



**6th UNDERGRADUATE  
SEMINAR ON BUILT  
ENVIRONMENT  
AND TECHNOLOGY  
(USBET) 2023**

**SUSTAINABLE BUILT  
ENVIRONMENT**

**25 - 27 SEPTEMBER 2023**

**E-PROCEEDING**



**USBET 2023**



# e-Proceeding

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**Published by,**

Department Of Built Environment Studies And Technology  
Faculty Of Architecture, Planning & Surveying  
Universiti Teknologi MARA Perak Branch, Seri Iskandar Campus  
*usbet.fspuperak@gmail.com*

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eISSN 2821-3076



02 October 2023 | Perak, Malaysia  
Universiti Teknologi MARA, Perak Branch, Seri Iskandar Campus

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# EXPLORING THE INTERPLAY BETWEEN MACROECONOMIC DEMAND AND SUPPLY FACTORS AND THE UNSOLD HOUSING MARKET : A DESCRIPTIVE STUDY

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## ABSTRACT

*The factors influencing the issue of unsold residential units in Kinta, Perak, from the perspective of the public. The problem of unsold properties in Malaysia is a recurring concern, with many people unaware of the underlying reasons behind it. NAPIC reports indicate a 3.3% increase in unsold residential units from 2019 to 2020, and Perak alone has over 2,900 unsold units. The research aims to identify and rank these factors affecting unsold residential units in Kinta, Perak, with two main objectives: first, to identify the factors influencing the issue, and second, to rank these factors based on public perception. The study adopts a quantitative approach, utilizing a questionnaire with 24 questions in sections A, B, and C. The data was gathered through an online survey, with 119 respondents, which is considered an acceptable sample size. Descriptive analysis, including mean and RII calculations, was employed to rank the factors. The analysis revealed that the lack of nearby public amenities was the top factor agreed upon by the respondents, followed by the current housing prices contributing to the increase in unsold residential units. Overall, this research emphasizes the importance of finding solutions and urges policymakers to develop a new framework to address the issue of unsold residential properties in Kinta, Perak. By understanding the factors influencing this phenomenon from the public perspective, appropriate measures can be taken to address the root causes and foster a more balanced and sustainable property market in the region*

**Keywords:** demand, supply, unsold property, housing market

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## INTRODUCTION

The category of residential properties that are unsold for an extended length of time is referred to as the unsold housing market. Due to its possible effects on the housing sector and the entire economy, the unsold housing market has drawn attention in Perak, Malaysia, as well as in many other regions.

In recent years, Perak, which is in Peninsular Malaysia's northern region, has seen a tremendous increase in both its urbanisation and population. With the construction of several residential projects, such as high-rise condominiums, landed properties, and affordable housing schemes, the housing sector in Perak has experienced significant growth (Thaker & Sakaran, 2016).

The supply-demand stability in Perak's housing market is affected by the unsold housing market. The property overhang is linked to the country's economic performance and is produced by an oversupply of housing stocks that has outpaced the market's absorptivity limits (Adzhar et al., 2021)

Additionally, it raises questions about the financial stability of developers and their capacity to execute ongoing projects, raising the possibility of ventures being postponed or abandoned. Housing affordability may be impacted by the unsold housing market since there may be chances for purchasers to negotiate favourable purchase conditions if there is an oversupply of available housing (Laszek & Olszewski, 2015). Housing industry is crucial to employment, investment, and general economic growth in Perak. Large unsold housing markets can slow down adjacent businesses like construction, which has an impact on the sector's ability to create jobs and generate cash.

Understanding the effects of macroeconomic variables on housing demand and supply is essential for preserving economic stability, developing sensible policies, selecting wise investments, predicting market trends, and managing risks. Such knowledge enables academics, investors, and policymakers to negotiate the dynamics of the housing market and contribute to efficient and sustainable housing market results.

The housing market plays a significant role in maintaining overall economic stability. Fluctuations in housing demand and supply have a widespread impact on vital economic indicators like employment, consumer spending, GDP growth, and inflation. Policymakers and economists can effectively monitor and manage economic stability by understanding the macroeconomic factors that drive housing demand and supply. Macroeconomic knowledge enables policymakers to create efficient policies that support housing affordability, boost demand, and guarantee a sufficient supply of housing. Policymakers can influence the housing market to produce the results they want by adjusting policies like interest rates, tax breaks, and zoning laws in accordance with macroeconomic factors. Analyzing macroeconomic

variables makes it easier to predict housing market movements. Researchers and business experts in the housing industry can forecast the direction of housing demand and supply by looking at variables like GDP growth, population growth, and income levels. New construction projects, property pricing, and inventory management decision-making are all aided by this knowledge.

## **PROBLEM STATEMENT**

Potential risks and vulnerabilities can be identified by understanding the macroeconomic dynamics that affect housing supply and demand. Armed with this knowledge, market players can take risk-reduction steps including diversifying portfolios, changing their investment mix, or putting regulatory controls in place to stop excessive speculation and unstable market circumstances.

Higher interest rates can dampen demand as borrowing costs rise. While, lower interest rates can incentivize borrowing and make homeownership more affordable, leading to increased demand for housing (Hashim, 2010).

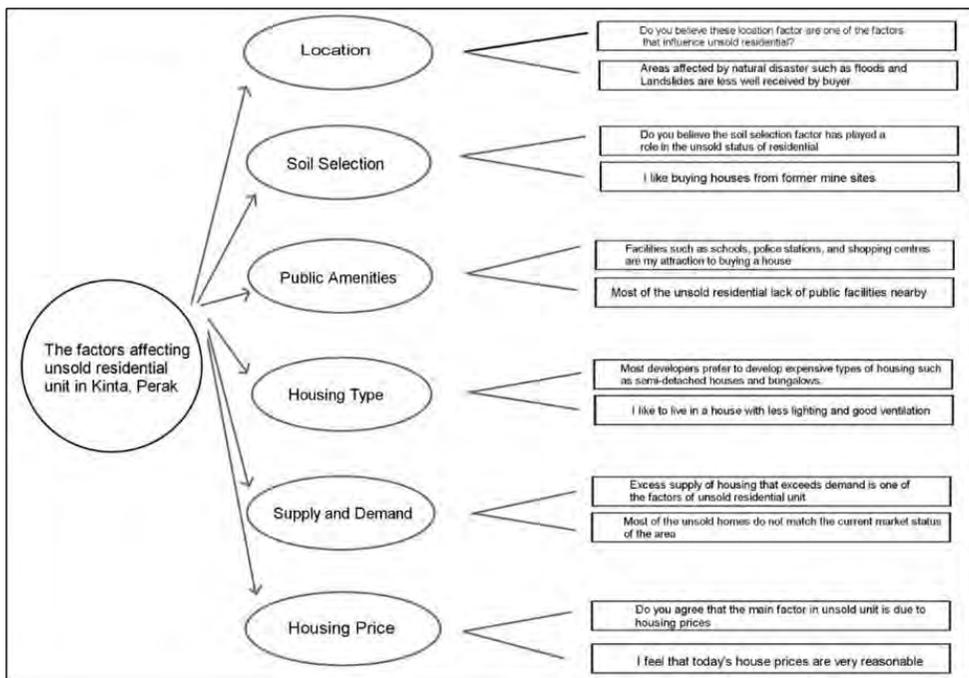
People are more likely to have the resources and confidence to buy homes during times of strong employment and salary growth. On the other hand, economic downturns and high unemployment rates can lower the demand for homes (Lee & Painter, 2013). Understanding the relationship between employment levels and home demand can assist identify potential hazards and vulnerabilities as well as the effects of labour market volatility on the unsold housing market.

Growing salaries allow people and families to purchase more expensive homes or make their first forays into the housing market. On the other hand, declining or stagnant salaries might reduce purchasing power and lower housing demand.

## **LITERATURE REVIEW**

One of the reasons for unsold properties is also due to supply and demand problems. When there is less demand, it occurs because there is an excess supply. The previous study from Ramli et al. (2020) stated (as cited the Star Online, 2017), unresolved unsold units happen because the housing developers are only focusing on supplying without taking into consideration the genuine demand. The balance between supply and demand also gives a significant effect on unsold properties. Besides, the rising of Overnight Policy Rate (OPR) also effect the demand of the property market. According to Smart Investor (2023) the rising cost of living and greater borrowing fees are likely to drive prospective homeowners to postpone their intentions to buy. It is clear that supply and demand are one of the factors that cause

unsold homes to happen. Numerous earlier research has discussed illogical house pricing reasons. Home purchasers with low and middle incomes are burdened by the rise in property prices that are thought to be too expensive. Especially now, when a buyer must set a price cap before purchasing a home due to the high cost of living. Rachmawati et al. (2019) explain that price is one of important factors that appeal customers to purchase a particular product, the better prices, the more the purchase decisions. According to the 2021 Perak transaction table, there were 942 fewer sales of affordable homes in the Kinta district than there were in 2020 (1,042). We can see that this unsold residential element also has an impact on affordable homes.



**Figure 1 : Conceptual Framework of Factors Influence Unsold Residential**

## DESCRIPTIVE ANALYSIS

Research process for identifying factors affecting unsold residential units in Kinta, Perak, is outlined. The study uses both primary and secondary data collection methods, with primary data gathered through an online questionnaire distributed to selected individuals in Kinta, Perak. The questionnaire consists of three sections covering demographics, variables impacting unsold residential units, and the respondents' opinions on potential future solutions. Secondary data is obtained from various sources such as journals, reports, and websites to support the study's objectives. The sampling method employed is purposive sampling, with 115

respondents selected from the population of Kinta, Perak (1). The research process involves three phases: scoping and defining research goals, collecting primary and secondary data, and analyzing the data using SPSS software. The analysis includes calculating means and using the Relative Importance Index (RII) to rank the factors affecting unsold residential units. The chapter also emphasizes the importance of reliability and validity in data collection tools. Overall, this chapter provides a comprehensive framework for conducting research on factors influencing unsold residential units in Kinta, Perak.

**Table 1 : Krejcie and Morgan Formula**

No.	Data	Number
1.	N = Total population	682,245
2.	e = Acceptable sampling error	0.05
3.	$\chi^2$ = Chi-square of degree of freedom 1 and confidence 95%	3.841
4.	P = Proportion of population (if unknown, 0.5)	0.5

## RESULTS AND DISCUSSION

The findings revealed valuable insights into the factors influencing unsold residential units in the region. According to the respondents, the most critical factor was the lack of public amenities surrounding the residential units, as indicated by a high mean score of 4.92 and a relative important index (RII) of 0.9849. The second significant factor was housing prices, with a mean of 4.87 and an RII of 0.9748, indicating that respondents believed high housing prices were contributing to the issue. The location of the residential units ranked third in importance, with a mean of 4.86 and an RII of 0.9714. Furthermore, developers' preference for developing expensive housing types, such as semi-detached and bungalow homes, was found to be another factor influencing unsold units, as indicated by a mean score of 4.84 and an RII of 0.9681. The fifth-ranked factor was the excess supply of housing that exceeds demand, with a mean score of 4.65 and an RII of 0.9345. Finally, the type of land for residential areas ranked last in importance, with a mean score of 4.34 and an RII of 0.867. Table 2 below shows the interpretation analysis.

**Table 2 : Factors affecting Unsold Residential in Kinta, Perak**

Variable	Mean	RII	Rank
<i>Public amenities</i>	High	0.9849	1
<b>Housing Price : High</b>		0.9748	2
<i>Location</i>		0.9714	3
<i>House type</i>		0.9681	4
<i>Location</i>		0.9361	5
<b>Supply and demand : Excess</b>		0.9345	6
<i>Public amenities</i>		0.921	7
<b>Supply and demand : Unmatched market status</b>		0.9126	8
<i>Type of land</i>		0.8672	9
<b>Housing price : Unreasonable price</b>	Low	0.3782	10
<i>House Type</i>		0.2975	11
<i>Type of Land</i>		0.2655	12

Based on the data presented in the Table 2, several factors have been identified as key contributors to the issue of unsold residential properties. The variable "Most of the unsold residential lack of public facilities nearby" has the highest mean score and Relative Importance Index (RII), indicating that the absence of essential public amenities nearby significantly impacts the unsold status of residential units. The second and third factors with high RII are "Housing Price" and "Location," suggesting that both factors play a substantial role in influencing the unsold status of properties. It appears that potential buyers consider the housing prices and the location of the properties as crucial factors in their decision-making process.

Furthermore, the data reveals that the "House type" is another important consideration for buyers, as the preference for expensive types of housing ranked fourth in terms of RII. On the other hand, variables such as "Type of land" and "Housing price" received relatively low RII scores, indicating that they are less influential in affecting the unsold status of residential units. It's interesting to note that the perception of house prices being reasonable and personal preferences for specific features like lighting and ventilation had significantly lower mean scores and RII values. This suggests that buyers' preferences and perceptions regarding house prices may not strongly align with the market conditions and the actual reasons for unsold properties.

Considering the above factors, focusing on demand and supply dynamics is essential for balancing the housing market. Developers should be mindful of pricing their properties competitively to align with the market demand and affordability. High housing prices could lead to reduced demand and unsold units. Proper market

research and analysis of location preferences can help developers choose the right areas for their projects, ensuring that the properties meet buyers' preferences and expectations. Diversifying the types of housing offered, including more affordable options, can cater to a broader segment of buyers and increase overall demand. Assessing market demand before launching new projects can help prevent an oversupply of housing, which can lead to a surplus of unsold units. Paying attention to the availability of public amenities and infrastructure near residential developments can enhance their attractiveness to potential buyers, positively impacting demand.

In conclusion, a thorough understanding of demand and supply factors, including housing prices, location preferences, house types, and market dynamics, is crucial for addressing the issue of unsold residential units and ensuring a healthy and balanced housing market.

## **CONCLUSION**

In conclusion, the data highlights that the availability of public amenities in the vicinity of residential properties is a crucial factor influencing the unsold status of units. Additionally, housing prices and location are key determinants in potential buyers' decision-making processes. Property developers should consider these factors when planning and marketing their projects to align with buyers' preferences and improve the chances of selling residential units successfully. Understanding the demand for specific house types and addressing potential issues related to soil selection can also play a role in reducing the unsold inventory. By focusing on these critical factors, developers can better adapt to market demands and enhance their chances of selling properties effectively.

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Tarikh : 20 Januari 2023

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*nar*

*Setuju.*

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