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PLANNING AND SURVEYING

2019



4th UNDERGRADUATE **SEMINAR** 2019

BUILT ENVIRONMENT & TECHNOLOGY

e-PROCEEDING

eISBN-978-967-5741-97-5

organised by

FACULTY OF ARCHITECTURE, PLANNING & SURVEYING

UNIVERSITI TEKNOLOGI MARA PERAK BRANCH

SERI ISKANDAR CAMPUS

HOMEBUYER'S PREFERENCES BETWEEN SELL-THEN-BUILD (STB) AND BUILD-THEN-SELL (BTS)

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Abstract:

Housing industry in Malaysia had progressed by leaps and bounds since the onset of the First Malaysia Plan from 1966 until 1970. The Sell Then Build (STB) system is one of housing delivery system that has long been used in Malaysia's housing sector. This system has been extremely successful but the issues such as abandoned projects, late delivery and shoddy workmanship has shaded a shame on this system. Realizing the unfairness of the system to the homebuyers, the Malaysian government agreed to provide an alternative housing delivery system that can serve the rights of the buyers, namely Build Then Sell (BTS). However, there is also an argument that there is no guarantee the homebuyers would be willing to absorb the BTS houses been put in the market because of the anticipated higher price. This paper aims to determine the factors influencing homebuyers' preferences between STB and BTS housing delivery systems; and to compare the most important factor influencing homebuyer's preferences between STB and BTS housing delivery system. The data collection method used is by questionnaire in a survey conducted at property exhibition in Ipoh, Perak. Based on the 267 sets of survey questionnaires, the findings also indicated that BTS system was perceived to be favored by the respondents (53.91% agreement) more than STB system (46.09% agreement).

Keywords:

Sell-Then-Build (STB); Build-Then-Sell (BTS); House Delivery System; Housing preferences, Factors Influencing Decision Making

1.0 INTRODUCTION

Housing is a major element in construction industry and it plays an important role in our country's development. With a growing number of populations, the housing sector play a significant role in supplying new housing demand that keep increasing from time to time. (Aris et al., 2018) Traditionally, almost all houses provided to the Malaysian homebuyers were delivered by the Sell Then Build (STB) system. However, it has own intrinsic risks where the risk that is passed on the homebuyers by the developers in term of capital required for the uncompleted houses. (Yusof et al., 2010). Realizing the unfairness of the system to the homebuyers, the government agreed to provide an alternative housing delivery system that can serve the rights of buyers. In 2006, the government has announced that the alternative housing delivery system, Build Then Sell (BTS) will be executed alongside the conventional approach. Yusof et al. (2007) Nowadays, homebuyers can choose which residential development that offers their favourite housing delivery system. The objectives of this study are to determine the factors influencing homebuyers' preferences between STB and BTS housing delivery systems; and to compare the most important factor influencing homebuyer's preferences between STB and BTS housing delivery system.

2.0 LITERATURE REVIEW

2.1 Housing Delivery Systems

In Malaysia, there are two types of housing delivery system introduced by the government. (Almi & Husin, 2017) Each of developer companies can choose which system that suitable with their development concept and current economics condition. The purpose of establishing different types of house delivery system is to ensure that every homebuyer has an affordable house and at the same time it also creates a situation where the developer also can benefit from this activity. The two types of housing delivery systems that currently prevail in Malaysia are Sell-then-Build and Build-then-Sell.

2.2 Sell-then-Build

Sell-Then-Build (STB) system is one of the housing delivery system that allows developers to sell the house and collect progress payments once they obtain advertisement permits from the Ministry of Housing and Local Government (MHLG). (Yusof et al., 2007) These uncompleted houses might be sold at the planning or construction stage (Leung et al., 2007). An unbuilt house is promoted and sold when the potential buyer sees the floor plan, an attractive brochure or a model house. House buyers will be given the title to his property after all payments are made and after the application to achieve the Certificate of Completion and Compliance (CCC) has been raised by the local authorities (Yusof et al., 2007)

2.3 Build-then-Sell

In Malaysia, there are two types of BTS, which are 100% BTS and Partial BTS (Yusof et al., 2010; Yusof et al., 2007) In 100% BTS, homebuyers are not required to pay any down payment or any progress payments. Developers can sell the house only after the house is completed with the CCC issued. This system is advantageous to homebuyers who have the opportunity to evaluate the house before decide to buy it. (Yusof et al., 2007) The 100% BTS differs slightly from Partial BTS whereby in Partial BTS, developers may sell house with a certain sum charged as down payment and the rest to be paid when the house is completed. The government has approved the Partial BTS incorporating the 10:90 BTS model. The model stipulates that after the signing of SPA, homebuyers have to pay 10% of the contract price as a deposit which is placed in a stakeholder account to be released to developers once they have completed the houses (Yusof et al., 2007) The remaining 90% is to be paid after the house is completed with the CCC released to the homebuyers (Yusof et al., 2007) The 10:90 BTS model is a combination of STB and BTS model, with the 10% deposit act as the purchaser's bond to the contract. While, for the remaining 90% is to be paid after the house is completed issued with the CCC. (Yusof et al., 2007)

2.4 Homebuyers' Preferences

Homebuyer's preference is important to make decision in buying a house. Even though housing was a basic need but it involved a lot of procedure and financial resource. There are factors that influence in decision making which housing delivery system that homebuyer prefer to buy a house from developer. The decision making is different for each individual. (Sweeney & Costello, 2009; Yusof & Shafiei, 2011) Based on the framework, there are four main factors influencing homebuyers' preference; Demographic Factor, Internal (Psychological) Factor, External (Social) Factor and Environment Factor.

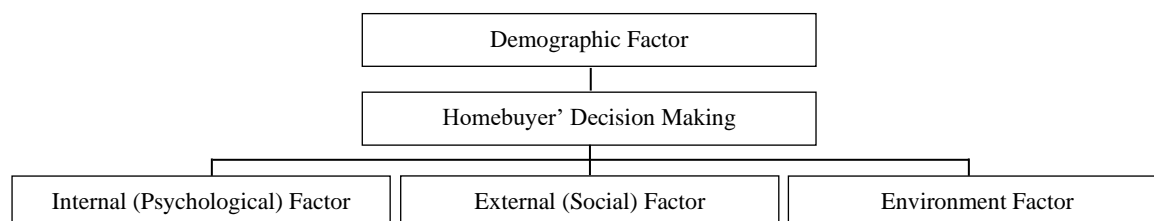


Figure 1: Conceptual Framework on the Factors Influencing Decision Making

3.0 METHODOLOGY

This study applied non-probability convenience sampling method in obtaining data among potential homebuyers who attended to the property exhibition in Ipoh Parade, Perak. The Malaysia Property Exposition (MAPEX), was organized in 19th April until 21st April 2019 by the Real Estate and Housing Developers' Association Malaysia (REHDA). The total 300 sets of survey questionnaire were distributed to the respondent. However, only 267 sets were returned. The Statistical Package for Social Science (SPSS) version 20 was used to analyze the data. The reliability of instrument was verified by Cronbach's alpha where the construct of homebuyers' preferences is 0.738, which above the minimum acceptable value.

4.0 ANALYSIS AND FINDINGS

This study has analyzed some major factors influencing homebuyers' preferences between STB and BTS housing delivery systems based on previous research. In order to achieve objective 1, this study

has identified four determinant factors influencing homebuyers' preferences between STB and BTS systems. These factors include Internal (Psychological) Factor, External (Social) Factor and Environment Factor. Table 1 shows the description analysis for factors influencing homebuyers' preferences between STB and BTS systems.

Table 1: Description analysis on the factors influencing homebuyer

Factor	Average Mean for Sell-Then-Build	Rank	Average Mean for Build-Then-Sell	Rank
Internal	3.09	1	3.29	1
External	2.65	2	3.15	3
Environmental	2.48	3	3.18	2
Total	2.74		3.21	

In order to achieve objective 2, the description analysis above clearly shows homebuyers are more prefer BTS compared to STB where the average means for BTS is 3.21 (53.91% agreement) which higher than average mean for STB is 2.74 (46.09% agreement). The major factor that influence homebuyer prefer to choose BTS is internal factor and followed by environment and external factor.

5.0 CONCLUSION

This study shows the respondents more prefer to purchase a BTS house because they indicated that this system safer to purchase completed house and it offered a protection in terms of money and quality. They also thought that it is easier to secure bank loans under this system. Even though, the respondents also strongly agreed with the fact that STB houses have its own attraction because it offers lower initial purchase price and the house price compare to the BTS. However, the respondents were more aware of the advantages of BTS compared to STB system. In the future research, each of the factors that contributed to the homebuyers' preference can be elaborate and analyses more deeply by using more modern technology. Besides, the total respondent can be expanding to whole Malaysia, hence the homebuyers' preferences in urban and suburban towards Sell-Then-Build (STB) and Build-Then-Sell (BTS) can be differentiate. Moreover, future researcher also can make further research on the impact of house delivery system on overall satisfaction and behavioural intention where it will be drive forward the ultimate objective of improving satisfaction and homebuyer's preference simultaneously in the house delivery system.

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