive workers accommodation, in line with the United Nations Sustainable Development Goals (SDGs).

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Sustainable Industrial Development

Sustainability has growingly become a key pillar in the industrial development. During the masterclass, several case studies, including Silicon Island in Penang and SPD Tech Valley in Seremban, Negeri Sembilan, were presented to show the success stories of integrating sustainability into industrial development. Both **Mr. Eddie Chan from Silicon Island Development** and **Nur Farhana Binti Zulkifflin from Seri Pajam Development** highlighted the importance of planning for future expansion and ensuring that industrial parks are designed to meet both current and future needs. With a carbon emission reduction target of 45%, Silicon Island incorporates a range of sustainable features, including island-wide solar-powered street lighting, dual sewerage treatment plants, a rainwater harvesting system, a 110 km cycling network, reduced car park provisions, and an automated waste collection system. Additionally, the island aims to achieve a 70:30 modal split between public transportation and private vehicles, further supporting its commitment to environmental sustainability. On the other hand, the SPD Tech Valley adopts tri-rings planning model, in which the first ring is dedicated to environmental, social and governance (ESG) facilities such as recreation lake and a business support and leisure centre, prioritising sustainability, community well-being, and responsible governance.



Ms. Nur Farhana Binti Zulkifflin [Left] (Head of Planning Department, Seri Pajam Development Sdn Bhd) received a token of appreciation from Trustee of REHDA Institute Datuk Haji Muztaza bin Haji Mohamad [Right].

In terms of accessing green renewable energy in industrial real estate and innovations in the construction of green data centres, **Mr. Cliff Siaw from Progressture Solar** introduced the Waste-To-Energy (WTE) technology, as one of the industrial decarbonisation solutions in ensuring reliable and continuous renewable energy. These sessions highlighted the critical role of sustainability in the future of industrial development and the need for continued innovation to meet the growing demand for environmentally responsible industrial infrastructure.

Ir. Ashwin Thurairajah from GreenRE also shared about case studies on green certification for industrial buildings, data centres and townships/business parks, emphasising energy efficiency and the challenges of maintaining sustainability in resource-intensive industries like data centres.

Digitalisation in Industrial Development

From the aspect of digitalisation, **Mr. Christopher Lower from Ally Logistic Property** led a session on the future of logistics in industrial development, focusing on smart warehousing solutions. He presented on the next generation of logistics infrastructure, including automation, clustering logistics networks, and in-house warehouse management systems, which are essential for optimising storage capacity and reducing operational costs.



Mr. Christopher Lower (Executive Vice President of Regional Business Development, Ally Logistic Property) presented during the REHDA Institute Industrial Development Masterclass 2024.

Conclusion

The Industrial Development Masterclass provided a comprehensive overview of the challenges and opportunities in Malaysia's industrial sector. The insights shared by industry experts underscored the importance of strategic planning, legal awareness, and sustainability in driving future growth. As Malaysia continues to position itself as a hub for high-value industries, the knowledge gained from this masterclass will be instrumental in guiding stakeholders toward successful and sustainable industrial development.

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Roundtable Discussion on Strata Issues & Challenges

On 20th August 2024, REHDA Institute hosted a comprehensive Strata Mini Roundtable Discussion at Wisma REHDA, bringing together senior representatives from various developer companies. The discussion focused on critical topics such as strata management, legislative changes, and the practical challenges encountered by developers and management bodies.

Datuk Sr. Charlie Chia Lui Meng (REHDA National Council Member and Taskforce Chairman for Strata Management Act/Strata Titles Act), started the discussion by explaining that the proposed changes to the Strata Management Act (Act 757) were motivated by concerns from developers. Initially proposed two years ago, these amendments have been significantly revised in response to feedback from REHDA and other NGOs. The Ministry of Housing and Local Government (KPKT) has prepared the final draft and was ready to present the bill to Parliament. However, the approval process has been delayed due to the requirement to amend Housing Development Act (Act 118), Strata Titles Act (Act 318) alongside Act 757. KPKT now aims to present the bill to Parliament by the end of 2025.

The roundtable featured an engaging and interactive discussion with participants, summarising the key points highlighted by the participants as follows:

1. Legislative Amendments to Act 757, Act 118, and Act 318

- The discussion emphasised the necessity of amending Act 757, Act 118, and Act 318 due to persistent issues arising from the current legislation. These amendments aim to address problems at the legislative level rather than through costly and time-consuming court battles.
- Specific challenges were discussed, including the need to amend these Acts concurrently because of their interconnected impact on strata management and property development.
- Proposed amendments aimed to clarify laws, enhance enforcement mechanisms, and ensure fair representation in decision-making, with an emphasis on aligning the Acts to prevent confusion and legal challenges.

2. Role and Powers of Joint Management Bodies (JMB) and Management Corporations (MC)

- The transition from JMB to MC was a significant topic, focusing on the continuity of management practices and responsibilities when titles have not yet been issued.
- The discussion also covered the legal responsibilities and powers of JMBs and MCs, especially regarding the management of strata developments during the transition period before titles are issued.



[Sixth from left] Datuk Charlie Chia Lui Meng (REHDA National Council Member and Taskforce Chairman for Strata Management Act/Strata Titles Act) with the participants at Strata Mini Roundtable Discussion at Wisma REHDA.

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3. Formation of Subsidiary Management Corporations (Sub-MC)

- There was a suggestion that developers should be able to form subsidiary MCs from the outset, particularly in mixed-use developments with varying maintenance needs.

4. Urban Redevelopment and the Role of Strata Owners

- Urban redevelopment, particularly in older buildings, presents unique challenges within the strata management framework.
- The discussion centered on the need for majority consent from strata owners for redevelopment projects, with debates over the practicality of current requirements for unanimous or near-unanimous consent. A lower threshold, around 75%, was suggested as a more practical solution.
- Lowering the consent requirement was seen as a way to facilitate necessary redevelopment projects, especially in aging properties that may pose safety risks.

5. Challenges with Delays in Title Transfers

- The discussion addressed the common problem of delays in transferring titles to purchasers, which impacts management and maintenance responsibilities.
- One of the solutions discussed by participants was the implementation of measures to ensure the timely issuance of property titles upon the completion of development projects.

6. Assessment Tax on Common Facilities

- A proposal was made suggesting that common facilities, such as multipurpose halls, gym rooms, etc., should be exempt from assessment tax.

7. Multiple Rates in Integrated Developments

- A major topic of discussion was the issue of multiple rates in integrated developments, where different types of units (e.g., residential, commercial) within the same development are charged varying maintenance fees.
- Participants debated the fairness of this practice, particularly in cases where different uses within the same strata scheme necessitate different levels of maintenance effort and costs.

8. Proxy Voting and Representation in Management Committees

- The rules surrounding proxy voting and representation in management committees were examined, especially regarding the influence of large stakeholders and developers.
- Some participants argued that proxies representing developers should not have the same voting rights as individual owners to avoid imbalances in decision-making.
- Suggestions included limiting proxy powers or adjusting voting rights based on stakeholder type.

9. Appointing of Managing Agents by Developers

- Participants raised concerns that Developer's Management Companies might not meet BOVAEP requirements for Registered Property Managers, particularly in projects where the developer holds substantial stakes in maintenance.
- It was suggested to allow Registered Property Managers (individuals) to be employed by Developer's Management Companies to ensure they comply with BOVAEP regulations.

10. Provisional Blocks and Maintenance Charges

- Participants discussed how provisional blocks (uncompleted units or blocks) should contribute to the maintenance of common areas. There was a proposal for these blocks to be charged a reduced maintenance fee until completion, with the exact percentage debated.
- The fairness of charging provisional blocks was also considered, with arguments that they should contribute to maintenance costs since common facilities benefit all units, whether completed or not.
- A proposal was made suggesting that maintenance charges should be exempt from Sales & Service Tax (SST), as they represent a contribution to the maintenance fund for a strata development.

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11. The Concept of Affected Proprietors in Legislative Amendments

- There was a detailed discussion on defining "affected proprietors" in the context of changes to a strata scheme, such as converting a residential block into a hotel block.
- The need for clear definitions and guidelines in legislation was emphasised to avoid disputes and ensure transparency.

Participants acknowledged that many issues could not be resolved solely through the courts and required administrative solutions. They referenced legal precedents, such as the concept of "second actor duty," to support arguments for legislative changes.

There was also a discussion on the need for ongoing feedback sessions and expert consultations to refine proposed legislative amendments and address emerging issues in strata management.

In conclusion, the roundtable discussion comprehensively explored the complex issues surrounding strata management in Malaysia. The participants emphasised the importance of legislative clarity, fair management practices, and timely administrative actions to address the challenges faced by developers, JMBs, MCs, and proprietors. The outcomes of this discussion are expected to contribute to the ongoing efforts to amend these Acts, with a focus on creating a more equitable and efficient framework for strata management.

Acknowledgment

REHDA Institute's Strata Small Roundtable Discussion is made possible with the participation and support of senior representatives as listed below:

1. Sunway Property and Facility Management Sdn Bhd
2. Eco World Project Management Sdn Bhd
3. Alpine Return Sdn Bhd
4. Bukit Hitam Development Sdn Bhd

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Land Development Workshop 2024

Written by Chuah Teong Geng, Christine
Research Manager, REHDA Institute

REHDA Institute successfully hosted a two-day workshop on land development on the 28th and 29th of August 2024 at the Mah Sing Auditorium, Wisma REHDA. In his welcome address, Datuk Haji Muztaza bin Haji Mohamad, Trustee of REHDA Institute, highlighted nearly RM300 million in financial losses caused by land scams affecting many innocent victims in Malaysia. Datuk emphasised the urgent need for increased vigilance and education in land transactions.

To address these pressing issues and offer practical solutions to the current challenges in land development and transactions in Malaysia, REHDA Institute had the privilege of hosting a distinguished panel of speakers from Federal and Local Government, enforcement bodies, and prominent property stakeholders. The workshop covered a diverse array of topics, including:

- Understanding the land acquisition process for Federal, public, and private projects;
- Determining land premiums for property development and lease extensions;
- Guidance on OSC for planning approval;
- Combatting land fraud with prevention measures;
- Preventing corruption and fraud in land acquisition and transfers;
- Key terms for joint venture development agreements;
- Assessing and determining the "Right Price" for land or property;
- Identifying property risk factors and applying mitigation strategies;
- Funding strategies and cash flow management;
- Implementing effective marketing and branding strategies in property development.
- Assessing the impact of major infrastructure developments in South Johor;

Datuk Haji Abdul Aziz bin Mohd Johdi, Timbalan Ketua Pengarah, Sektor Kemajuan Pengurusan & Perundangan (SKPP), Jabatan Ketua Pengarah Tanah Dan Galian (JKPTG) Persekutuan, highlighted that "Land is a State matter, as stipulated under the National Land Code." Land acquisition by the State Authority is carried out when the land is required for any public purpose. Additionally, the State Authorities may undertake land acquisition on behalf of private entities for purposes beneficial to the country's economic development or the public at large, as elaborated by Tuan Jaiya bin Abu, Pengarah, Bahagian Pengurusan dan Perundangan Tanah, JKPTG Putrajaya. It is important to differentiate between 'public purpose' and 'public utility'. While public purpose pertains to any public usage by Federal and Local Governments, public utility, as defined under section 2 of the Land Acquisition Act 1960, refers to public services like rail transportation.



Datuk Ir Ho Hon Sang, President, REHDA Malaysia presented the token of appreciation to Datuk Haji Abdul Aziz bin Mohd Johdi, Timbalan Ketua Pengarah, Sektor Kemajuan Pengurusan & Perundangan (SKPP), Jabatan Ketua Pengarah Tanah Dan Galian (JKPTG) Persekutuan.



Tuan Jaiya bin Abu, Pengarah, Bahagian Pengurusan dan Perundangan Tanah, JKPTG Putrajaya during his presentation.

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Additionally, land premiums for property development vary by State, as outlined in the National Land Code (Act 828). For instance, in Selangor, the calculation method for land premiums when changing land use from agriculture to development/industrial is as follows:

Residential	15% of the converted land value x land area
Commercial	30% of the converted land value x land area
Light Industry	20% of the converted land value x land area
Medium Industry	25% of the converted land value x land area
Heavy Industry	30% of the converted land value x land area

Regarding lease extensions in Selangor, the calculation method for the land is outlined below:

Residential	$(1/4) \times (1/100) \times \text{market value of the land} \times (99 \text{ years} - \text{remaining lease}) \times \text{land area}$
Commercial	$(3/4) \times (1/100) \times \text{market value of the land} \times (99 \text{ years} - \text{remaining lease}) \times \text{land area}$
Industrial	$(3/4) \times (1/100) \times \text{market value of the land} \times (99 \text{ years} - \text{remaining lease}) \times \text{land area}$

In a bid to streamline the planning approval process and embrace the digital era, Puan Sarina Binti Saad, Pengarah Jabatan Pusat Setempat (OSC), Majlis Bandaraya Subang Jaya (MBSJ), provided valuable insights into OSC 3.0 Plus. Puan Sarina highlighted that the maximum online review period for applications from local authorities is 7 working days. To avoid delays in obtaining development approval, it is crucial for the Submitting Person (SP) or Principal Submitting Person (PSP) to ensure that all documents are submitted accurately on the portal.



Datuk Haji Muztaza bin Haji Mohamad, Trustee of REHDA Institute presented the token of appreciation to Puan Sarina Binti Saad, Pengarah Jabatan Pusat Setempat (OSC), Majlis Bandaraya Subang Jaya (MBSJ).

Turning to the issue of land fraud in Malaysia, Supt. Nur Asrul bin Ariff, Superintendent and Head of the Property Crime Unit at the Royal Malaysian Police (PDRM), outlined several methods commonly employed in property transfer fraud:

- Using a Fake Administrator's Power of Attorney: To execute fraudulent land transfers.
- Submitting a Fake Affidavit: To facilitate fraudulent transactions.
- Impersonating the Landowner: By signing Form 14A (land transfer form).
- Impersonating a Company Director: By signing Form 14A.



Supt. Nur Asrul bin Ariff, Superintendent and Head of the Property Crime Unit at the Royal Malaysian Police (PDRM) during his presentation.

Additionally, SAC Teh Chong Earn, Senior Assistant Commissioner and Head of the Governance Investigations Division at the Malaysian Anti-Corruption Commission (MACC), highlighted further fraudulent activities, including:

- Altering Land Status: Modifying records at the Department of Director General of Lands & Mines Federal (PTG) to deceive authorities into transferring Malay Reserved Land to an open land scheme.
- Abuse of Power: Officials allocate government agricultural land to themselves or their relatives rather than to deserving villagers.
- Bribery: Between land administrators and applicants to expedite or smoothen the land process without proper scrutiny.

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To address these issues, Supt. Nur Asrul bin Ariff proposed several measures:

- **Biometric System:** Implementing biometric verification for all land transfer transactions.
- **Biometric Requirements for Key Roles:** Requiring power of attorney holders, administrators, and probate administrators (for deceased estates) to use the biometric system.
- **Logbook Maintenance:** Mandating registrars to maintain a logbook for security paper (Geran Tanah Kosong) and record entries after use.
- **Archiving Old Titles:** Ensuring that old land titles are archived rather than discarded to support police investigations into land transfer fraud, as per the National Archives Act 2003.
- **Liaison Officer:** Appointing a PTG officer as a liaison to assist police with investigations into land fraud cases.
- **Title Document Verification:** Comparing serial numbers on "Dokumen Hakmilik Keluaran Komputer Kepada Pemilik Tanah" with the "Dokumen Hakmilik Daftar Komputer PTG" to confirm the authenticity of land ownership before registering any land transfer transactions.

Meanwhile, SAC Teh Chong Earn outlined MACC's initiatives to combat corruption in Malaysia:

- **Corruption-Free Pledge:** Requiring land office personnel to take a pledge witnessed by MACC.
- **Integrity Units:** Establishing Integrity Units within the Ministry, JKPTG, and all land offices nationwide.
- **Organisational Anti-Corruption Plan:** Mandating the development of an Anti-Corruption Plan for land offices under the Prime Minister's directive on National Anti-Corruption Plan (NACP) in 2018.
- **Procedure Revision:** MACC's Governance Investigation Division revising procedures and advising public bodies to implement changes to reduce corruption risks.
- **Incentives for Whistleblowers:** Offering incentives to government employees who report to MACC and assist in investigations related to bribery.

- **Civil Society Engagement:** Collaborating with civil society through talks, seminars, forums, and other methods to achieve widespread results in combating corruption.



SAC Teh Chong Earn, Senior Assistant Commissioner and Head of the Governance Investigations Division at the Malaysian Anti-Corruption Commission (MACC) during his presentation.

For joint venture developments, establishing a comprehensive joint venture agreement is essential to protect the interests of both the landowner and the developer. To enhance the joint venture, several preliminary documents are necessary:

- Preliminary Documents:** Outlining the essential components of the joint venture.
- Non-Disclosure Agreement:** To ensure the confidentiality of the proposed project.
- Joint Venture Agreements:** Detailing terms of ownership, development timelines, financing arrangements, and decision-making processes throughout the project.
- Power of Attorney/Corporate Guarantee/Personal Guarantee:** To provide additional security and authority.



Ms Lim Yoke Wah, Partner at Halim Hong & Quek (HHQ) during her presentation.

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Ms. Lim Yoke Wah, Partner at Halim Hong & Quek (HHQ), and Ms. Sharifa Nurliliyana, Senior Associate at Halim Hong & Quek (HHQ), emphasised the importance of setting specific and realistic milestones and deadlines for various stages of the project, including planning approvals, construction phases, marketing, and completion. They also highlighted the need to address key terms such as profit sharing, return on investment, financing structures, and development plans. Capturing these details in the agreement is crucial to ensure the success of the venture and to establish a clear exit strategy for both parties, thereby avoiding potential disputes.

"There is no right price for a parcel of land," said Sr. Prem Kumar, Group Managing Director of Firdaus & Associates Group of Companies. Key factors in valuation include location, legal ownership, physical characteristics, infrastructure, and town planning. Additionally, less transparent elements such as development approvals, government policies, economic conditions, market trends, and environmental factors play a significant role. These factors, which influence land utility and usage, shift over time, ultimately affecting its value. Historically, property valuation relied more on subjective judgement but has now evolved into a more scientific discipline, with a stronger focus on calculations and methodology.

Sr. Prem Kumar also highlighted the importance of risk mitigation, which should involve all stakeholders, including developers, contractors, and financial institutions. He stressed the need for developers to understand market dynamics before launching projects, despite challenges in assessing potential demand due to market opacity.



Sr. Prem Kumar, Group Managing Director of Firdaus & Associates Group of Companies during his presentation.

Mr. Tan Hwa Chun, Director of B.I.G Group and Co., a mergers and acquisitions specialist in land investment and development, emphasised the significance of effective funding strategies to maximise project profitability and ensure adequate capital for completion. He noted that in a typical developer organisation, the marketing and sales department is critical in driving revenue, followed by the business development department, which ensures smooth coordination and project execution. Lastly, the finance department plays a crucial role in managing cash flow and maintaining overall business sustainability.



Mr. Tan Hwa Chun, Director of B.I.G Group and Co. during his presentation.

In the final session, Mr. Ho Chin Soon, Chairman of Ho Chin Soon Research & Hong Onn Enlightens, highlighted the importance creating market awareness in property development to ensure project success and attract the target market. Additionally, he emphasised the need to focus on major infrastructure improvements and connectivity projects in the country, as these will significantly impact real estate development. Enhancing infrastructure connectivity will be a key factor in attracting investment in real estate.

This workshop has set a clear path for addressing the complexities of land development and has equipped industry players with practical tools to navigate challenges in Malaysia's property landscape.

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Urban Regeneration: Revitalising Cities for the People

Is urban regeneration crucial for Malaysia's development? How does it improve the quality of life for city residents? How will the urban renewal initiative be executed, and what challenges are expected in its implementation? Urban renewal has become a major topic in Malaysia's real estate industry, especially after the Minister of Housing and Local Government announced last year the drafting of a new law to ensure systematic, well-planned, and effective urban renewal efforts.

Urban renewal is not something new for the country. Past projects such as KL Sentral, Kampung Baru, Pasar Sentul, Razak Mansion and Merdeka 118 serve as examples of how urban renewal can revitalise aging or underdeveloped areas. Urban renewal revitalises aging or underdeveloped areas, optimises urban land use aligned to sustainable practices, improves the quality of life for residents, preserves community heritage and ensure that cities can adapt to future challenges such as population growth and environmental changes. It also brings economic benefits by attracting new businesses, revitalising local economies, creating jobs and boosting property values.

Mr. Emil Elestianto Dardak, President of EAROPH International, during the 15th World Class Sustainable Cities (WCSC) International Conference that was held in M Resort & Hotel Kuala Lumpur on 10 September 2024, highlighted critical factors driving the necessity for urban regeneration and identified key features of urban regeneration, as summarised in the table below. He emphasised that urban regeneration is not merely a response to aging infrastructure but a proactive strategy to address broader socio-economic and environmental challenges faced by cities today.

Urban regeneration isn't an easy process as it brings significant changes to the economy, social dynamics, and environment of the affected areas. The biggest challenge, though, is often the people living there. Getting residents on board and finding fair ways to resettle them is a major issue, as not everyone is open to such big changes in their neighbourhood. Engaging with the local community, being transparent, integrating resident feedback, and addressing their concerns with fair compensation and relocation options are crucial steps in building trust and gaining their support for urban regeneration projects.

Table 1: Drivers and Key Features of Urban Regeneration

DRIVERS		KEY FEATURES	
Declining Activities Suburbanisation, ageing population, business closure and other factors lead to decline in residential or commercial activities.	URBAN REGENERATION	Density Increase Boost the population of a neighborhood, typically through expanding the capacity of buildings such as through high rise development	
Structural Transformation Improve the functioning of an urban area such as promoting more public transport use through transit-oriented development (TOD).		Repurpose Changes the function of a neighborhood, such as adding residential function to an office district or adding commercial activities in a predominantly residential district.	
Emerging Activities Responding to unintended emergence of activities that result in economic growth but requires further effort to ensure proper management such as increasing commercial activities in residential area.		Reconfigure Changes the layout of the neighborhood without significantly affecting the existing population or activities composition.	
		Amenities Improvement Provides additional infrastructure and facilities.	
Existing Problems Initiatives to mainly address existing problems in the area such as declined pedestrian activity.		Upgrading Improves the existing buildings or houses in the district.	
		Infusion Adds activities to revitalise the district economic activities.	

Source: Special Keynote Presentation of Mr. Emil Elestianto Dardak, President of EAROPH International, during the 15th WCSC International Conference.

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Financing is another main hurdle. Urban regeneration projects require significant investment, whether from public funds, private investors, or a combination of both. Balancing the financial viability of projects while ensuring that they serve the public interest can be difficult, especially in economically depressed areas that need renewal the most.

Moreover, there is always the risk of policy discontinuity due to political changes. Urban regeneration is typically a long-term effort and shifts in political leadership or priorities can disrupt ongoing projects, delay funding, or alter the regulatory environment. To mitigate this, it is essential for urban regeneration policies to be built on broad, bipartisan support, ensuring they can withstand changes in Government and continue progressing over time. Ultimately, urban regeneration requires careful planning, inclusive decision-making, and long-term commitment from all stakeholders to be successful and sustainable.

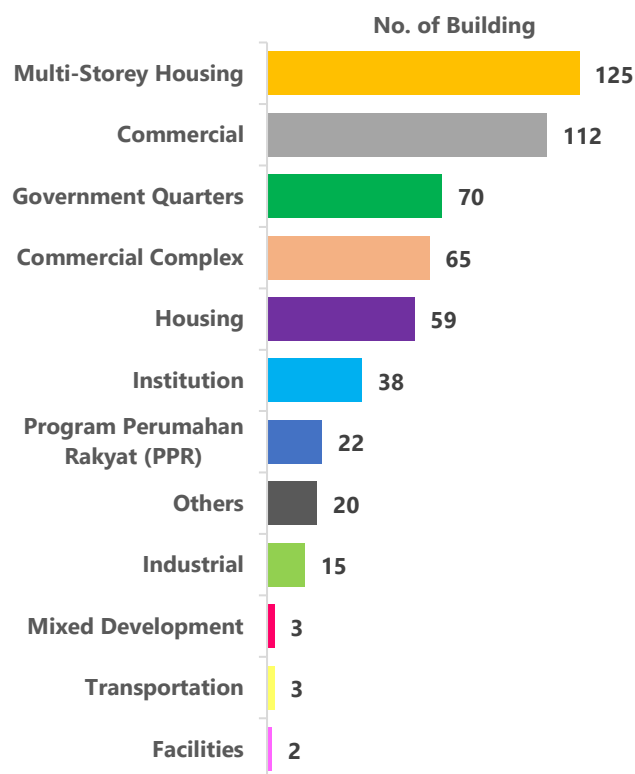
Urban Renewal Act

The Ministry of Housing and Local Government (KPKT) is currently working on the Urban Renewal Act, a critical legislative tool designed to facilitate, regulate, and manage the urban renewal process while protecting the rights and interests of land and property owners. The Act reflects a coordinated effort between the Federal and State Governments to advance urban sustainability and livability. Importantly, it prioritises social engagement to achieve fair, legitimate, and comprehensive consensus among stakeholders, rather than relying on forced acquisition, ensuring a more inclusive and transparent approach to urban redevelopment.

The Urban Renewal Act is particularly important as it represents Government intervention to safeguard the welfare of the people, addressing social, economic, and physical aspects of urban development. It will establish guidelines for determining qualified and competent project proponents, ensuring that those who undertake these projects are equipped to deliver high-quality outcomes. Moreover, the Act will provide a framework for evaluating the rights and interests of property owners, ensuring they receive adequate compensation and other benefits during the renewal process.

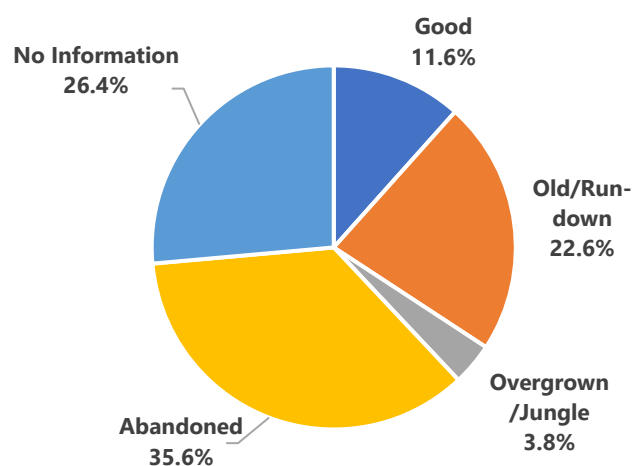
The urgency of this urban renewal initiative is underscored by data from the Town and Country Planning Department (PLANMalaysia), which has identified 534 potential areas and buildings for urban renewal across Peninsular Malaysia. Of these, 125 are multi-storey residential buildings, and 112 are commercial properties. In terms of building age, 194 of these structures are over 30 years old, while 180 are between 10 to 29 years old. Many of these aging buildings face significant safety, efficiency, and livability challenges, as older structures may no longer comply with current safety standards. Alarming, 229 of the identified buildings have been deemed unsafe for occupancy, making immediate intervention necessary. In terms of location, 139 of the potential sites, spanning 3,206.51 acres, are in Kuala Lumpur, with a total estimated gross development value (GDV) of RM355.3 billion.

Chart 1: Type of Potential Buildings for Urban Renewal Across Peninsular Malaysia



Source: Ministry of Housing and Local Government (KPKT)

Chart 2: Status of Potential Buildings for Urban Renewal Across Peninsular Malaysia

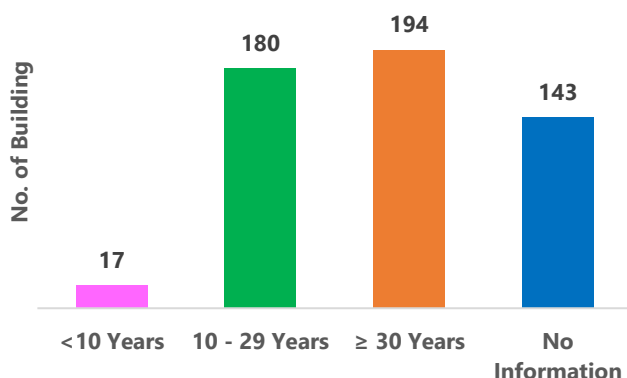


Source: Ministry of Housing and Local Government (KPKT)

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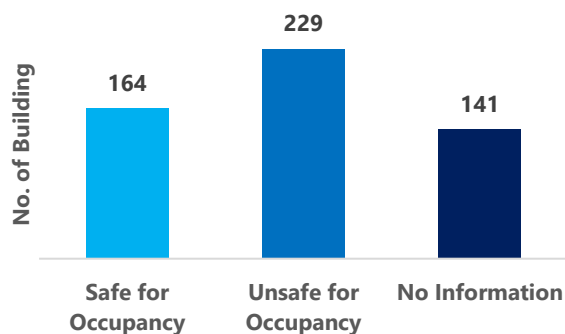


Chart 3: Age of Potential Buildings for Urban Renewal Across Peninsular Malaysia



Source: Ministry of Housing and Local Government (KPKT)

Chart 4: Condition of Potential Buildings for Urban Renewal Across Peninsular Malaysia



Source: Ministry of Housing and Local Government (KPKT)

Key Issue in Urban Renewal

During the presentation by Director General of Town and Country Planning (PLANMalaysia) Datuk TPr Dr. Alias Bin Rameli at the 15th World Class Sustainable Cities (WCSC) Conference, four key issues related to urban renewal were identified:

- 1. Mechanism and Process of Urban Renewal** – There is a need for a clear and efficient process to guide urban renewal projects from initiation to completion, ensuring smooth collaboration between stakeholders.
- 2. Consent Threshold** – The level of consent required from property owners is a critical factor in moving forward with renewal projects. The proposed Urban Renewal Act suggests a consent threshold of 80% for buildings under 30 years old and 75% for those over 30 years. For unsafe buildings and abandoned properties, a lower approval threshold of 51% is recommended, facilitating faster action in urgent cases.

3. Implementation Governance – Ensuring that the governance structures overseeing urban renewal projects are robust, transparent, and accountable is essential for long-term success.

4. Rights and Interests of the Community and Infrastructure Quality – Protecting the rights and interests of affected property owners and ensuring the quality of new infrastructure are critical to building trust and ensuring that renewal projects benefit the community as a whole.

The urban renewal initiative also raises important constitutional debates, particularly concerning property rights. Article 13 of the Malaysian Constitution guarantees the right to property and sets limitations on when property can be taken. However, Article 74 grants Parliament and State Governments the authority to legislate on matters in the Federal or Concurrent Lists, as outlined in the Ninth Schedule.

In referencing to Article 74, the Federal Government can establish a framework for urban renewal, while State Governments would implement it at the local level. While property rights are enshrined as fundamental liberties, the Constitution recognises that these rights are not absolute when balanced against the nation's need to acquire private property for the public good and economic growth.

For property owners who oppose urban redevelopment, Section 3 of the Land Acquisition Act 1960 [Act 486] empowers the State Authority to acquire land for public purposes, including economic development. This provision highlights the balance between protecting individual rights and promoting broader public interests, ensuring that while property rights are respected, they do not obstruct necessary progress in revitalising urban areas and stimulating economic growth.



Merdeka 118 – One of the Prominent Urban Renewal Projects in Malaysia

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Implementation of Urban Renewal Initiative

The KPKT has identified four types of urban renewal methods:

- 1. Urban Redevelopment** – A holistic approach that modify the existing structure through various changes, including site clearance, building demolition and optimising the land use, to provide added value regarding economic improvement, physical condition, infrastructure, utility, and social for livable city life.
- 2. Urban Regeneration** – Focusing on the rehabilitation of the old, dilapidated and abandoned site through construction of new buildings, renovation of old buildings, providing facilities and infrastructure, and maintaining the design, layout and function of the area. The objective is to regenerate economic, social and environmental activities in the area.
- 3. Urban Revitalisation** – Focusing on restoration of areas and buildings with some physical change only to refresh areas and buildings that showed signs of obsolescence and where there has been a decline in socio-economic activity. Examples of such developments include building renovations, upgrading, and beautifying the landscape area.
- 4. Urban Conservation** – Preserving the physicality of heritage and historic sites or buildings that have identity and aesthetic significance, and changing building activities to maintain heritage values.

The Ministry has proposed a range of incentives to encourage urban renewal initiatives. These include exemptions from development charges determined by Local Authorities, exemptions on Improvement Service Fund (ISF) charges for housing areas undergoing renewal, land premium discounts, higher plot ratios, and a fast-track development approval process. These incentives aimed to attract developers and property owners to participate in urban renewal projects, ensuring smoother implementation and fostering economic growth.

Conclusion

Urban renewal is not only necessary to address the pressing physical and safety issues posed by aging buildings, but also to revitalise declining neighbourhoods and improve the overall quality of life for residents. By renewing these areas, the government can stimulate economic activity, improve public safety, and promote sustainable urban development, ultimately enhancing the long-term livability and economic viability of Malaysia's cities.

As Malaysia moves forward with the Urban Renewal Act, the country is taking an important step towards creating safer, more vibrant, and economically resilient urban environments. By addressing the challenges of aging infrastructure and empowering property owners and developers through a clear legal framework, Malaysia can set the stage for urban renewal initiative that benefits all stakeholders.



PARTNERSHIP OPPORTUNITIES

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Please contact Mr. Khairil Syazwan (016 925 8257 | ksyazwan@rehdainstitute.com) for more details on our Strategic Partnership & Sponsorship Collaboration.



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Homebuyers' Survey

REHDA Institute collaborated with REHDA Malaysia to conduct a survey on potential homebuyers during MAPEX June 2024.

The objective is to assess homebuyers' affordability and the demand for housing properties in Malaysia. The three-day event at Mid Valley Exhibition Centre (MVEC) took place from 21st to 23rd June 2024, with 901 respondents participating in the survey. For analytical purposes, we focused on the 845 respondents who diligently completed the questionnaire.

This summary report consists of three (3) parts:

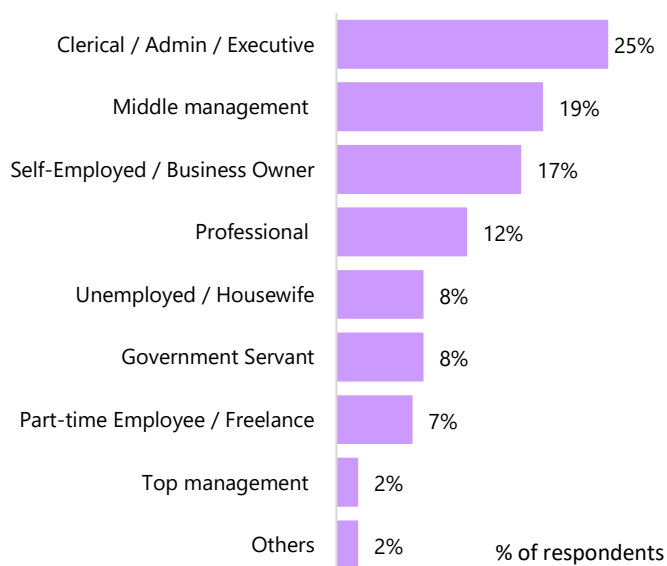
- A. Part 1 – Homebuyers' Profile
- B. Part 2 – Homebuyers' Income & Budget
- C. Part 3 – Homebuyers' Preferences

Part 1: Homebuyers' Profile

Clerical / Admin / Executive topped the respondent's occupation with 25%, followed by middle management (19%) and self-employed / business owner (17%).

Among those categorised as "Others" (2%), 90% were retirees.

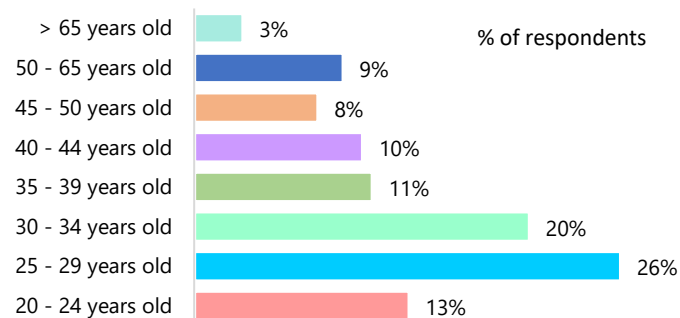
Chart 1: Designation of Respondents



Source: REHDA Institute Research

More than half of the respondents are young potential buyers, with 59% of them falling within the age range of 20 – 34 years old, indicating a significant interest by this demographic group.

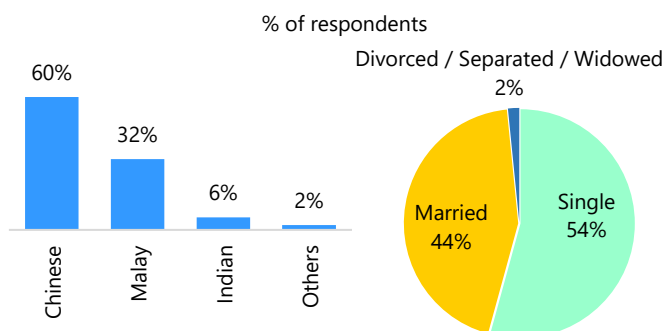
Chart 2: Age Group



Source: REHDA Institute Research

A majority of the respondents (60%) were Chinese ethnicity, followed by Malay ethnicity with 32%. Within the "Others" (2%) category, 74% were Bumiputera East Malaysia. In terms of marital status, 44% of the respondents are married. Among them, 73% of their spouses are working.

Chart 3: Ethnicity & Marital Status

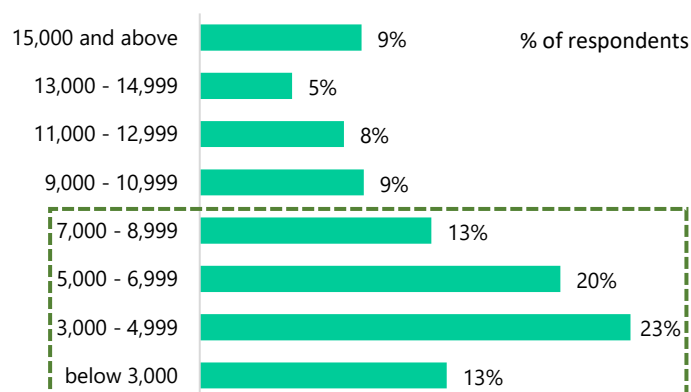


Source: REHDA Institute Research

Part 2: Homebuyers' Income & Budget

69% of the respondents are earning a gross income of less than RM9,000 per month.

Chart 4: Gross Household Income (RM per month)



Source: REHDA Institute Research

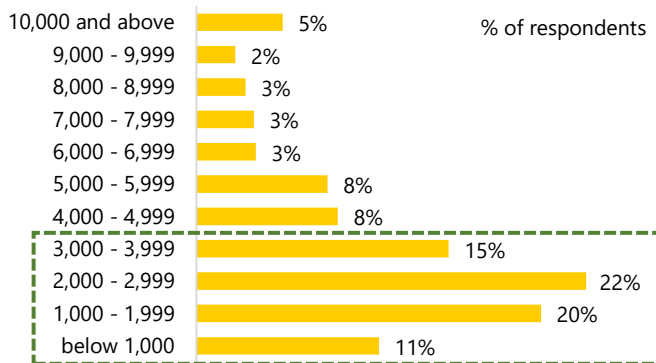
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Part 2: Homebuyers' Income & Budget (cont'd)

A majority (68%) of the respondents are spending less than RM4,000 per month on their household expenditures.

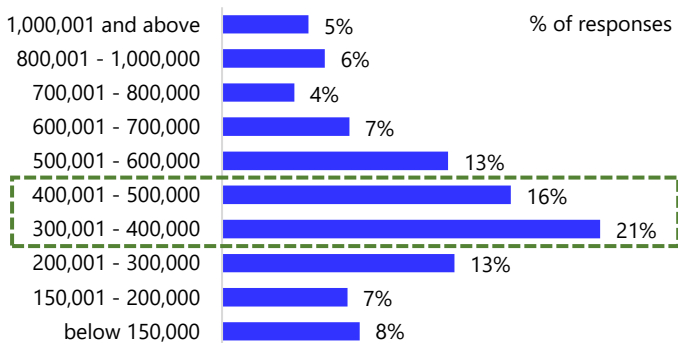
Chart 5: Household Expenditure (RM per month)



Source: REHDA Institute Research

The preferred home price range by potential homebuyers is RM300,001 to RM500,000.

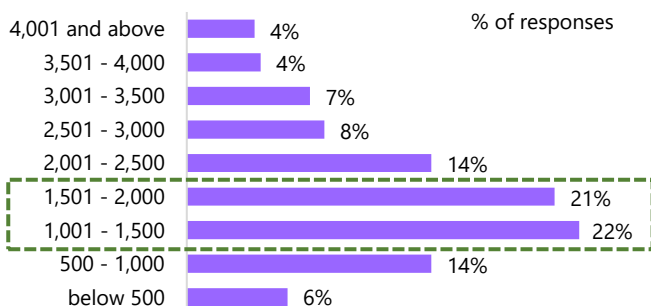
Chart 6: Target House Price (RM)



Source: REHDA Institute Research

The most selected budget for monthly house installments among the respondents is between RM1,000 and RM2,000 (43%).

Chart 7: Housing Loan Repayment (RM per month)

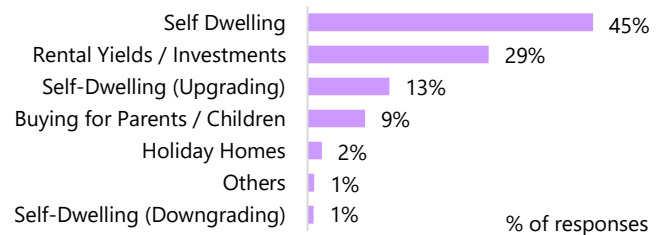


Source: REHDA Institute Research

Part 3: Homebuyers' Preference

The primary buying purpose among potential buyers is self-dwelling (45%), followed by rental yields and investment at 29%.

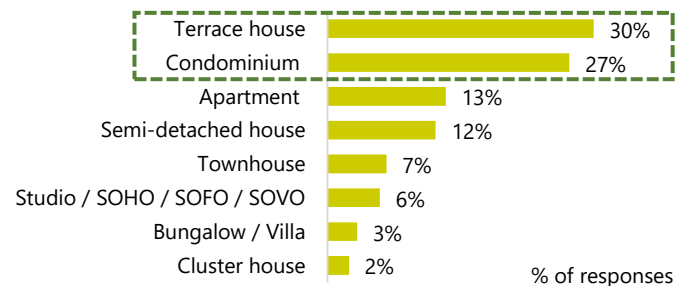
Chart 8: Buying Purposes



Source: REHDA Institute Research

Terrace house and condominium are the most popular choices among potential buyers, with a total percentage of 57%.

Chart 9: Type of House



Source: REHDA Institute Research

The respondents preferred built-up areas ranging from 900 sq ft to 1,299 sq ft, with a total percentage of 44%. Meanwhile, most of the respondents preferred two (2) to four (4) bedrooms (84%) as their future house.

Chart 10: Built-up Area (Sq ft)

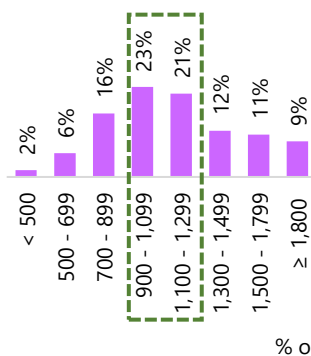
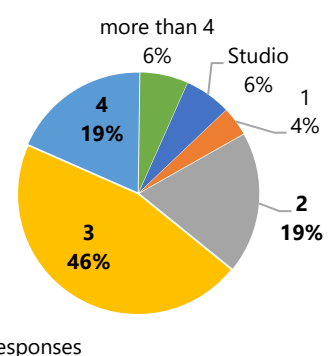


Chart 11: No. of Bedrooms



Source: REHDA Institute Research

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Part 3: Homebuyers' Preference (cont'd)

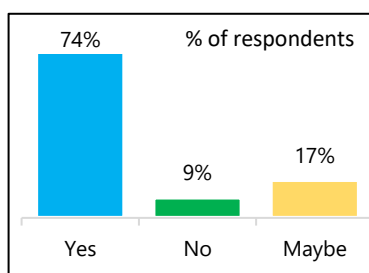
The top three (3) in terms of facilities were having a swimming pool, gym, and jogging track.

Majority of the respondents (74%) showed an interest towards projects that integrate green features.

Table 1: Facilities

1. Swimming pool
2. Gym
3. Jogging track
4. Gated & Guarded
5. Playground

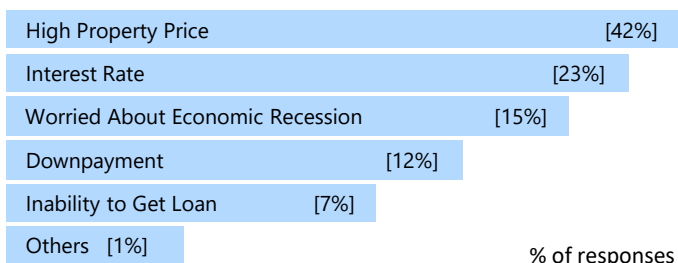
Chart 12: Green features



Source: REHDA Institute Research

The respondents expressed high property prices (42%) as the foremost barrier to their future property purchases, followed by interest rates at 23%.

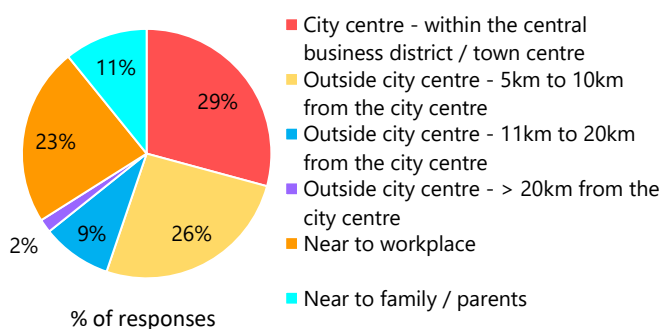
Chart 13: Barriers of Buying Property



Source: REHDA Institute Research

Living in the city center, specifically in the central business district or town center (29%), is the most preferred among potential buyers. Conversely, a significant number also expressed interest in locations outside the city center, ranging from 5km to 10km away (26%).

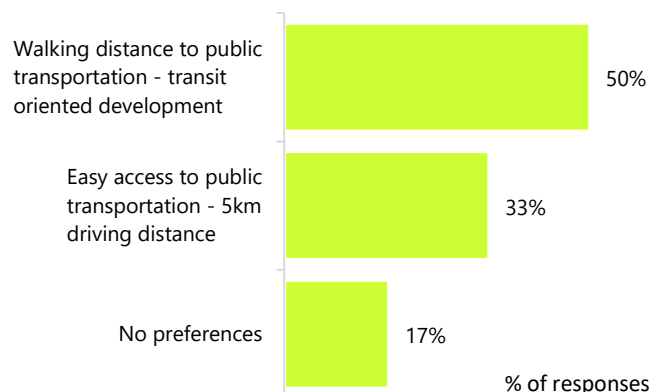
Chart 14: House Location



Source: REHDA Institute Research

The respondents showed a strong preference for living near public transportation, particularly in areas that support transit-oriented development (50%).

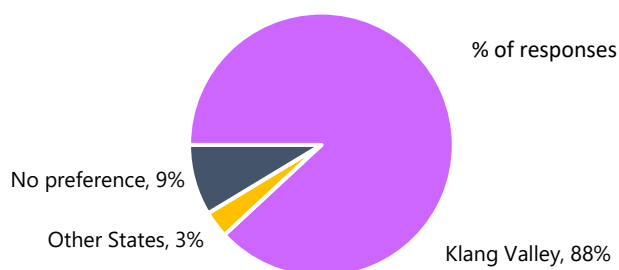
Chart 15: Accessibility



Source: REHDA Institute Research

The Klang Valley (88%) emerged as the top preferred area for respondents considering future housing options, with Petaling Jaya, Kuala Lumpur, and Shah Alam ranking among the top three choices. In other States, Negeri Sembilan garnered the most interest, with Seremban leading at 29%, followed by Nilai (18%). Among the respondents, some indicated that they currently have no particular preference (9%) for any specific area.

Chart 16: Area



Source: REHDA Institute Research

Note:

- (1) % of "respondents" – the percentage calculated based on single-choice response per respondent;
- (2) % of "responses" – the percentage calculated based on multiple-choice responses per respondent

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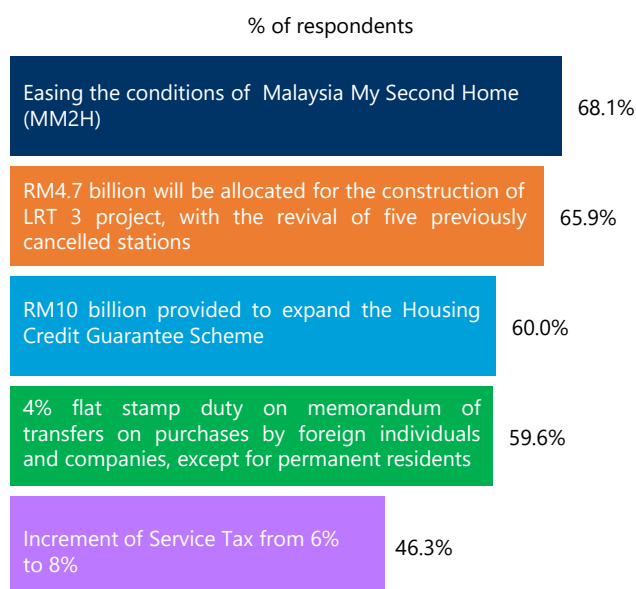


Industry Marketing and Sales Survey 2024

The "Industry Marketing and Sales Survey" was conducted on 11th June 2024 during the "Property Heads of Marketing Summit & Industry Brainstorming" event. This survey was distributed to the event participants to gather insights into the current marketing and sales challenges faced by property developers. The key findings from the survey are as follows:

Q1: The Malaysian Government is implementing several measures that are related to the real estate sector in 2024. How likely do you think the following will affect the real estate sector?

Chart 1: Malaysian Government Measures on the Real Estate Sector



Source: REHDA Institute Property Heads of Marketing Summit & Industry Brainstorming Session

The respondents stated that easing the MM2H condition is the most welcome Government initiative, followed by allocating a budget to revive the five cancelled LRT stations for the LRT 3 project.

Q2: With the increased bank lending interest rate, what are the marketing & sales strategies you or your company deploy to address the current market situation for prospective buyers?

In the face of interest rate challenges, property developers have adopted a range of strategies to mitigate risks and attract buyers. These strategies span various aspects of the development process, from pricing and product offerings to promotional activities and financial support mechanisms. By integrating these strategies, developers aim to sustain demand and maintain financial stability in a competitive market.

Strategy	Details
Pricing Strategy	One of the foremost strategies developers employ is adjusting pricing to make their products more accessible to potential buyers. Developers have implemented measures such as pricing their properties at affordable levels and offering various incentives to reduce the financial burden on buyers.
Product Strategy	Developers are focusing on market-driven, right-sized products that maintain affordability. They reduce overall project costs through cost-effective construction methods and fully furnished units. Green building certification enhances product value, appealing to eco-conscious buyers and justifying a premium price.
Promotion Strategy	Developers are focusing on targeted promotions to attract buyers, emphasising "move-in ready" or "tenantable condition" properties to reduce post-purchase costs. They use cash rebates, discounts, and digital marketing to increase visibility. Referral programs and customer loyalty initiatives help building a strong customer base, shifting from mass to targeted marketing strategies.
Financing Strategy	Developers offer flexible in-house financing, deferred payment schemes, and subsidised bank interest during construction. They collaborate with banks for competitive end-financing and provide green financing options with lower interest rates, catering to sustainable living demands. These strategies give buyers more time and favorable terms to manage their finances.
Branding Strategy	Building and maintaining trust is essential in the property market. Developers are focusing on trust-building initiatives and are committed to delivering quality products. A strong reputation for quality and reliability can significantly impact a developer's ability to attract and retain customers, even in challenging financial climates.
Education Strategy	Developers are focusing on educating potential buyers by explaining the effects of Base Lending Rate (BLR) changes, conducting financial health checks before loan applications, and setting clear expectations for property purchases. This approach, combined with personalised financial advice, helps buyers make informed decisions and minimises the risk of financial difficulties after buying a property.

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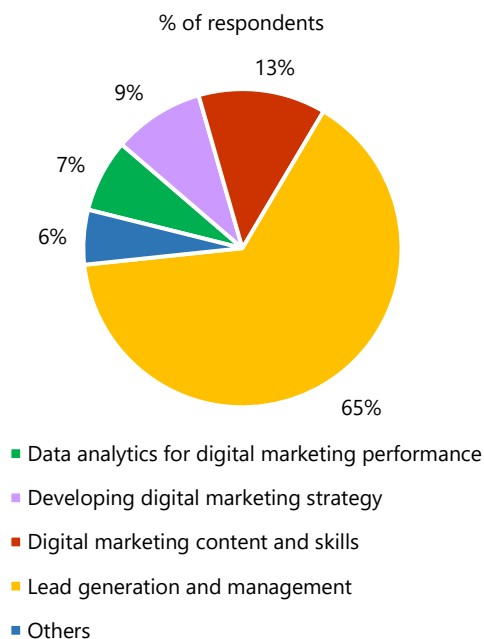


Q3: Based on your opinion and experience, please list down the Top 3 challenges faced in marketing and sales of properties in Malaysia.

1	End-Financing Issues - financial institutions are applying strict and conservative criteria.
2	High Construction Cost - driven by increased material and labour expenses, and the overall cost of doing business.
3	Affordability - instead of offering product at "cheap" price, it is timely for stakeholders to redefine "affordable" and the measure of affordability.

Q4: What are the main pain points of your digital marketing campaign?

Chart 2: The Challenges of Digital Marketing Campaign



Source: REHDA Institute Property Heads of Marketing Summit & Industry Brainstorming Session

Majority (65%) of respondents acknowledged difficulties in ensuring that quality leads are generated from their digital marketing campaigns, and subsequently affecting their lead-to-sales conversion rate.

Q5: How much (estimated) is your company spending on digital marketing initiatives for your company?

Chart 3: Planned Digital Marketing Spending in 2024

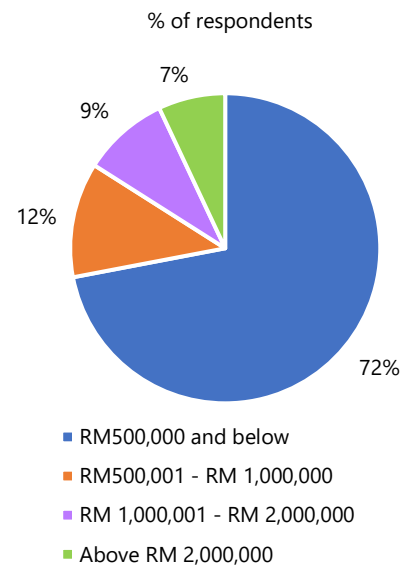
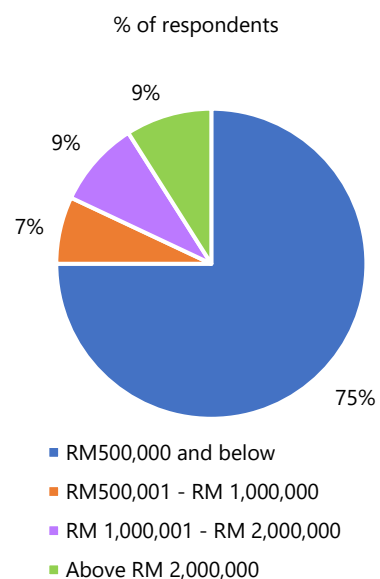


Chart 4: Actual Digital Marketing Spending as of June 2024



Source: REHDA Institute Property Heads of Marketing Summit & Industry Brainstorming Session

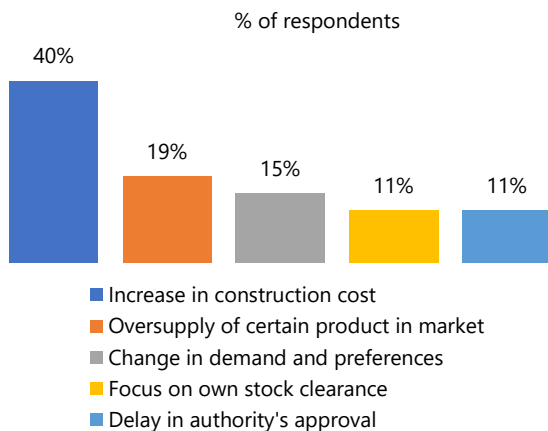
72% of respondents allocated RM500,000 or less for their digital marketing exercise in 2024. In terms of actual spending, 75% of respondents acknowledged that as of June 2024, they had spent RM500,000 or below in their digital marketing activities.

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Q6: What is/are the reason(s) for the reduced launches?

Chart 5: Top 5 Reasons of Declining New Residential Launches in 2H 2023

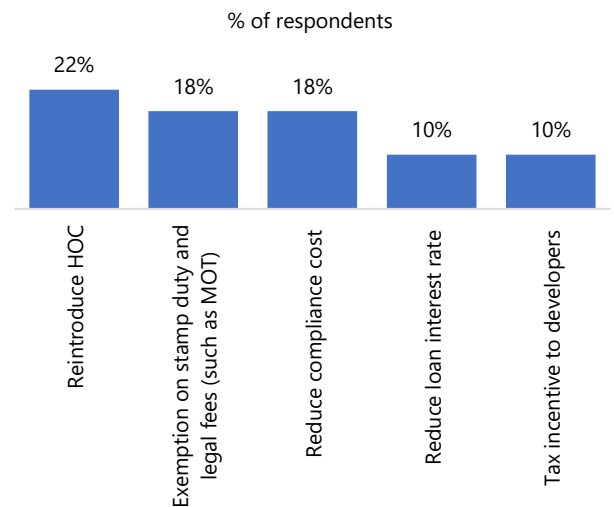


Source: REHDA Institute Property Heads of Marketing Summit & Industry Brainstorming Session

A significant 40% of respondents acknowledged that rising construction costs have resulted in declined new residential launches in 2H 2023. This was followed by concerns over potential oversupply of certain property products in the market (19%).

Q7: What incentives can encourage developers to launch new projects?

Chart 6: Top 5 Incentives that Encourage Developers to Launch New Project



Source: REHDA Institute Property Heads of Marketing Summit & Industry Brainstorming Session

Reintroducing Home Ownership Campaign (HOC) topped the respondents' wish lists for encouraging new project launches, followed by exemption from stamp duty and legal fees.

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A Micro-level Housing Database for Affordable Housing Market in Malaysia

Written by Prof. Dr. Wong Woei Chyuan

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One of the issues that has hampered the provision of affordable housing by developers is the shortage of timely and accurate market knowledge on the supply and demand for these houses in the market.

This is evidenced by complaints of a shortage of affordable houses on the one hand and the significant number of unsold affordable properties on the other. No one in the market has a crystal ball to tell at which specific location, at what price point, and to whom affordable houses can be offered. This requires collaboration between government agencies and industry players. This data should come in handy and at an affordable subscription price (if any) for the benefit of all stakeholders in the housing market.

Presently, the formal source of housing transaction and development information is available on the National Property Information Centre (NAPIC) website. While property listing information is widely available in property portals such as PropertyGuru and iProperty, they do not provide the final selling prices and consist only of current or active listings.

NAPIC's website is much more informative as it consists of pricing and market condition data, such as the number of new residential projects launched, the number of sales transactions, and their price ranges. This information is very useful for stakeholders to gauge the market conditions.

NAPIC should be commended for making these market conditions data more interactive on their website recently where online visitors can now observe the time series pattern of the market conditions (up to the district level) from this website instead of scrolling through the PDF documents. These data points are just four months behind the market. This is timely by international standards.

Providing Data at a More Granular Level

Moving forward, NAPIC should consider providing data at a more granular level, up to the project level. This level of disclosure will be more informative. For example, developers will know precisely which areas in a district new launches took place and their sales performance. This will allow developers to make better development decisions.

Another improvement that could be made would be to expand the coverage period from the latest five quarters presently to a longer historical period (such as 15 years). A longer time series will allow stakeholders to better gauge the state of the property market.

This housing market conditions data provided by NAPIC can be matched with demographic variables (household income in particular) to infer affordability across various locations in Malaysia.

The Department of Statistics Malaysia (DOSM) can emulate its counterparts in the United Kingdom, i.e., Office for National Statistics, in tabulating the housing affordability ratio (house price/household income) for all 331 local authorities in England and Wales since 1997. Raw data in Excel format and interactive figures and maps are made available at the Office for National Statistics' website.

The creation of housing affordability measures at a granular level is surely within the reach of DOSM. It can work together with NAPIC to generate a housing affordability ratio at the mukim or, better still, city level.

In addition, DOSM can capitalise on its household income and expenditure survey reports to generate an affordability ratio based on the residual income approach. DOSM can also make use of Belanjawanku's estimated household expenditures to infer the housing affordability level of individual households.

This approach takes into consideration the household consumption patterns and household types on housing affordability. For instance, in addition to informing about the housing affordability level of various locations in Malaysia, the residual approach allows us to zoom in on the types of households (e.g., single, family with/without children) that can afford to own a house in a specific location.

Information on housing affordability at a granular level is informative as it allows developers to design and price houses at a level that can be afforded by the masses. The housing affordability ratio can also be used by local authorities as one of the criteria in granting the Advertising Permit and Developer's Licence (APDL) to developers. This is done by ensuring that there are enough houses with a price range that is affordable to households near the development site.



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Making Housing Microdata Accessible for All Stakeholders

The next milestone for the government should be making housing microdata accessible for all stakeholders in Malaysia. As the keeper of all property transactions/development data in Malaysia, NAPIC could emulate its counterpart in Singapore in creating an internet-based system, Real Estate Information System (REALIS), that provides historical and updated real estate transactions and development information in Singapore. This database can then be sold at an affordable price to the masses as a potential revenue source for NAPIC.

The Singapore REALIS database is available for subscription at an annual subscription price of S\$1,960 that covers the following five databases: Time series, Transaction, Developers' Sales, Rental, Project, and Stock.

REALIS's Transaction database allows its subscribers access to historical individual property sales transactions in Singapore. Each transaction data comes with detailed property physical characteristics (size, number of bedrooms, etc.), location (address), sale types (new, resale, auction), and sale price. Importantly, this microdata can be downloaded into Excel format for further analysis by serious researchers. In the context of provision of affordable houses, the availability of historical microdata will allow policymakers to gauge the impact and effectiveness of their affordable housing programmes.

Take the offering of affordable housing programmes such as PRIMA. The availability of transaction-level data will allow researchers to quantify the impact of the provision of PRIMA houses on the pricing strategies of private developers near the PRIMA housing schemes.

We can answer the policy question of whether offering PRIMA houses leads to lower launching prices by private developers. The long historical microdata also allows us to analyse the percentage of PRIMA homeowners that chose to sell their residential units after the end of the moratorium period and the capital gain made from these transactions. These empirical findings are important in verifying and quantifying housing subsidy leakages as these affordable schemes are meant for primary long-term residence of the middle-income group.

REALIS's Developer Sales database provides monthly updates on the number of units launched, sold and unsold private properties in Singapore. This micro data is up to the individual project level. The developer sales data provides an almost real-time market indicator to property developers to ensure they do not overbuild during a booming market.

One complaint often thrown at private developers is that they do not conduct enough market study before embarking on development projects leading to oversupplied or overhang issues in the housing market.

While big developers have the resources to conduct thorough market studies, small and medium-sized developers may not have the luxury to do so. Small developers are prone to survival risks due to lack of data for forecasting. The availability of the performance of the newly launched project up to the individual project level could be a feasible solution to mitigate this problem.

Real Estate Transaction Info on Subscription Basis

Presently, some private real estate companies have come to the bandwagon in providing real estate transaction information on a subscription basis. Besides providing historical transaction microdata, databases such as PropertyGuru's Datasense provide real-time demand and supply data derived from listing and online viewing activities on its property portal listing. This is a positive development for the property industry in Malaysia as they help in making our housing market more transparent.

I believe there is ample room for the co-existence of these micro-databases provided by the private sector with one offered by NAPIC. The former can focus on providing data analytics functions to institutional subscribers while NAPIC, as a government agency, should strive to make microdata available to the masses at an affordable price.

Together, with the creation of housing affordability ratio by location and household types, these initiatives will help alleviate the unknowns (where, what and who) in the provision of affordable housing.

[Remarks: The article was originally published in the Bernama news portal on 12 July 2024 and was reproduced in RI In Touch with permission from the author. The author collaborated with REHDA Institute on the Affordable Housing II - Closing the Gap: A Strategic Approach to Balancing Supply & Demand research report. Some of the information in the article relates to the research report.]

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Understanding Homebuyer Preferences for Property E-Auctions

Written by Abdul Ghani Sarip & Ong Chia Chee
Department of Real Estate
Universiti Malaya

Introduction

This study examines the role of public auctions, particularly e-auctions, in the real estate market in Malaysia. Auctions provide sellers with access to a broad market and can result in better prices, particularly when there is high demand. Historically, auctions in Malaysia are associated with distressed properties, used primarily by financial institutions to recover loan defaults (Shawn, 2018). This negative perception has limited the popularity of auctions compared to direct negotiations or primary sales, which sellers often view as more straightforward and profitable. Moreover, scepticism about auctions stems from concerns over transparency, the complexity of the process, and the potential risk of failing to achieve the desired sale price.

The study focuses on homebuyers' tendencies toward e-auctions in the Klang Valley region of Malaysia. It identifies key factors influencing buyers' perceptions of e-auctions and investigates barriers that hinder broader adoption of the process.

Property Auction

Auctions have long been recognised as an effective method for selling real estate, especially in cases of foreclosure. In an auction, properties are sold to the highest bidder, creating a transparent and immediate transaction process. Historically, Malaysia's auction market developed with legislative support beginning in 1906. In Malaysia, property auctions are mostly associated with forced sales due to the inability of property owners to make mortgage payments. These auctions often offer properties at prices significantly below market value, creating opportunities for buyers but also reinforcing the perception of auctions as a last resort.

E-Auction

E-auctions are identified as a growing alternative to traditional auctions, leveraging online platforms to facilitate property sales. E-auctions have gained popularity worldwide due to their convenience and efficiency, allowing buyers to participate remotely. They offer advantages such as broader market reach, enhanced security, and increased efficiency. In Malaysia, the e-Lelong system, introduced in 2018, aimed to enhance transparency and widen participation in property auctions. While it allows remote bidding and offers accessibility and privacy, public concerns about data security, unfamiliarity with the process, and limited physical inspections have slowed its adoption.

Factors Influencing Homebuyers' Perception of E-Auction

There is limited research on e-auctions in Malaysia (Stevenson & Young, 2015; Yahya et al., 2012; Choy et al., 2007; Wong et al., 2007). Prospective buyers' perceptions of e-auction properties are influenced by several key factors, which can be categorised into four main groups:

- **Property Factors:** These include the type of property, its location, and accessibility. The literature suggests that buyers prioritise location when considering properties for purchase, with accessibility and property type also playing important roles.
- **Structural Factors:** These refer to characteristics such as the number of rooms, property size, and building condition. Studies have shown that buyers are more attracted to properties with favourable building conditions, as they require less maintenance and reduce the perceived risks associated with auction purchases.
- **Auction Factors:** Key auction-related elements include the reserve price, the number of bidders, and the auctioneer's reputation. Reserve price, in particular, plays a crucial role in shaping buyer interest, as properties with lower reserve prices tend to attract more bidders.
- **Legal Factors:** Legal aspects such as the property's title, its status as Malay Reserve Land or Bumiputera Lot, and any encumbrances (e.g., caveats) significantly impact buyer perceptions. The presence of encumbrances or legal restrictions may discourage buyers from participating in auctions, particularly if these issues are not communicated during the process.

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Methodology

The study used a descriptive research approach to assess prospective homebuyers' perceptions of the online auction market. Primary data was collected through a survey of 242 respondents in SS2 Petaling Jaya, achieving an 82.59% response rate. A simple random sampling method was used, with the sample size determined by the Krejcie & Morgan table. The survey, distributed online from March 27 to April 27, 2024, used a five-point Likert scale to measure attitudes. Data analysis involved descriptive analysis and the Relative Importance Index (RII). Secondary data came from relevant literature.

Barriers to E-Auction Participation

The study highlights several barriers that hinder broader participation in Malaysia's e-auction market:

- **Security Concerns:** Many potential buyers are wary of the security risks involved in online transactions, particularly regarding personal and financial data.
- **Trust Issues:** Buyers often mistrust online platforms, fearing fraudulent activities or inadequate protections.
- **Time Constraints:** Monitoring bids in real-time can be challenging, particularly for individuals with busy schedules. The auction process may require sustained attention, which can deter participation.
- **Lack of Familiarity:** A significant portion of the public is unfamiliar with the e-auction process, leading to hesitancy and a preference for traditional methods of property purchase.
- **Lack of Physical Inspection:** Unlike traditional sales, e-auctions may not offer opportunities for buyers to physically inspect properties before placing bids, raising concerns about the condition and value of the property.
- **Negative Perceptions:** Auctions are associated with distressed properties, creating a stigma.
- **Technological Challenges:** Uploading documents and understanding the e-auction process can be complicated for some participants, particularly older individuals with limited technological proficiency.

Conclusion

The study reveals that prospective homebuyers prioritise factors like location, accessibility, building condition, and reserve price when considering e-auctions. These factors align with traditional property preferences but are accentuated in the context of auctions due to the competitive bidding process. Data security concerns, technological barriers, and a lack of public awareness are the most significant deterrents to broader participation in e-auctions. Trust in the system is a critical component that needs to be developed for e-auctions to become a more prominent method of property transactions in Malaysia. The findings suggest that policymakers and real estate practitioners should focus on educating the public, simplifying the e-auction process, and addressing security concerns to encourage greater participation in property e-auctions. Increased transparency and easier access to information will be essential in building trust and confidence in the system.

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Environmental, Social and Governance (ESG): From Valuers' Perspectives

Written by Mr. Pang Wiyett
*Graduate
Master of Real Estate Development (MRED)*

In recent years, there has been a growing recognition of the importance of Environmental, Social, and Governance (ESG) globally. It represents a set of criteria used to evaluate the sustainability and ethical impact of an investment or business. ESG influences the real estate industry by affecting investment attractiveness, regulatory compliance, risk management, etc.

Environmental focuses on the impact of properties on the natural environment and climate change. It includes energy efficiency, water efficiency, waste management, and carbon footprint. Real estate developers and investors are increasingly incorporating green building practices.

Social refers to the concern on communities. Real estate developers are paying more attention to creating inclusive and healthy spaces that contribute positively to the well-being of occupants and the surrounding community.

Governance refers to the responsible management and ethical operation of properties. This includes factors such as transparency, accountability, ethics, and compliance with regulations.

In the context of ESG transformation, valuation becomes crucial as it now includes factors like energy efficiency, carbon emissions, social impact, and governance practices. Valuers need to integrate these ESG elements to accurately reflect the value of sustainable properties.

Overall, valuation is critical in real estate investment and risk management. It provides key insights into a property's financial viability, aiding investors and stakeholders in making informed decisions about buying, selling, or holding assets. This process influences capital allocation and encourages the development of ESG-compliant properties. Additionally, valuation helps manage risks by allowing stakeholders to evaluate potential impacts from market fluctuations and other political, social, and environmental factors, enabling strategic decisions to protect investments.

The main objectives of this research are as follows:

- To investigate the challenges associated with the integration of ESG elements in commercial property valuation

- To explore potential strategies or approaches that professionals use to mitigate these challenges.

This research had collected the interview responses from eight respondents registered under the Board of Valuers, Appraisers, Estate Agents and Property Managers (BOVAEAP). The respondents are having averagely 16 years and up to 30 years of working experience in the valuation industry.

Key Findings

The main challenge in integrating ESG elements into commercial property valuation is the limited availability of data. This issue arises from the scarcity of transactions involving ESG buildings, which are relatively new to the Malaysia's real estate market. Besides, owners often provide only brief descriptions of key green components due to insufficient documentation and systems for recording sustainability metrics. This lack of comprehensive data complicates the comparison and analysis of the impact of sustainability attributes across similar properties.

In addition, a significant challenge in Malaysia is the lack of standard guidelines or metrics for ESG. As highlighted by an expert, "it's clear that ESG is not fully implemented in Malaysia. There is a lot of ambiguity in terms of the metrics. We need standard metrics that everyone can follow." In the current time, the valuers only refer to Malaysian Valuation Standard 2019 (MVS 2019) when assessing the ESG elements. For example, the social and governance elements are often neglected in valuation as these are not highlighted in the standard.

In current practice, valuers adopt *income approach to value ESG-compliance commercial building. As highlighted, the financial benefits of ESG-compliance commercial properties are evidenced by the rental income and operating expenses. Multinational companies and Government agencies are willing to pay a higher rental to fulfill ESG requirements. Meanwhile, ESG elements such as energy and water efficiency will reduce the operating costs. These are the qualitative data that can be captured and reflected in the valuation.

To address the challenges, the respondents urge for a proactive role by Valuation and Property Services Department (JPPH) to capture more information on the property sale transaction. Additionally, valuers are encouraged to consult international guidelines when evaluating buildings for ESG compliance, ensuring that assessments are in line with global standards and best practices.

Note: The income approach in valuation estimates an asset's value based on the present value of its expected future income or cash flows, discounted at an appropriate rate.

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Carbon Pricing and the Real Estate Construction Industry in Malaysia

Written by Dr. Chin Hon Choong
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As Malaysia strives towards its goal of becoming a carbon-neutral nation by 2050, conversation surrounding climate change has shifted significantly towards practical solutions to mitigate carbon emissions. One of the most prominent solutions, carbon pricing, has gained traction in industries worldwide, including the real estate construction sector. In Malaysia, the real estate construction industry is a critical economic driver, but it is also a significant contributor to carbon emissions. As the country seeks to transition to a low-carbon economy, implementing carbon pricing mechanisms within the real estate construction sector presents both challenges and opportunities.

Carbon pricing is a market-based tool designed to reduce greenhouse gas emissions by assigning a cost to carbon emissions, predominantly to its producers. This cost creates an incentive for businesses and industries to adopt cleaner technologies and reduce their carbon footprint. Two primary forms of carbon pricing are carbon taxes and cap-and-trade systems. A carbon tax directly sets a price on carbon by defining a tax rate on greenhouse gas emissions. In contrast, a cap-and-trade system establishes a limit (or cap) on the total amount of emissions allowed and enables businesses to trade emissions permits.

In Malaysia, carbon pricing has been acknowledged in the Twelfth Malaysia Plan. Nevertheless, carbon pricing is still in its infancy stage in Malaysia. With increasing pressure from global environmental standards and local environmental policies such as the National Policy on Climate Change, there is a growing need for industries to adopt carbon pricing mechanisms to meet the country's carbon reduction targets under the Paris Agreement – the net zero carbon emission by 2050. The real estate construction industry, with its high levels of embodied carbon due to material production and energy use, is poised to be affected by any future carbon pricing policies.

In fact, carbon pricing has recently become a hot topic of discussion surrounding the implementation of European Union Carbon Borders Adjustment Mechanism (CBAM) whereby the Ministry of Investment, Trade, and Industry has revealed interest to implement carbon pricing in the near future, as soon as in 2025. Meanwhile, the voluntary carbon trade mechanism has been in place since 2022 via the establishment of Bursa Carbon Exchange platform. At present, 16,500 carbon credits worth RM7.7 million were traded in 2023; 268,800 Hydropower Renewable Energy Certificates Contracts were traded at RM4.50 per contract; and first nature-based carbon credits over 20,000 tonnes CO₂e were transacted at RM50 per contract.

The construction sector in Malaysia is responsible for a significant portion of the country's carbon emissions, stemming from the production of cement, steel, and other building materials, as well as energy consumption during construction activities. The production of construction materials accounted to as high as 90% of the total carbon emission from construction activities. Cement production, in particular, is notorious for its high carbon output due to the calcination process involved in manufacturing clinker, a key ingredient. Additionally, transportation of materials and heavy machinery used on construction sites further add to the industry's carbon footprint.

The environmental impact of construction is compounded by the increasing demand for housing and infrastructure development in Malaysia. With urbanisation on the rise and the growing middle class driving demand for residential properties, the construction industry is facing a conundrum: how to balance economic growth with sustainability. It is projected that the amount of carbon emission will reach 147 million tonnes of CO₂ equivalent by 2050 if no further mitigation strategies are taken.

Introducing carbon pricing in the Malaysian real estate construction industry can be a game changer. By putting a price on carbon emissions, construction companies would be incentivised to adopt greener building practices, use low-carbon materials, and invest in energy-efficient technologies. This could lead to a shift in the industry towards more sustainable construction practices, such as modular construction, the use of alternative building materials like bamboo and recycled steel, and greater investment in green buildings. For instance, a carbon tax on cement production could encourage cement manufacturers to invest in carbon capture and storage (CCS) technologies or seek alternatives like fly ash and slag.

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Similarly, construction firms might opt for low-carbon transport options, such as electric vehicles, to reduce emissions from logistics. Moreover, carbon pricing could promote the adoption of green building certification systems such as GreenRE Green Building Certification and Malaysia's Green Building Index (GBI). Developers (especially building owners) might be more inclined to pursue green certifications to reduce the operational carbon footprint of buildings, knowing that they could benefit from lower carbon costs, government incentives, and increased rental demand from corporates that prioritise and integrate green agenda into their business operations.

Despite its potential benefits, implementing carbon pricing in Malaysia's real estate construction industry is not without challenges. One of the primary obstacles is the industry's reliance on cost-sensitive practices. Carbon pricing could initially lead to higher construction costs, which may be passed on to consumers in the form of increased property prices. This could pose a significant challenge in the affordable housing sector, where cost containment is critical. Additionally, there is a need for greater awareness and understanding of carbon pricing among stakeholders in the real estate industry. Many construction companies, particularly small and medium enterprises (SMEs), may lack the financial capacity to invest in new technologies and processes that reduce emissions. The government would need to provide support through incentives, subsidies, or tax breaks to help the industry transition to low-carbon practices.

Despite these challenges, there are also significant opportunities. By being an early adopter of carbon pricing mechanisms, Malaysia's real estate construction industry can position itself as a leader in sustainable construction in the Southeast Asian region. With global investors increasingly prioritising sustainability, Malaysian developers who incorporate carbon pricing into their business models may find themselves more attractive to international funding and partnerships. Furthermore, carbon pricing can drive innovation in building materials and construction technologies. As the industry seeks ways to reduce its carbon footprint, new materials, such as carbon-negative concrete or 3D-printed building components, could emerge as viable alternatives. This innovation would not only reduce emissions but also create new economic opportunities and jobs in green construction technologies.

Carbon pricing has the potential to revolutionise Malaysia's real estate construction industry by aligning economic incentives with environmental sustainability. While challenges such as increased costs and industry resistance may arise, the long-term benefits of reduced carbon emissions, improved sustainability, and access to global green finance make it a worthwhile pursuit. As Malaysia continues to develop its carbon pricing policies, the real estate construction sector must adapt to remain competitive in an increasingly carbon-conscious global economy. By embracing carbon pricing, the industry can contribute to Malaysia's broader climate goals while securing a sustainable future for the built environment.

[Remarks: This article is the personal view and opinion by the author and shall not be treated as the view and opinion of REHDA Institute.]

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