

**Strengthening the Structure  
of Development Land Market in Kampong Baru, Kuala Lumpur –  
Transaction Cost of Institutional Economics  
Analysis Perspective**

**Associate Professor Dr Ismail Omar**

**Dr Hajjah Asiah Othman**

**Djurjani Wardata**

**Prijono Nugroho Djojmartono**

## **DEDICATION**

To:

Research Management Center, UTM

Colleagues at UTM

All respondents, KLCH, professionals and MAS Board.

## **ABSTRACT**

There will be no development without land being available in the market. Although land is available in the market for development, without landowners' willingness to participate or transfer their land to land developers under development arrangement, there will be no development takes place too. This is known as land supply constraints that restrict the flow of land supply onto the land market for development purposes. In other word, land supply constraints disturb the effectiveness of the land market. As a result, the underutilized area may become derelict and needs regeneration as part of urban renewal programs. The study begins with discussion on institutional economics analysis and transaction costs approach. In particular, review on literature concentrates on the elements of land supply constraints with the purpose to feed the empirical analysis in the case study areas. In doing so, the study on the institutional structure of the land supply in the market may disclose ways to improve the land supply constraints for land development. Empirically, the study seeks to investigate sources of land supply constraints in the case study area of MAS Kampong Baru, Kuala Lumpur. Data were gathered using interviews with landowners of undeveloped and developed sites to examine why they had paid effort to develop or simply abandoned their lands undeveloped. Analysis had been undertaken by qualitative techniques on respondents using coding, either direct or indirect quotations. Landowners respondent were taken randomly to represent predetermined zones within the case study areas. Property professional respondents were taken purposively for interviews. Data analysed were presented in the forms of charts, histograms, diagrams and illustrations to ease discussion. One of the main findings is that landowners were unwilling to undertake redevelopment due to land supply constraints as revealed by transaction cost embedded within their status of landownership, attitudes, physical, planning, valuation and market constraints. In the end, the findings enable various interested parties to realize their roles and responsibilities in their future direction to redevelop Kampong Baru in Kuala Lumpur. One of the ways is to undertake joint effort in applying land readjustment technique to redevelop Kampong Baru.

## **ABSTRAK**

Tiada pembangunan tanpa tanah tersedia di pasaran. Sekalipun tanah tersedia di pasaran, tanpa kerelaan tuan tanah untuk melibatkan diri melalui urusan peruntukan dan kos kewangan yang sesuai, pembangunan tidak akan berlaku juga. Keadaan ini dinamai sebagai halangan penawaran tanah yang menyekat aliran bekalan tanah di pasaran untuk dimajukan. Akhirnya, tanah akan terhalang daripada dimajukan. Kawasan yang mempunyai tanah terbiar sebegini akan menjadi kawasan mundur yang perlu dimajukan di bawah program pembangunan dan pembaharuan semula bandar. Kajian ini bermula dengan kupasan mengenai teori analisis ekonomi institusi dengan menjurus kepada peranan kos transaksi. Secara khusus, kajian literatur menumpu kepada halangan penawaran tanah untuk maksud pembangunan semula yang akan digunakan semasa kajian lapangan di kawasan kajian. Perbincangan mengenai halangan pembangunan tanah dalam konteks kos transaksi menurut pendekatan analisis ekonomi institusi akan menghurai masalah keengganan tuan tanah memajukan tanah mereka di kawasan kajian yang boleh digunakan untuk mengatasi masalah berkenaan. Jadi, kawasan kajian yang dipilih adalah Kawasan MAS di Kampong Baru, Kuala Lumpur. Data-data dikumpulkan melalui temu bual dengan tuan tanah yang telah memajukan tanah mereka dan juga yang masih belum memajukannya. Analisis data dijalankan melalui kaedah kualitatif secara pengkodan langsung mahupun tidak langsung. Responden tuan tanah dip[ilih secara rawak dan responden profesional pula dipilih secara purposif. Data-data dipersembahkan melalui carta, histogram, jadual dan juga ilustrasi bagi memudahkan pembentangan. Salah satu dapatan utama daripada kajian ini adalah tuan tanah terhalang daripada memajukan tanah-tanah mereka disebabkan halangan penawaran tanah yang terangkum sebagai kos transaksi yang termasuklah masalah kepemilikan, sikap mereka, perancangan, fizikal, penilaian dan pasaran dan sebagainya. Dapatan telah menjadikan tuan tanah dan pihak terbabit sedar tentang tanggung jawab mereka untuk memajukan tanah di kawasan kajian. Salah satu cara untuk memajukan tanah MAS di Kampong Baru adalah melalui pendekatan pelarasan semula tanah yang melibatkan semua pihak berkepentingan.

## TABLE OF CONTENT

Title Page
Dedication
Abstract in English
Abstract in Malay
Table of Contents
List of Tables
List of figures
Abbreviations
List of Appendices

Chapter	1	Introduction
Chapter	2	The structure of land market and the land supply constraints
Chapter	3	The urban land market and institutional economics analysis
Chapter	4	A methodological framework for analysis and institutional economics analysis
Chapter	5	The structure of land market
Chapter	6	Analysis of the land supply constraints in the MAS areas of Kampong Baru, Kuala Lumpur
Chapter	7	Analysis of landowners' attitude affecting the supply of land
Chapter	8	Transaction cost affecting the supply of lands
Chapter	9	The future direction for redevelopment of the MAS areas
Chapter	10	Conclusion and recommendation

## List of Tables

Table 1.0	Spectrum of ownership constraints in development process
Table 2.0	Land Transaction in Kuala Lumpur Town (1996-2005)
Table 6.7	Influence of education on motive of landowners
Table 6.8	Influence of landownership on motive of landowners
Table 6.9	Effort to undertake redevelopment according to landownership status
Table 6.10	Landowners' Evaluation
Table 6.11	Hope price of landowners
Table 6.12	Transactions in 2006
Table 6.13	Prices by Valuers of DBKL in 2006
Table 7.1:	The classification of samples based on current condition of the lots and sample occupation
Table 7.2:	Landowners background of undeveloped lots and characteristics of lots
Table 7.3:	Characteristics and the main purpose in owning the lots
Table 7.4:	Reasons for supporting landowners' attitudes towards land rights
Table 7.5:	The landowners' attitudes to releasing the land
Table 7.6:	Landowners' attitudes toward MAS development and supporting reasons
Table 7.7:	Land owners' attitude to develop the land
Table 7.8:	The characteristics of developed lands and objectives of development
Table 8.1:	Institutions, activities, type of costs that affect landowners to release the land.
Table 8.2:	Institutions, activities and type of cost which affects land transaction
Table 8.3:	Institutions, activities and type of cost which affects land acquisition
Table 8.4:	Institutions, activities, type of cost in the planning of development
Table 8.5:	Landowners' attitude and the current condition of the land
Table 8.6:	The relation of decision, landowners' attitude, sources of costs, type of cost and land owners
Table 8.7:	Transaction costs in the supply of land for redevelopment of MAS areas
Table 9.1:	List of suggestions from respondents
Table 9.2:	Development strategy

## List of Figures

- Figure 1.1 Research methodology
- Figure 2.1 Land and property market structure
- Figure 3.1 Boundaries of institutional analysis
- Figure 3.2 Institutional hierarchies of property markets
- Figure 4.1 Location of the case study areas
- Figure 5.1 GNP and GDP 1996 – 2005
- Figure 5.2 Interest rate and Inflation rate
- Figure 5.3 Income per capita and population
- Figure 5.4 Distribution of monthly household income
- Figure 5.5 The growth of bank loan in property sector
- Figure 5.6 The number of Property transaction in Malaysia
- Figure 5.7 Number of transaction for the principal property sectors
- Figure 5.8 Value of transactions for the principal property sectors
- Figure 5.9 Percentage of number of transaction based on the type of parties involved for residence sectors
- Figure 5.10 Percentage of number of transaction based on the type of parties involved for commercial sectors
- Figure 5.11 Trend of land transaction in Kampong Baru (1996-2006)
- Figure 5.12 The total value of transaction from 1996-2006
- Figure 5.13 Type of land have been transferred according to zoning area (1996-2006)
- Figure 5.14 Type of transaction according to parties involved (1996-2006)
- Figure 5.15 The relationship between old and new owners (1996-2006)
- Figure 6.2 Property Transaction in MAS areas 1996 – 2006
- Figure 6.3 Distribution of transactions 1996-2006
- Figure 6.4 Status of buyers and sellers
- Figure 6.5 Relationship between sellers and buyers
- Figure 6.6 Price ranges of transactions in 2004

- Figure 6.7 Size of lots in Kampong Baru
- Figure 6.10 Educational background of landowners
- Figure 6.11 Employment of landowners
- Figure 6.12 Income distribution
- Figure 6.13 Dependant of family
- Figure 6.14 Type of land holding
- Figure 6.15 Mode of acquisition
- Figure 6.16 Years of occupation
- Figure 6.17 Landownership status
- Figure 6.18 Motives of ownership
- Figure 6.19 Encumbrances
- Figure 6.20 Intention to redevelop land by landowners
- Figure 6.21 Effort by landowners to redevelop lands
- Figure 6.22 Intention to sell the lands
- Figure 6.23 Intention to sell lands
- Figure 6.24 Hope Price
- Figure 7.1 Factors influence landowners to release the lands
- Figure 7.2 The reasons why landowners did nothing
- Figure 8.1 Spectrums of the landowners decision to manage the lands
- Figure 9.1 Zoning map of the proposed redevelopment plan
- Figure 10.1: The framework of institutions and transaction costs affecting actors' decisions to supply lands



# CHAPTER 1

## INTRODUCTION

### 1.1 Introduction

Land supply in the market determines the success of land development. The urban land markets play a critical role in shaping urban development outcomes (Serra and David Dowall, 2004). The lacking of land in the market, compare to the demand for it, is known as land supply constraints (Adams, 1994).

There are various factors causing land supply constraints. Among others are government role in the form of planning (Popetan in Hui, 2004), complex regulations (Dowall, 2003), the quality of titling registration and tenure security (Dowall, 2003), passive land owner (Adams, 1994), multiple ownership of urban land (Adams *et al.*, 2000a), macro economic variables as well as physical condition of the lands (Knaap and Terry Moore, 2000). Therefore, land supply constraint is a complex phenomenon whereby the flow of land into the market is restricted and hence, limits agents interactions in the market, As a result, the price of land tends to increase due to higher demand compared to the level of land available in the market. As such, to understand the nature of land supply constraint, the analysis should address the knowledge about the characteristics of the land market process including the behavior of the agents involved in it (Keogh and D Arcy ,1998).

In the field of land and property markets, only few studies focused primarily on the institutional market processes which may lead to supply constraint. Previous studies considered market as the output of interaction between seller and buyer and no external factors influencing it (Needham and Arno Segeren, 2005). Another study focused on the direct impact of the problems in the creation of land supply problems (Hui, 2004; Peng, 1994; Tse, 1998). Less attention is given to the role of

rules and agents influencing the land market particularly with regards to indigenous lands. Ismail (1999) argued that institutional economics analysis has the explanatory power to characterize the role of rules and agents' interaction in the land market processes.

This study aims at understanding the land supply constraint of indigenous lands in Kampong Baru, Kuala Lumpur. The study uses institutional economics analysis to explain the way in which formal and informal rules or institutions that influence the decision made by actors in defining, maintaining, utilizing and transferring the rights for exchange in the market (Benham and Lee Benham, 1998).

## **1.2 Problem Statements**

Why do indigenous land rights in Kuala Lumpur are still largely undeveloped? Although location is right, the price is high and the demand is good, but unfortunately the lands are just laid under-utilized. There are difficulties to bring the lands into the market due to the land supply problems. Indigenous lands in its very nature have specific characteristics in term of history and rules governing them, relationship between landowners and the lands and their environments. Therefore the main problem addressed in this research is how the institutional economics approach can be used to understand the land supply constraint phenomenon in the case study area, particularly the role of institutions in influencing agents' attitudes to bring the land into the market.

In assessing land market processes, some issues will be addressed. The first issue is agents' attitude. Agents' actions in the land market are always framed by the existing organization and institutions which is commonly known as the structure (Healey and Barrett in Adams *et al*, 1998). This market structure acts as the mediating device which provides rules that enable and constrain the various forms of agent actions (Adams *et al*, 1998). Secondly, which landowners are actively or passively involved in the land market of the MAS areas and why they made such decisions. The landowners are a part of the structure of the urban land market especially with the indigenous lands (Evans, 2004). Last, which institutions and

market attributes that produce special formal and informal institutions which subsequently hinder the transaction of indigenous land from landowners to land developers in the market.

### **1.3 Significance of Study**

From practical point of view, the result of this study, particularly the structure of land market, can be used as a source of future reference which is relevance in answering some questions being asked by various parties. This result hopefully can also provide clear understanding about the degree of involvement of any parties in the land market and the role of which parties should be strengthened. For the government it is hoped that this approach provides input to direct the future of the MAS areas, particularly related to the land supply constraints so that the phenomenon of underutilized lands can be improved. In so doing, using research analysis and research findings, government can evaluate the current institutions particularly those which provide constraints and cause transaction cost to the supply of land and in the long run can establish the most encouraging regulations that support land market for land development. Landowners who currently still become the most important actors in the land market can take strategic actions to maximize their ownership without having to discourage the environmental development. Similarly, organizations or parties may also get benefit from the newly alternative approach to actively participate in the land market in the study area considering future direction proposed in this research.

### **1.4 Scope of Study**

The field of study of this research is land economy with special reference to the structure of indigenous land market in Kampong Baru Kuala Lumpur. The focus of the research is the causes of land supply constraints of indigenous lands.

Research discussing about land supply commonly used market price to examine either the factors causing land supply or the effects of land supply on the

other market (Peng, 1994; Tse 1998; Lai and Wang, 1999; Hui and Ho, 2002; Hui, 2004; Evans, 2004). Since this approach more focused on the output/price consideration, the complex phenomenon of the land supply such as actors' attitude and the role of institutions can't be explained completely (Ismail, 1999). Han and Yong Wang (2003) tried to include institutions factors in the study of property market in Hongkong. However, it didn't focus on the problem of land supply. While a study about land supply constraint of indigenous lands has been done by Ismail (1999). He used institutional analysis, particularly the role of formal and informal rules, to understand the land supply constraints of indigenous lands for land development. This study is, however, an extension to elaborate the role of actors within indigenous land rights in the land market which influence the supply of lands.

The strands of institutional economics analysis used in this study are the way in which property right and actors' behaviour affect land transfers. The reason is that formal and informal rules influence the decision made by actors in defining, maintaining, utilizing and transferring the rights (Benham and Lee Benham, 1998). Therefore the study will focus on the way, the reason agents participate in the land market and the way existing rules provide either incentive or constraint that cause limitation in the structure of indigenous land market.

## **Research Methodology**

Institutional economics analysis concerns with the human behaviour and institutions which constrain the interactions among agents. The interaction between agents and institutions will determine the structure of the activity and also the institutional changes. In the case of land and property market, beside the factors discussed above, the restriction in interests is a factor that hinders the transferability of lands in the land market. There are a number of agents involved in the land transfer process including government, land owners, developers, investors and financial facilitators or investors. Therefore this research will identify the role of each agents and the decision made by agents either to bring or not to bring the land to the markets.

The first step in this research is to develop theoretical framework about the role of institutions that affects actors' attitude and subsequently create the problem of land supply in the land market. This framework is developed based on the previous researches and literatures. It is then used as the guidance to develop empirical analysis.

Since this research will analyze the processes within the complex interrelationships among agents, therefore qualitative research method will be used preferably to approach the problems (Deddy, 2001). In addition, qualitative method also has the advantage of being open to the possibility of detecting important issues that might not have been predicted before (Kim, 2002). The last reason is based on the assumption that social phenomenon is very complex, and to make that framework to encompass all variables is not a trivial work.

Empirical works then will be conducted to assess the frameworks that have been developed. In doing so, two types of data namely primary data and secondary data will be collected. For the primary data, open-ended questionnaires are used as an instrument to collect empirical data. The questionnaires were distributed to the landowners in the case study area. Purposive sampling technique is used to select the respondents. In this case the selection is on the current condition of the lots such as the developed-undeveloped lots and lots which have been transferred. Whilst the interview will be directed to the land and property professional such as valuers and estate agents/land broker and also other related land and property market agents such as planners, land administrators, developers. The secondary data could be collected from various sources such as libraries, related governments agencies such as Dewan Bandaraya Kuala Lumpur, MAS Board, Kuala Lumpur City Hall Valuation and Property Services Department, including maps covering the study area, land and property data, formal rules and macro economics data.

Data on the land and property market, prior to analysis stage, will be converted into more interpretable presentation such as graphic and structured tables using software package such as SPSS or Excel. To analyze the data collected by questionnaires and in-depth interview, data coding technique will be used. In this

technique, the first stage is to identify the phenomena, the condition causing the phenomena, the condition affecting the phenomena, strategy to overcome the phenomena as well as the result of this strategy. Based on various types of processed-data, descriptive analysis can be drawn to answer the research objectives. Finally, conclusion and recommendation will be drawn based on the research findings and research analysis by using deductive analytics technique particularly to assess whether the framework that have been developed can be proved by the empirical data found in the case study area.

### **Empirical Works**

The main objective of empirical works is to collect data supporting the study such as property market, the formal rules, the land attributes, the interaction among agents which govern the land market structure and transaction cost particularly land supply constraints in the case study area. Subsequently this data will be used to asses the developed theoretical framework. Qualitative research approach will be used in this research based on the subject character. Figure 1.1 shows the diagram of research methodology.

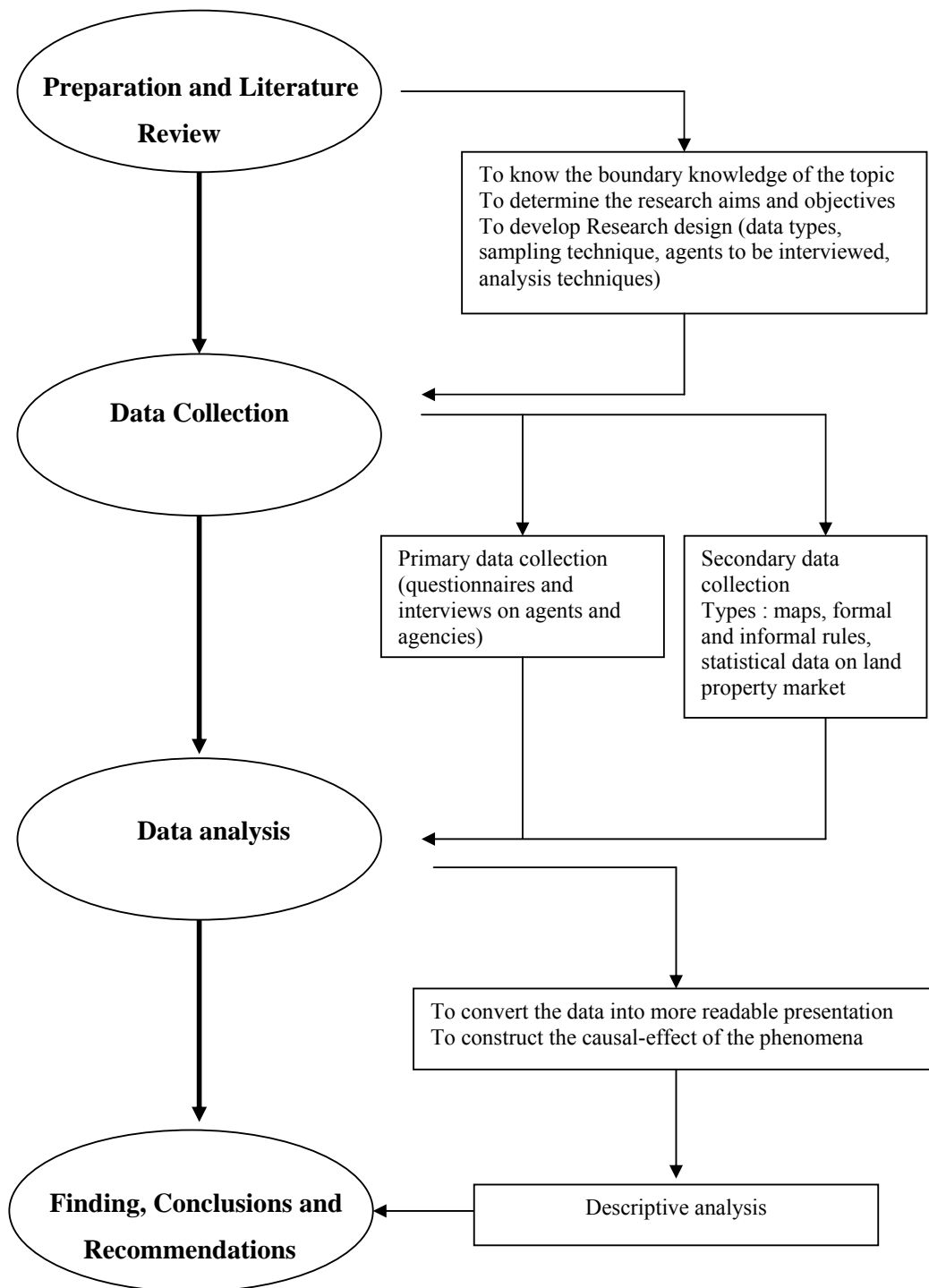


Figure 1.1 Research Methodology

Therefore, the following are the stages of the research:

a. Preparation and literature review

The objective of this stage is to offer a comprehensive knowledge about the subject of this research and also the boundary knowledge of this subject. Subsequently, the theorization will be used as a framework for the research methodology and empirical conduct.

b. Development of research design

Based on the literature review, research designed can be developed by considering characteristic of the subject-research, time and researcher capability. In this step the research areas, agents and agencies are also determined. Kampong Baru is an indigenous land area located within the central business district of Kuala Lumpur is selected as the study area. In 1897 it was established as Malay Agricultural Settlement by the Selangor State Government but there are lots of underutilized lands ever since.

c. Data collection

Two types of data will be collected namely primary data and secondary data. Questionnaires and in-depth interview to the agents and agencies involved in governing land and property market will be used as tools to collect primary data. Among others agents to be interviewed are land owners and land and property market professional such as valuers and planners. Sample data are determined by implementing selective random sampling technique. While secondary data can come from other resources such as library, agency offices and individual agent.

d. Data processing and data analysis

Qualitative analysis to the observed data will be done by using the feasible and appropriate tool such as SPSS software package or Excel. Using those software, the trends, the structure of each group of data can be identified easily. Descriptive analysis is selected to explain the phenomenon.



e. Conclusion and recommendations

Conclusion and recommendation will be drawn based on the research analysis and findings. Deductive analytics technique will be used to draw the conclusion and also to propose recommendation particularly to deal with the land supply constraints and the way to overcome them.

**Expected Results**

The expected result of this study is that the institutional economics analysis has significant power to understand the attributes of the supply constraint in the study case area so that any single factor influencing the supply of lands including rules can be identified. In the end, the source of land supply constraints can be improved and the underutilized lands would be able to be redeveloped at last.

## **2.0 THE STRUCTURE OF LAND MARKET AND THE LAND SUPPLY CONSTRAINT**

### **2.1 Introduction**

As a consequence of the economic growth, the need for additional space for human activities is unavoidably increasing. The required spaces may be fulfilled by seeking newly raw lands or by intensifying the existing lands. To achieve the above objectives, the land development process may involve the acquisition of raw lands, detailed physical planning, improvement of soil, construction of the infrastructure, implementation of public areas, parceling, and building site disposal (Levainen K.I. and Willem Korthals Altes, 2002). It means that the availability of lands becomes the ultimate factor determining the successful of urban development. However, Dowall (1995) stated that, for developing country, the problem of land development is not a shortage of developable lands, but the ineffective mechanism to assure the supply of lands for urban development. It is due to the fact that land plays a very complex role in the society. Land is not only a factor of development but also the product of commercial good and location. To a certain extent, land often portrays as an identity that is directly connected to a certain plot or area, the importance of which is extremely hard to determine in monetary terms (Platteau, 2000). The same is true for the function of land ownership as a source of power (Bardhan and Udry, 1999).

Therefore, understanding the urban land market within the context of the urban development process is vital in explaining phenomenon of the land development and built environment. This is due to the important of urban land markets which plays a critical role in shaping the outcome of urban development (Serra and David Dowall, 2004).

## 2.2 The Structure of Land and Property Market

Structure can be defined as a mediating device which provides the rules that characterize the social system, thereby enabling or constraining the various forms of agency actions, the performance of which modifies and reconstitutes the structure over time and space (Adams *et al*, 1998). In institutional economics theory, structure consists of the organization of economic and political activity and of prevailing values that frame individual decision making (Healey and Barrett in Adams *et al*, 1998). Organization according to the definition provided by North (1996) is “ a group of individuals bound by some common purpose to achieve objectives”, further more “Organizations are created with purposive intent in consequence of the opportunity set resulting from the existing set of constraints”. Therefore, urban land market structure consist of organizations involved in the market that their activities and interactions are enabled or constrained by rules provided by the structure.

Market can be defined as a group of buyers and sellers linked together by trade in the sale or purchase of particular commodity or service (Grinols,1994); as an arrangement by which buyers and sellers area brought together to fix a price at which goods can be exchanged (Harvey and Ernie Jowsey, 2004) and as a group buyers and sellers involved in the production and consumption of a single commodity come together to undertake transaction (Adams, 1994 a). Therefore, property market can be defined as setting (rather than a place) in which property transaction are affected by buyers and sellers and their representatives at some agreed forms of settlement under the working institutions. As such, institutional economics analysis tries to enhance the notion of market through giving the markets characteristics of their own (Swedberg, 1994). Thus, markets cannot be understood without regarding where and why costs accrue in their use and without looking at the underlying institutional framework (Hurrelman, 2003 ).

Urban land market is only one facet of the whole land development processes and the property markets. Ball (1998) mentioned that in the property market there are four interlinked markets namely user market, financial asset,

development market as well as urban land market which affect each others. User market is related to the stock of the property that may be owned directly by the user themselves, as owner occupiers, or rented from a property company. A stock of property also can be considered as financial assets to those owning it. Consequently, the behaviour of the market is driven by the opportunity cost of the capital invested in property. In the development market, property building takes place when demand of property increase so that the stock of the property need to be expanded. The user and development market finally dictate the urban land market and determine urban land demand (Ball, 1998). Thus land is used exclusively for producing some other product (Dowall, 1995). The demand for land is therefore derived from the demand for the product or service produced on the land.

Sometimes land market is formal and informal (Harvey and Ernie Jowsey, 2004). The former is characterized by more open dissemination of information through such as newspapers or internet, and also commonly the process of transfer is mediated by estate agents. Another example of formal market is auction held by government. Whilst the latter, information is distributed to the more limited targets such as families or relatives, and very often brokers serve as middleman between the sellers and the buyers (Muchunga, 2001)

According to OECD (1992), there are factors influencing the demand of land property market. Firstly, the general economics factors such as economic development, interest level and expected profits. Rate of interest, for example, influences the total spending on both consumption and investment. When interest rate rise, the amount of property investment will fall, and vice versa ( Ball *et al*, 1998). The gross national product (GNP) is one of economic development indicators that denote the total spending. The rise of GNP represents in increased spending overall of all resident of a country (Harvey and Ernie Jowsey, 2004).

The second factor is taxation policies. Taxation policies influence the capability of individual household to allocate the wage for purchasing land and property since increase tax will reduce the net income of the household. In other words, taxes will draw money out of the circular expenditure flow (Ball *et al*,

1998). Capital transfer tax, for example, is among various taxes affecting landowners' decision to hold their assets (Goodchild and Munton, 1985)

The third factor is housing policies which usually in the form of government financial supports particularly addressed to the low income households. There are various ways government may provide financial support to the households that affect the demand of land such as provide loan for the purchase of land and location subsidy. The former subsidy will directly increase the capability to access the land market; the latter encourage the buyers to occupy those lands close to the public facilities which have been developed by government such as infrastructures (OECD, 1992).

Finally, non-economic policies measures such as limitation on built up density is the fourth factor. Limitation of built up density in a certain area directly affects the developer to construct buildings, however indirect impacts to the demand of land emerge since the future opportunities can be gain from lands decreased because of density limitation (OECD, 1992).

While from supply side, the most critical factors which influence the property stock is the availability of readily build-able lands (OECD, 1992), although it still not provide guarantee that the property development can be performed. It is due to the need of planning approval from local authority as planning control before the development start. It means that the supply of lands for urban development is not only determined by topography, distribution of infrastructure, the willingness of land owners to sell parcels, but also controlled by master plan and zoning policies, and (Dowall, 1993; Dowall *et al*, 2004).

In term of the manner in which land may enter into the readily build-able lands stage, two possible ways can be identified, through market activities or through compulsory purchase taken by government. The letter is performed when the former manner failed to be carried out. The land property market structure which indicates the factors involved and their relationship is shown in Figure 2.1

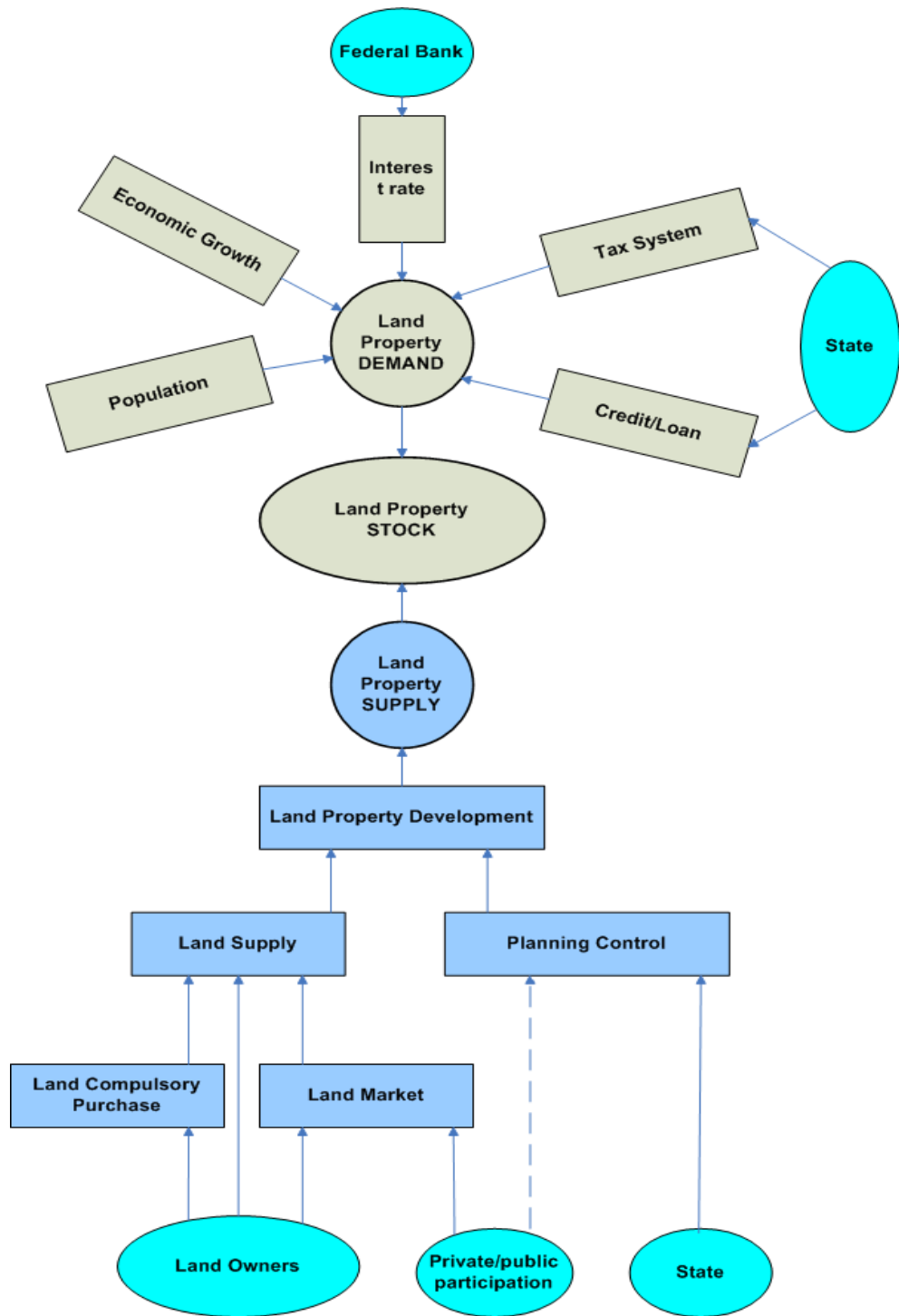


Figure 2.1 Land Property Market Structure  
 (Source : Zhu Jieming and Ismail, 2005)

Unlike other markets, where supply and demand determine the dynamics of market operation, land markets are not driven by perfectly competitive forces. Land is not homogeneous; each parcel is unique, having a bundle characteristic that hardly unbundled such as a particular set of location, physical, and neighbourhood characteristics. Actors in the land market are diverse and have divergent objectives, expectations, and strategies. In some cases, only a few buyers and sellers may participate in particular land markets (Evans, 1994), and an individual land seller or buyer can greatly influence market outcomes (Dowall, 1995). This is the reason why perfect land market is almost never materialized (Evans, 1994).

Borrowing the concept of bounded rationality, Keogh and D’Arcy (1998) proposed a concept, which considers physical and legal entity of the property and property market process, called ‘bounded efficiency’. To assess bounded efficiency, the institution environment within which property market operates and the institutional mechanism become the gauge of market efficiency. Therefore, institutional economics analysis which considered market as an institution produced by interaction of various agents also offers ways to analyze property (Keogh and D’Arcy, 1998, and Ismail 1999).

Since processes cannot be separated from actors involved, considerations about the actors participating in the land market is the primary step addressed. In the land development processes, there are important actors involved namely landowners, developers, investors as well as government. Whilst, in the land market, the key actors which determine the activity of the market are landowners, developers (private) and government (Ball *et al*, 1998; Fisher, 2005; OECD, 1992). Therefore the next sub chapter will discuss the role of each actor in the land market subsequently.

### **2.2.1 Government’s Role**

Discussion about the role of government in economic development, commonly can be found in the political economy literatures. Two common views

about the government's function are well known as "delivery-service" and "social transformation" model. The first focuses on a range of services which government should deliver goods such as in the form of "law and order", social security and market regulation; the second looks at the role of the government in the transformation from one stage of societies into an other stage (for example from pre-industrial societies into industrial capitalist) (Khan, 2002). For the two models, it seems that the first model provides facilities to explain about the government's role in the land market.

As a "delivery-service" body, in the macro level government provides institutions including law and order, stable property rights, key public goods and welfare redistributions. The role of laws and regulations established by government is nothing but to increase the efficiency of resources distribution through identifying and controlling the related phenomenon in the distribution processes (Ogus, 2001). Beside as institutions producer, government is also the only body in society which can legitimately enforce institutions, collect taxes, redistribute income and wealth, represent and enforce social cohesion or resolve conflicts, in all cases using force if necessary (Khan, 2002).

Discussion about property market particularly land market, property right system has crucial function as the basis to govern the relationship between people and lands. Thus, a stable and well-defined system of property rights are a precondition for efficient exchange (North, 1996). Better titling and registration as well as more comprehensive land information system are among government policies related to the land ownership which affect significant impact to the land exchange (Dowall, 1993). Well-defined system of property rights exactly gives certainty for people in using the land to improve the production. In addition, such condition encourages the buyer or seller to perform transaction (Dam, 2006)

In the case that private market unable to achieve market efficiency, two approaches government may respond to the phenomenon. Firstly, Van Pennington in Buitelaar (2002) argued that it should be left to the market since in the market there are varieties of preference interest that only can be coordinated by the market itself through a process of mutual adjustment. His second argument is



called self-interested government which derived from public choice theory. The third and last argument is derived from new institutional economics and comes down to the assertion that private parties will be able to internalize externalities through the transaction of private property rights. However, such ideal market is almost never materialized. Therefore, secondly, the involvement of the government to minimize the efficiency losses by arranging the institutional environment is needed (Rodenburg and Vreeker, 2002).

There are two manners government may involve to minimize market imperfection namely indirect involvement by providing regulations (Rodenburg and Vreeker, 2002) and direct involvement through direct participation in the market (Rivkin, 1983). Property taxation, public ownership and land use regulation are among regulations that usually government use to overcome market imperfection. The philosophy of using property taxation regulation is to set up a tax system such that it will stimulate the working of market. For example tax vacant land which has been implemented in Taiwan and Chili, and also higher tax rates implemented in Jakarta which is used to encourage development and land market (Shoup, 1983).

Whilst in the public ownership approach, the main government's focus is to interfere the land market by bringing the land into public ownership either permanently or temporary (Shoup, 1983). This approach has been successfully implemented in some countries such as Korea, Japan, Taiwan and Thailand (Shoup, 1983, Dale *et al*, 2002). The last approach is to influence the land market imperfection by using land use regulation. Although land use regulation may provide constraint to the supply of land in term of rigidity, such as by limiting building density or the uses allowed in certain areas, it also stimulates the market by giving certainty for government and actors involved particularly about the future use of the lands (Buitelaar, 2004).

The second way government may involve in the land market is by direct participation. In this approach, government directly involve in the market or development by providing the investment or financial support. Land acquisition is

an example that government directly involve to bring land into the market for development purpose (Rivkin, 1983).

Besides elimination of market imperfection, Dowal (1993) also explained that government involvement in the land market through removing externalities so that the social costs of land market outcomes correspond more closely to private costs. Market will not be able to cover all social cost that private should measure. For example market values involved do not contain a full estimate of certain type of buildings and land uses which possess “public goods” characteristics (OECD, 1992).

The next role of government involvement in the land market is to redistribute society’s scarce resources so that disadvantaged groups can share in society’s output (Dowal, 1993). Agrarian reform is an example of government policy to redistribute the land resource to the disadvantage group of people. In the urban area, although it is not directly addressed to the land market, government subsidy for low income households to access housing market at the end will influence the land markets performance.

Related to the indigenous lands, government usually uses protective and right- based approach to manage the lands. The former focuses on the protection of indigenous land from outside and market force. While the latter insists that indigenous peoples have special rights to land and resources (Plant and Hvalkov, 2001). Green (1987) gives examples where government policy affects the supply of land. In Kenya, in order to protect the member of family to be landless and destitute, the government policy run by District Land Control Boards do not permit any transaction which will leave the families in those situation. This typical policy also happened in Zimbabwe where individual only has the rights to own the land, not the right to buy and to sell the land.

For the laws provided by government, in the certain extent some costs some time should be paid such as the lack of information and multiple goals (OECD, 1992). The first factor emerges when the government faces the same problem as the buyer and supplier encounter that is the informational difficulties. Two types of the

most difficult part of informational difficulties are identifying social preferences and measuring the costs and benefits arising from urban land market policy. The second factor come out in the form of conflicts among governmental policy objectives, since it is well known that government commonly has more than one policies and goals.

### **2.2.2 Landowner's Role**

No land development will take place until the land is in the hands of a person or body willing and able to carry it out. It means that how owners behave affects the supply of development land. In addition the landowners' characteristic in the development process is important and somewhat unpredictable. The role of the landowners in the development process centre on his decision to sell their land and the way they go about this (Goodchild and Richard Munton, 1985).

The relationship between landowners and lands is governed through the property right system as denoted by the landownership. According to property rights theory, resources including lands can be defined as bundles of property rights, and therefore can be disaggregated and then recombined according to necessary usage (Kim and Mahoney, 2006). For any particular piece of land these right may be divided between any number of holders and can be attributed to an individual or shared among different individual (Goodchild and Richard Munton, 1985; Picot *et.al*, 1997). The most important of these rights confers upon the holder is the right to occupy, to use and to transfer the lands (Guerin, 2003; Alchian and Demsetz, 1977).

In the case of indigenous lands, there is special relationship between lands and landowners since land is a direct manifestation of their personal, social and spiritual relationships, and provides them with powerful yet subtle answers to their need for integrity and identity (Sheehan, 2002). In addition, at several places not all rights on the lands are possessed by the landowner, for example Indian people

in Canada are restricted to transfer only between band members (Mathew, 2004).

Two types of ownerships are commonly recognized namely individual ownership and group ownership. Ellickson (1993) argued that land owned by individual is relatively low-transaction-cost in term of internalizing externalities. It is due to the easier to monitor the boundaries, easier to self-control than a group-owned or multi-person. Furthermore consensus between just a few individual is easier than between a whole group. The reason is that for the latter case, every owner with different behavior has to be involved.

There are also arguments that group ownership has a number of superiorities (Buitellar, 2002). Among others are: (1) for some purpose, group ownership may be more efficient that several individual landowners co-operate, in order to achieve economies scale (2) the occurrence of large events such as environmental disaster (3) the spreading of the risk.

In identifying the roles of landowners in managing their lands, Adams (1994) and Adams and May (1991) were able to classify actives and passive landowners. Active landowners are those who develop their own land, enter into joint venture development or make their land available for others to develop.

It means that active landowners bring the lands into the development process through two manners either direct supply or indirect supply. Direct supply of lands means that the landowners are trying to occupy the lands and to maximize the potentiality of the lands through development process. In this case the landowners don't want to release the lands because of economic or social factors consideration such to inherit or further bequeath the lands. The second way happened when the landowners either they no longer want to keep or have to release the lands, so that they will bring the land onto the land market. Active behaviour may be motivated by political concerns, or the prospect of financial reward, or the desire by land-users such as manufacturing companies to meet their own land needs (Adams *et al*, 1994).

The second characteristic of landowners is passive landowners. Passive landowners take no particular steps to market or develop their land, even though they may intend to do so in the distant future. Some owners are willing to sell, but only on restricted terms and conditions. Various reasons may cause passive owners such as low cost to keep vacant land, use the land as loan collateral and uncertainty about the future (Adams et al, 1994).

Landowners' behavior that causes land supply constraint among others are landowner's expectations such as valuation constraints, marketing strategies as well as passive landownership (Adams, 1994). Valuation constraints are available whenever buyers and sellers cannot agree the price so that no transaction performed. The second constraints emerge particularly because the landowners delay the lands to enter the market in order to fulfill the wider objectives of ownership interest. For example potential industrial land can be sold for offices, housings or retailing, to get higher price. The last constraints come from passive landowners indicated by their reluctant to participate in the land development processes.

Adams *et al* (1997) mention that many spectrums of land ownership may constrain the supply of lands. Two main classifications of landownership that cause constraint namely (1) related to ownership and (2) related to selling-eagerness. Unclear ownership, divided ownership and fragmented ownership are belong to the first group. The second group encompass land owners' characteristic such as willing and unwilling to sell as shown in Table 1.

<b>Table 1: Spectrum of ownership constraints in the development process</b>			
A	Ownership unknown or unclear	A.1	Title deeds incomplete or missing
		A.2	Ownership in dispute
B	Ownership rights divided	B.1	Land held in trust
		B.2	Land subject to leases or licences
		B.3	Land subject to mortgages or other legal charges
		B.4	Land subject to restrictive covenants
		B.5	Land subject to easements
		B.6	Land subject to options or conditional contracts
C	Ownership assembly required for development	C.1	Ransom strips
		C.2	Multiple ownership
D	Owner willing to sell but not on terms acceptable to potential purchasers	D.1	Restrictive terms or conditions of sale
		D.2	Unrealistic expectations of price
E	Owner unwilling to sell	E.1	Retention for continued current use for: * Occupation * Investment * Making available to others on non-profit basis
		E.2	Retention for control or protection
		E.3	Retention for subsequent own development
		E.4	Retention for subsequent sale * Indecision ( <i>terms of sale unresolved</i> ) * Postponement ( <i>delayed sale advantageous</i> ) * Uncertainty ( <i>unsure of present value or potential</i> ) * Speculation ( <i>hoping for future rise in value or potential</i> )

**Adam et. al., (1997)**

Green (1987) provides an example that the way landowners consider the lands will also influence the supply of lands, for example what happen in Kenya. The landowners are reluctant to sell the lands because land is perceived as crucial asset for the present and/or future subsistence of the family and lands are secure form of holding wealth and a good hedge against inflation.

### **2.2.3 Private's Role**

The most important actors in the private sectors are those who undertake speculative development, those who invest in it and their professional advisers (Adams ,1994). The first two sectors currently are not strictly able to be separated since in the real situation some development may well be undertaken by financial institution and reversely investment provided by mature development companies. However both have the main role in the land development process that is to provide additional or changing of attributes of the land so that the value and benefit of the land significantly increase. Since the focus of discussion is land market and developer is among key factors in the land market, the next discussion will more address to the first actors, developer.

The role of developer in the land development process is to make building available in anticipation of the demand of the market for profit-oriented purposes (Harvey and Jawsey, 2004). So that developer can be considered as an entrepreneur who provides the organization and capital to perform its role. It is a body to achieve common objectives using opportunities provided by the existing institutions (North, 1996)

According to various market explained by Ball (1998), developers activities have directly effects to the development market in the form of the

number of property building can be supplied into the market. In another words, developer behaviour in making decision toward a certain situation influence development market which in the long run influence the land market. Kenny in Mohamed (2006) found that bounded rationality of developer can be observed in the decision made by them which commonly use recent choices as benchmark to evaluate alternative. In addition a minimum profit criterion is used to select locations.

Gillen and Fisher (2002) observed that rapidly reduced supply of undeveloped lands have directed to the redevelopment of previously urban city. It then produces uncertainty of remediation cost, difficulties in site assembly, market demand and planning obligation requirements which cause hesitation on the part of developer. They also investigated the residence developer in land price determination. They found that land prices tend to be driven by over-optimism on the part of developer. Developer incite price by overzealous bidding and procurement behaviour.

Related to the land use planning, Adams (1994) mentioned developer's conflict to the existing rules provided by local authority, such as city planning, emerges whenever defined zoning area do not match to the trend and potential of the area based on the economical point of view. It is well known that some time the existing city planning was not developed based on complete information related to the area. As a result, short-term conflict may unavoidably affect the supply of the land in the property market, and long-term conflict cause land supply constraint to the land development process.

Lai and Wang (1999) studied about the developer strategies when encounter land supply problem particularly to fulfill the housing demand in Hong Kong area. They found that to face with government decision on land supply, developer make decision on their land banks independent to the government decision on land supply. Developers will increase (or decrease) the level of their land banks as long as it is considered to be a profit maximizing decision. As a result government land supply has little effect on housing supply.



## **2.3 Land Supply Constraint**

Land supply constraints can be identified by the unavailability of the lands in the land and property market, although physically the lands are available (Adams, 1994). The following sub chapter will elaborate factors causing the supply of lands and analysis of land supply constraint subsequently.

### **2.3.1 Factors causing land supply**

There are various factors affecting land supply constraints. First, government role in the form of planning systems is an ultimate factor influence land supply in the land market. Land use planning, for example, has functions to allocate a certain amount of lands for particular development, to control the location of development and to justify the types of development in different areas (Popetan in Hui, 2002). It means that the total amount of lands to be developed has been restricted by the planning, so the dynamic of the land market can't be adjusted easily.

Related to the planning systems which often hinder the supply of land is regulatory complexity. It is due to the complex regulations cause cumbersome and lengthy processes to get planning permission (Dowall, 2003). Therefore the supply of land for development becomes relatively slow, in fact to meet dynamics change in demand is somewhat difficult. Second, the quality of titling registration and tenure security are also considered as additional factors affecting land supply. Good registration and tenure records produce clear title, high tenure security and subsequently avoid the long delays in registration (Dowall.,2003). Thus it

quickness the availability of the lands in the land market. Social factor is the third one which influences the supply of lands.

Social factor is the third one which influences the supply of lands. Passive land owner those who take no particular steps to develop land is the major issue affecting land development process. Some land owners are willing to participate but only on the restricted terms and conditions, such as by offering leasehold not freehold. In addition, because of expecting higher price or uncertainty in the future land price, the land owners are still keeping the lands (Adams, 1994). Multiple ownership of urban land, as the outcome of the second and the third factor, is also recognized as constraint of the land supply through some difficulty to rapidly acquire the ownership rights ( Adams *et al.*, 2000a).

Macro economic factors and its stabilization, as external factors, such as in the form of interest rate is also an aspect influence the land supply. High interest rates may cause the amount of capital circulates in the land and property market decrease. Given that, the total amount of capital spent to buy lands is also decreased and thus it disturbs the supply of lands. Finally, physical condition of the lands becomes a burden of the land supply since the lands have no possibility to be developed. The land is considered not build able if it is located in a floodplain, sloped more than certain amount, as well as subject to natural hazard such as mud slide and earthquakes (Knaap and Moore, 2000).

At the urban periphery, planning constraints appear the more prevalent. In inner urban areas, the land supply constraints generally come from combination of four factors namely critical physical, ownership, valuation constraints as well as planning constraint (Adams, 1994). Derelict areas, contaminated areas and lack of infrastructure commonly are caused by the first constraint. The second constraint comes from the land owners who reluctant to respond to market mechanism, who keep the lands because they want better price in the future as well as who keep the lands because of emotional factors toward the lands. In Kenya, land owners still reluctance to sale their lands because of several considerations. Among others are (1) land is perceived as a crucial asset for the present and/or future subsistence of the family (2) it is a secure form of holding wealth and a good hedge against

inflation (Green, 1987). For the low income households, the willingness to put the lands in the market area is also affected by the degree of uncertainty of their future after they release the lands (Howe in Adams, 1994).

The third constraints emerge because of the land value disputes. In this case landowner and buyer/developer have different estimation prices of the land. Commonly the land owner price is higher than proposed land developer/buyer price. Sometimes the third constraints are as the effects of the second constraints. The last constraint emerges because local authorities provide not-comprehensive planning, so that it creates uncertainty for the developers and landowners.

In indigenous land, restriction of transfer land to protect the remaining land in certain tribe ownership have raised the cost of changing the use or user of land and may reduce the profitability of any investment attached on the land. In addition the restrictions also cause a smaller market, lower value as well as limited uses as collateral. The difficulty of locating owners and the cost of establishing trusts strictly affected the ability of owners to develop land and subsequently hindering economic development and finally produce land supply constraint (Guerin, 2003). Green (1987) gives examples where government policy causes the supply of land. In Kenya, in order to protect the member of family to be landless and destitute, the government policy run by District Land Control Boards do not permit any transaction which will leave the families in those situation. This typical policy also happened in Zimbabwe where individual only has the rights to own the land, not the right to buy and to sell the land. It means every transaction should be approved by the traditional village council (the *sabuku*).

The inability to sell the land gradually cause the fragmentation of title among successor such as what happen to Native American land tenure (Anderson and Lueck in Guerin, 2003). Multiple ownership in turn increases the costs of obtaining agreement among landowners, reduce the willingness of individual owners to put effort into development. Although the benefit of the uses of the land quite valuable, multiple ownership discourage uses since it is more difficult to monitor the inputs and outputs by owners (Guerin , 2003).

Land supply constraint provides direct impacts in the land and property market in term of increasing land price which subsequently cause the amount of readable lands for development. On one hand, land supply constraints will be a burden of the development process and finally prevent the maximization of economics value of the lands. On the other hand, land supply constraints, apart from factors affecting them, cause underutilized lands and in a certain extent produce deterioration of surrounding properties leading to an overall decline in neighborhood property values (Ambrose, 2005).

### **2.3.2 Analysis of land supply constraints**

In the urban development literatures, land supply discussion commonly can be found in land property market seminal and in the land development field. Therefore the following discussion will review the previous discussion about the land supply from both views.

View number of publications addressed specifically the urban land supply phenomenon can be found in the literatures. Some of researchers such as Hui (2004), Peng (1994) and Tse (1998) more focus on the effects of the restriction of land supply to other market. Hui (2004) makes use the housing market data related to the land supply and lease condition in Hongkong. The results show that land supply through action and tender statistically significant correlation with housing price. Meanwile, Peng (1994) in his publication in Journal of Housing research elaborates the effects of sudden scarcity of land to the housing price in Hongkong in between 1965-1990. By using modified stock-flow model he comes up with the result that supply restriction in Hongkong have caused higher housing price but not lower housing output. However Tse (1998) argues that the impact of the supply of new land by the Hongkong government is not as important as they maintain in accounting for the volatile house price in Hongkong.

All publications discussed above commonly address to the effects of land supply restriction. Non of them specifically focuses on the discussion about the

process which cause the land supply problem. Also analysis commonly assume that market analyzed the market based on the assumption that market is the output of interaction between seller and buyer and no external factors influence it (Needham and Arno Segeren, 2005). This assumption of course failed to understand the complexity of land market specifically land supply constraints because in the real world there are various factors influence it.

In the field of land developments, a number of models have been proposed to explain the development processes (Adams, 1986). The first approach is called equilibrium models or some time called positivism approach (Ismail, 1999). This models was established basically from neoclassical economics concept. This concept focuses on the interaction between supply and demand such to reach an equilibrium stage. Problem of supply emerges whenever factors such as monopoly or human speculation influence the flow of supply and demand in the market and subsequently disturb the equilibrium stage. However this model is failed to explain the roles of actors' preferences in performing interaction in the market process.

The second model is called empiricism and sequent model. This approach breaks down the development process into events and activities. The linear event-sequence model (Ratcliffe in Ismail, 1999) is the first model including in the empiricism approach. This model divides the development process into 4 sequential events namely evaluation, preparation, implementation and disposal. However, it fails to explain the role of important key actors and their interests in a comprehensive way (Healey, 1991; Ismail, 1999). To improve the performance of the model, the development pipe-line model was introduced by Barrett *et. al.* (1978). The improved model considers 3 sequential stages in the development namely the pressure and prospect stage, the feasibility stage as well as the implementation stage. Unfortunately the last model is also unable to address the complexities of the land development process in an explicit manner.

The humanism approaches concentrate on each key agent's personality, motives and characteristics which may disturb the flow of land supply for development (Goodchild and Munton, 1985; Ismail, 1999). It provides facilities

to assess the implication of imperfect decisions which may lead to the abandonment of the project at any stage. However, it doesn't provide adequate explanation about the effects of actors' interest, roles and strategies that can influence other actors' decision in the land development (Ismail, 1999).

The fourth model in the land development analysis is structural approaches. It is basically developed based on Marxism theory within urban political economy (Ismail, 1999). This approach assumes that built environment is considered as the result of the struggle of different groups within wider social, political and economic framework. Thus this model provides a more coherent and comprehensive explanation of market interactions. Since little insight is given to the particular part of the land developments such as the role of actors' behavior to the wider social, political and economical framework, this model is inadequate in examining the complex process of land development particularly land supply constraint.

Based on the previous discussions, Ismail (1999) argued that institutional economic analysis has power to understand the land supply constraint in the land development. Institutional economics models provide facilities to deeply understand about the linkage between formal and informal rules or institutions through the exercise of agency relations by agents in the land development process (North, 1996; van der Krabben, 1995). In this relationship, the formal and informal rules may become constraints which influence actors' decisions and the way they interact and, hence, restrict the supply of land for development.

To support the argument mentioned above, Ismail (1999) have tried to implement institutional economics analysis to study land supply constraints in Kuala Lumpur. His study focuses on the role of formal and informal rules in affecting landowners' attitude to participate in the development process. However, less attention is given to the role of transaction cost in influencing landowners' decision to participate in the land development and particularly land market. As Hurrellman (2003) mentioned, transaction cost plays important roles since it has relationship with institutions and actors' decision to participate in the land market and land development.

Adams et al (1994) argued that the best way to understand about land markets and development processes is to examine the processes of land supply, land exchange and land development including the interaction among them. In doing so, consideration about the institutions and cost will enrich the understanding of the supply phenomenon. It is due to the actors' decision to bring the lands into the land market and land development process is also influenced by transaction cost. In addition, indigenous lands have more complex attributes attached on them that are not easily separated from actors' decision.

## **2.4 Conclusion**

This chapter has viewed the role of land market within the land development processes. Basically, land market is one facet of the development process and also one type of market in the whole property market. In the land and property market there are various factors that determine demand and supply as well as various actors influenced the working of the market.

Three main actors in the land market process have been discussed. The main role of the government is to provide regulations that raise the efficiency of the distribution of resources including lands. The main role of land owners is to assure that land is in the liquid stage to be carried out in the market and development process. While, the private organizations particularly developers take opportunity provided by the regulation to perform transaction and development. All actors interact in the frame of market structure.

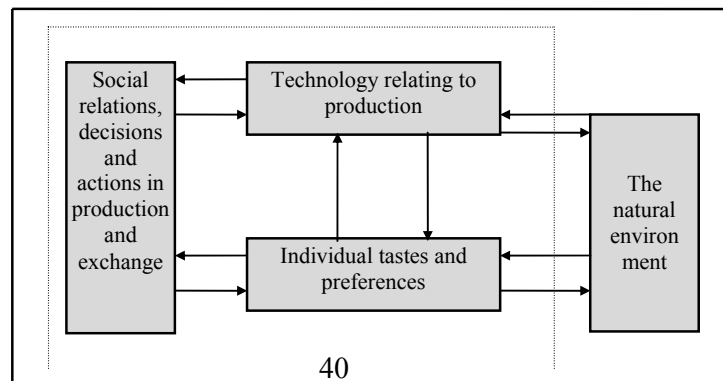
Various approaches have been discussed to understand the supply of lands, although most of them commonly focus on the effects caused by this lack of lands. In fact, view of them directly gives more attention to the causes of the land supply particularly indigenous lands which have unique characteristics in its nature. To understand the cause and effect of the supply of lands means that we have to examine the processes including actors' attitude which influence the

process. To do that, it seems that institutional economics, particularly transaction cost and property rights will enrich and give power in understanding the phenomena of the supply constraints of indigenous lands.

### 3.0 THE URBAN LAND MARKET AND INSTITUTIONAL ECONOMICS ANALYSIS

#### 3.1 Introduction

Institutional economics analysis is an analysis currently attracts people, particularly economists, because its ability to provide rich facilities to understand the interactions of people not only with resources but also rules within their activities. This institutional analysis emerges because of the failures of the conventional approach (neoclassical) to models the real world since in economic activities human behavior is dynamic and perfect condition is something rarely encountered. Institutional economics analysis tried to expand the conventional approach by incorporating social factors such as individual's preferences, technological possibility and constraints which influence people actions in the economy analysis (Hodgson, 1988) as indicated in the Figure 3.1.





---

**Figure 3.1 Boundaries of institutional analysis**  
**Source: Hodgson (1988) and van der Krabben (1995)**

Figure 3.1 shows that institution economics analysis tries to open the self sufficiency assumption by regarding social factors as part of the economic system.

This economics analysis actually has been proposed by a number of institutionalist leaders such as Thorstein Veblen, Wesley Mitchell, John R. Commons and Clarence Ayres in the beginning of 19<sup>th</sup> centuries (Rutherford, 1999). However at that time it was not so popular since it provided less scientific precision in analyzing the ideological, social, political and economical changes, as compared to neoclassical approaches which introduced the market mechanism (Mair and Miller, 1992). Some economists offered a more flexible concept of new institutionalism during 1990s (see, for example, Hodgson, 1993, 1998; North, 1996) with reference to the importance of institutional frameworks and the changing nature of collective agents' behavior.

There are a number of definitions about institutions. North (1996) defines institution as constraints on behavior imposed by “the rules of the game” in society: “Institutions include any form of constraint that human being devise to shape human interaction”. Institutions are durable systems of established and embedded social rules that structure social interactions (Hodgson, 2004). Institution is a set of socially prescribed patterns of correlated behavior (Bush, 2003). The common notion can be extracted from these definitions is that institution is a structure which directs, constrains and provides incentive to the people in performing activities.

In term of operational environment, Williamson in Parto (2003) distinguishes between institutional micro and macroeconomics. In the macroeconomics it deals with the institutional environment while in the micro scale deals with the institutions of governance. According to North (1996) the institutional environment can be in the form of formal rules or informal rules.

Institutional governance deals with the coordination in transferring good or right through market, quasi-market or hierarchical modes.

Formal and informal rules are institutions which drive and constrain the people to perform the human activities. Formal rules, particularly, and informal rules are developed based on the bargaining between agents to reduce the uncertainty (North, 1996). Formal rules are usually in form of written document such as political (and judicial) rules, economic rules as well as contract. Whilst, according North (1996) informal rules (some times called culture) is as part of heritage and transformed from one generation to the next via teaching and imitation, a knowledge, values, and other factors that influence habit. Formal and informal rules all together provide structures to agents in performing mutual interaction with other agents with in a frame of human activities including market (Nedham and Segeren, 2005).

Related to the market, as the basic concept in the mainstream economy analysis to allocate resources, institutional economics analysis enhances the notion of market which is unclearly mentioned by neoclassical approach through giving the markets characteristics of their own (Swedberg, 1994). Rules as exogenous or no rules in the interaction of supplier and demander (Thrall, 1987; Evans 1985) is improved by considering where and why costs accrue in their use and looking at the underlying institutional framework (Hurrelman, 2003 ). Analysis which focuss on the market outcome (Hodgson, 1998; van der Kraben, 1995) is then complemented with the manners interaction among agents involved taken place (Nedham and Arno Segeren, 2005). In other words, the market outcome such as what is traded, by whom, in what volume, at what price, the rules must be investigated, and also how people react to them (Nedham and Arno Segeren, 2005). As a mean to coordinate human interaction, market has two embedded attributes, a set of rules with which market parties should perform and the information about the nature of property right, the quality of the goods or services (van der Kraben, 1995). Therefore, Hodgson cited by van der Krabben (1995, p. 75) defines the market as “a set of social institutions in which a large number of commodity exchanges of a specific type regularly take place, and to some extent are facilitated

and structured by those institutions. Markets, in a short, are organized and institutionalized exchange”.

As a social institution, the market is not considered as a single uniform entity, but as an aggregate market which each particular market seen as having routines and procedures (Adam *et.al.*, 2005). This routines and procedures is distinctive depend on the existing culture and other institutions.

In term of theoretical conceptualization and development institutions, it could be classified into three mainstreams (Eggerstsson, 1990, Rutherford, 1994, Ismail, 1999, IEBM, 2002) namely old institutionalism, new institutionalism and neo-institutionalism. The following discussion will elaborate these mainstreams subsequently, particularly related to the notion of market in each of them.

a. Old institutionalism

Old institutional economics rejects the neo classical proposition of the idea of ‘rational economic man’, to be replaced by the idea of institutionalized agent, driven in the main by habit and routine. Common made major contribution to the theory of institutions. In addition, old institutions also stresses both on the processes of economic evolution and technological transformation. Toward market, old institutionalism is doubtful of the ability of market processes to be self-corrective, that it leads to the possibility of government intervention in the public interest (Rutherford, 1994).

b. New Institutionalism

The fundamental difference between new and old institutions is that the way its assumption of the abstract individual. Individual are pictured abstractly as given, with given preferences and purposes. To explain the exchange of individual behavior, then new institutions promote the emergence, existence and performance of social institution in where interaction among individual/agent within ‘bounded rationality’ agent’s decision is performed. Following Coases’s famous insight, Williamson argues the existence of firm in economic coordination with reference to the transaction cost. North (1996) consider the ‘rules of the game’ within the cost of transaction to govern human

decisions and their economic performances. New institutionalism views market more positively, that self-corrective in the market processes can be achieved straightforwardly. For new institutionalism, government intervention may produce misallocation of resources distribution and all legal product established by government such as law, property rights and regulations are costly to society (Rutherford, 1994).

c. Neo-institutionalism

There are also differences between neo and new institutionalism (Eggertsson, 1990). The former subscribes to the neoclassical notion which embraces the rational choices and tendency towards the equilibrium point in relation to transaction costs, whereas the latter is concerned more with the economic decisions within a bounded rationality of human agents (Hodgson, 1993, 1998; van der Krabben, 1995). Neo-institutionalism follows the positive theories on the role of government in the market. It is due to the need of government intervention to set and enforce the fundamental rules that govern exchange (Eggertsson, 1990).

For the purpose of institutional analysis particularly in understanding of land property market and land development, the following sections discuss about the property rights in lands, transactions cost as well as institutional analysis on the land property market.

### **3.2 Property rights in lands**

According to the theory of property rights, scarcity is a necessary condition for property rights to emerge. Property rights exist because resources are scarce relative to competing claims, so that a system that specifies authorities to exercise rights that lead to the utilization of given resources at any given time is needed. In his seminal paper on the emergence of property rights, Demsetz in Guerin (2003) argues that “property rights develop to internalize externalities when the gains of internalization become larger than the cost of internalization”.

A generalized definition of property right is “the exclusive right of possessing, enjoying, and disposing a thing” or “the exclusive right to control an economic good” Barlowe (1986). Things or economic goods including lands are objects that have a number of attributes such as a bundle of rights, the value as well as the assent to protect the rights. Therefore, a bundle of property rights in lands consists of separate and overlapping rights to possess (manage and exclude from), use (access or withdraw) and dispose of (alienate, sell, bequeath) lands (Guerin, 2003; Alchian and Demsetz, 1973).

Not all these rights will necessarily be specified to the same degree, or allocated to the same landowner (or allocated at all). In other words these rights can be attributed to an individual or can be shared among different individuals, can be combined in many different ways and broken down for a range of particular purposes (Picot et.al, 1997). Which rights exist and who owns them has major societal and economic implications. The degree to which rights are specified and owned will in turn affect the incentives on rights owners for long-term management of the lands. The manner in which the rights are specified will also affect the valuation of the right (Guerin,2003).

A simple example of distribution of rights to several owners can be observed in landlord and tenant relationships. Both are owners of the land in their own right; they own some right(s) that exclude any other person from exercising that specific right on the land. The tenant owns the right to occupy and use the land for an agreed period of time, whilst the landlord owns the right to receive the rent, re-let the land after the agreed period, or dispose of it (Antwi, 1998). In this case, some rights owned by landlord are temporally transferred to the tenant immediately after the transaction is performed.

Based on the concepts of excludability (who can determine who benefits from the resource) and rivalness (whether use is affected by the number of users), four terms are usually used to classify the property namely open access, common, private and public property (Guerin, 2003). Open access is characterized by no one has the right to exclude anyone. The characteristic of common property is group members have the right to exclude non-members. The last two classes of property

rights are distinguished subsequently by generally excludable and owned by all (but with access and use controlled by the state).

Private property right is the exclusive rights that can be owned by individual members. Full private property rights provide higher incentive to the owner to perform more complex contractual exchange and greater specialization. An owner of private property rights possesses the consent of fellowmen to allow him to act in particular ways. An owner expects the community to prevent others from interfering with his actions, provided that these actions are not prohibited in the specifications of his rights (Demsetz, 1967). Public property rights, on the contrary, are commonly held by members of a society or a group in such forms that no individual or groups of individuals can exclude other members from exercising the right (Antwi, 1998). An example of this public property rights is a landed property which bequeathed to members of a family to be owned in common.

Property rights in land are never static which are indicated by continuous changes following the dynamic of the social environment such as technology change, new market, scarcity of the resources and government intervention (Gueriin, 2003; Antwi, 1998). Therefore once the property rights are obtained, a perpetual effort is needed to protect or to enforce them from others to capture one's rights. One form of this perpetual protection is by formalization of this protection through formal institutions that maintain these rights, such as judicial systems (Lanjouw and Philip, 2002).

Administrative reforms, another form of formalization of land rights, including a formal registration of land rights and full-fledged land titling procedures (requiring the completion of a cadastral survey) will solve all conflicts and the social tensions arising from land disputes (Dale, 1997; Saleh, 2004). By formalizing the property rights, it means those rights have been documented and protected by the state. In addition, the formalization of property rights in land is a necessary step to make as soon as land becomes scarce so that competition arises around it and agents are willing to transact land through markets.

Aforementioned, property rights determine the nature of rewards and sanctions (cost-rewards system) associated with such resource employment decisions (Antwi, 1998). To achieve such purposes, a set of rights is only valuable if the rights are enforced. Thus, private rights enforced through the courts offer greater allocative efficiency, while public rights enforced through existing government structures offer greater administrative efficiency (Ellickson in Guerin, 2003).

Besides the need of enforcement to gain valuable rights, restrictions, usually established by government, are always placed on the rights due to the potential harms that particular uses may impose on others. This restriction is often called as “attenuations of rights” ( Barzel, 1989). Of course, this manner will reduce the value of the lands to their owners. Land zoning, a simple example on the lands control, will attenuate the opportunity of the owners to use the lands beyond what have been mentioned on the land use planning (Buitelaar, 2003). A system consists of a set of rules that delineate, attenuate, enforce and sometimes take rights is called property (land) right system/regime (Buitelaar, 2003).

One of objectives of the property right system in land is to achieve the more efficient use of land by distributing the land to the individual or parties who capable to explore the opportunities attached on the lands. These opportunities can be explored through the use of any rights or combination of rights owned by the landowner. In the certain extent when the landowner who own the full set of rights are incapable to productively manage the land, transferring part or whole rights to different individual would make both parties better off and restore efficiency (Greif, 2003).

To transfer rights, three models of coordination can be selected namely market, hierarchy and network (Buitelaar, 2003). Market model is characterized by a direct exchange of exclusive and individualized land rights. In term of dependency, market is identified by the similar opportunities and autonomy owned by both parties (Peterseon, 1995). Contrary to the market model, hierarchy model is distinguished by the present of control over land rights by an authorized decision-making unit to which he might or might not belong (McGuinness in Buitelaar, 2003). In other words, one party gives up his autonomy and agrees to follow the

instruction of the other party (Peterseon, 1995). Whilst in the last model, horizontal self coordination by negotiation, agreement and trust is used to perform exchange. An example of this model is a family-transaction, where the purchase of land is restricted to family-members (Nedham and Segeren, 2005). The selection of coordination model basically based on the cost required to allocate resource (Coase in Antwi, 1998)

Market is an important feature of exchange system based on private property rights (Eggertsson, 1990). In a market, it is not the goods and services that are owned and exchanged, but the right to use these lands (Alchian & Demsetz, 1973). In a market, the owners of rights may voluntary exchange their rights to other parties based on certain considerations such as price, trust and regulation which freely decided by any parties. Also, in the market, both parties can decide which part of the rights which will be transferred, a part of the rights or the whole bundle of rights. Transferring part of the rights changes the content of the bundle of rights, while transferring the whole of rights may unable to change the content of the rights but the ownership of the rights (Buitelaar, 2003).

During the negotiation process to transfer the right of lands, information about the attributes of lands become a crucial input for both parties to make decision. Since, in reality, land rights are impossible to delineate completely in any exchange and usually the attributes of land are left in the public domain, complete information about attributes of the lands is hardly to achieve (Barzel,1991). The complete measurement of the attributes of the land is prohibitively expensive since the measurement process incurs cost. Therefore, transaction costs always emerge during land rights exchanges (Antwi, 1998).

The degree of transaction cost implies various tacit meanings, related to the distribution of the resources and related to the decision made by party which may be influenced. The higher the transaction cost, the less efficient of resource distribution. The higher the transaction cost, the lower possibility the transaction to be performed. Hsiung (1998), after analyzing the Coase concept of transaction cost, mentioned that when transaction cost is low and can be incurred, regardless how the property rights are assigned initially, resources utilization will be efficient ultimately. In line to this



statement is that when property rights can be transferred easily, resource utilization will be efficient.

High transaction costs may be as the result of inadequate property rights system or inability the market model to internalize externalities (Guerin, 2003). To overcome such phenomenon, the involvement government to improve the quality of property rights system and to substitute the transaction process through hierarchy model is unavoidable. Through hierarchy approach, government attenuates the private rights and in fact at certain extent government takes over the whole bundle of rights (Buitelaar, 2003).

The regulation of the land market, by the attenuation of land rights, is done by legal instruments that are often part of the spatial planning regime. The best known example of attenuation of user rights is zoning. The content of land rights are changed, but the ownership is not. The next famous example is expropriation. In this case the content of the land rights (and the other rights) is not attenuated, but the bundle of rights are taken. The land rights are not changed, but the ownership is. There is also example, like (re-)zoning or the exemptions of a zoning plan, where the attenuation of the rights is relaxed (Buitelaar, 2003).

Related to the role of property rights in the economy activities, numerous studies have revealed the relationships between property rights and economic outcomes in the past and present. Misallocation of property rights in land during the feudal period contributed to its economic stagnation (North and Thomas 1973). Weak property rights in contemporary developing countries hinder placing assets as collateral, rendering capital unproductive. Capital is not transformed from savings to investment (De Soto 2000).

For a land tenure system, the rights to land meet the standards for secure property, if it fulfills the following conditions (Molen, 2004):

1. ownership is defined in the law as the most complete right one might have on a good
2. there are clear rules for establishing, transferring and abolishing real rights

3. rules for inheritance are clear
4. rights of women are fully respected
5. banks accept ownership of land as collateral for loans
6. rights of third parties are well defined
7. conflicts are resolved under civil law court
8. a fair compensation should be paid in case of compulsory sale to the government

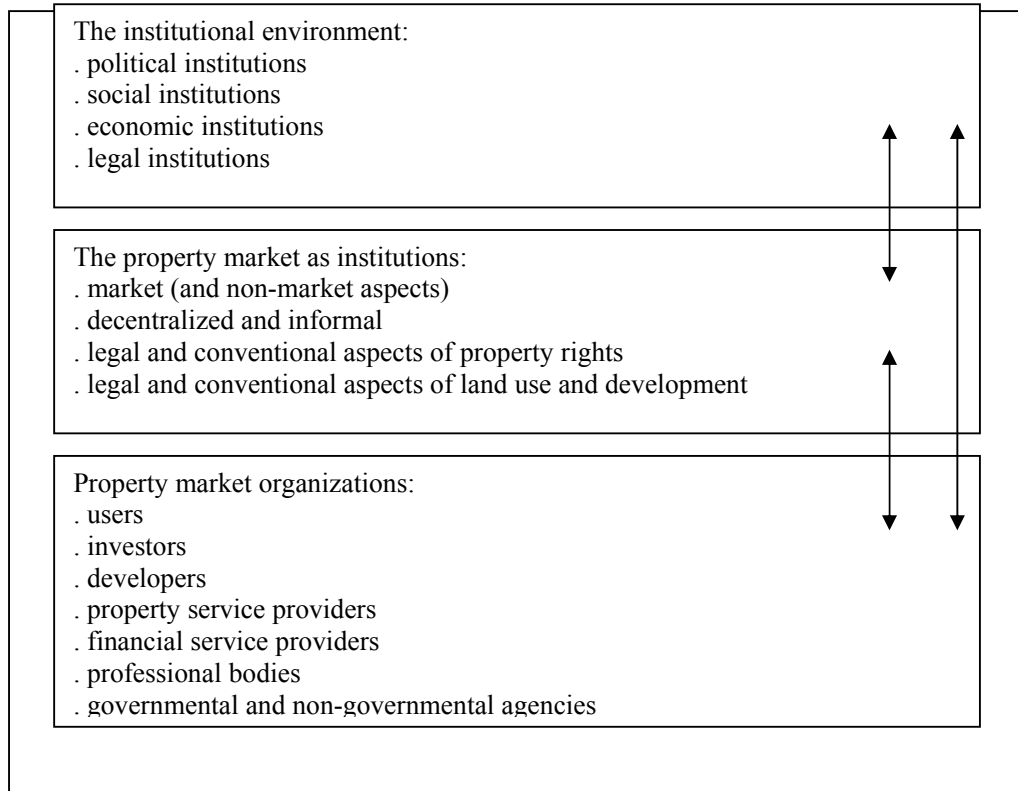
### **3.3 Land Property Market Analysis and Institutional Economics Approach**

To analyze the land market, institutional economics approach places the rules within the analysis: they are endogenous to it. All those rules create a structure which affects the availability of information and drive agents' interaction within the land market. It is assumed that people act in a rational way within that structure. The object of investigation is not only the market outcomes, but also the market interactions as well (Nedham and Segeren, 2005). Therefore, the framework analysis is constructed on the basis of three main variables in the land market: rules (institutions), the outcomes, and the working of market including agents' attitude/interaction.

Focusing on the institutions that work on the land property market, Keogh and D'Arcy (1998) proposed 3 level hierarchies of institutions. Firstly, the property market is established and organized by political, social, economic and legal frameworks. Secondly, the property market itself is considered as an institution with reference to property market characteristics, scope and functions. Finally, the property market organizations which indicate the individual actors involved in the market. Through social interaction, all three levels interrelate and show that this market institution is dynamics, as shown in Figure 3.2.

Figure 3.2 indicates the relationship between institution in the same level and between level is interactive that stimulate change in response to action and experience. For example the condition resulted from the first level may drive the

way actors thinking about property market. Reversely, the experience come from actors can be used to change the institutional environment (Keogh and D’Arcy ,1998)



**Figure 3.2 The institutional hierarchy of property markets**

**Source : Keogh and D’Arcy (1998)**

Since land market is part of the whole property market, approach provided by Keogh and D’Arcy (1998) can be used to understand the land market process particularly land supply constraint after some simplification of the organization involved in the land market such as instead of users organization, landowner organization have bigger role in the land market. In doing so, the next sub chapters focus on institutions in the land market and, property rights and land supply constraints.

### **3.4.1 Formal and informal rules in the land markets**

Formal rules governing the land market basically can be recognized as the rules which provide basis concept of ownership called property right system, rules which related to the land management such as land use planning and rules related to the land transaction such as procedures to make a contract (Antwi, 1998, Saleh, 2004). Other formal rules which don't directly influence to the land market but still provide impact to the works of land market is financial rules. Formal and informal rules all together provide structures to agents in performing mutual interaction with other agents with in a frame of land market activities (Nedham and Segeren, 2005). This structure also give incentive and constraint to the agents involved which then influence the agents' decision to get involve in the land market or to perform land transaction.

Within a land market, landowners who want to exchange their lands should consider the rules consisting guidelines about what size allowed to be exchanged, to whom the lands can be sold, in what price and where transaction can be performed. Indigenous lands, for example, have restrictive market and low price (Ismail, 1999; Guerin, 2003). Since land is a durable good which can be used at the same time for many different and non-exclusive purposes, the knowledge of land attributes and rules related to those phenomena are important particularly to perform transaction. It is also happen to the buyer who usually need information about land status, the rights attached on lands and other land attributes as inputs to participate in the land market. For example in the case of multiple ownerships, additional cost should be prepared to negotiate with every landowner (Buitelaar, 2002).

Land use planning is the most prominent land rules usually established by government to control land distributions that provide significant effects to the lands market (Cheshire and Shepard, 2004). Allocation of lands for certain use will restrict the lands from maximum usage referring to the market interest. It means, for example, that land with the designation 'housing' cannot be supplied for industrial use. As a result, the certain type of land determined within a certain segment has different incentive compare to other segments in term of price forming (Nedham and Segeren, 2005).

There are other formal rules which affect land markets, such as regulations about building, about environmental effects and about traffic effects. These rules directly influence the development markets, but indirectly influence the demand of land in the land market. In addition, there are financial regulations which affect both the demand and the supply and, therefore, volume and price. These include fiscal rules, accountancy rules, inheritance rules, subsidies and levies.

On the way in which land markets work, there are often found informal rules which also have a significant influence. A good example is trust. Trust will reduce negotiation costs because when people trust each other they are more willing to cooperate (Poel, 2005). Land acquisition by public authority will work smoothly as long as the landowners cooperate by putting the trust on the public body (Nedham and Segeren, 2005). Certainly, trust can reduce transaction costs (Poel, 2005). At the certain extent, force becomes informal rule should be taken, such as compulsory purchase due to the supply of land for the vital public purposes.

As mentioned before, the quality of formal and informal rules dictate the transaction cost. A full and reliable cadastral register reduces the costs of acquiring information about the real owner of the land. Statistics about recent sales prices reduce the cost of reaching agreement on a price. A clear land-use plan reduces the uncertainty about the uses to which the land may be used and uncertainty about how neighbouring plots of land will be used. A predictable legal system gives certainty that the various rules will be upheld. Furthermore, if rights in land are unclear, transaction costs will be high, which will discourage smaller, private buyers. At the extreme, no one will want to acquire land on which the rights are totally unclear, because of the great uncertainty (Nedham and Segeren, 2005).

Formal and informal rules are not static. If an institution is no longer capable to accommodate the potential disruptions of the agents, the new institution or an institutional change is required (Chang, 2004). According to Schneider (2005) there are two ways how institutions change. First, when all actors rationally accept a set rule as an efficient solution to problems, it is called a rational choice approach. Second, if the legacies and limitations of prior institutions affect the new one, this way is called as a historical approach. Institutional change is a

complicated process because of involving causal-effect relationship between rules, the kind and effectiveness of enforcement (North, 1996). North (1996) stated that informal constraints change at a different rate than formal rules so far the informal constraints change is still not fully understood and explained clearly particularly the forces that shape cultural evolution.

### **3.4.2 Property rights and constraints on land supply**

It is well known that property rights system provides the power to the people on certain parcel of lands by giving rights. Owners of rights will stimulate to optimize the economics return of the lands as long those rights can be implemented burden less. A good property rights system will encourage the owner to optimize the potential of the lands. Land development is one way to optimize the return of the lands by putting investment on the lands. When financial problem is encountered, owners can implementing their rights on the land to access financial market by transferring part of their rights on the land for the certain period of time through collateral system. A good property rights system also provides incentive for the owners to transfer part of or the whole rights to other person through rent or land market. For people who don't have rights on a certain plot of land can access the rights of the land from the owners through land transaction. Clear delineation of rights becomes a vital consideration for buyers to perform transaction. Therefore a good property rights system becomes an important factor which can drive the owners to actively participate in the land market and in the land development process.

In the case that property rights system provides poor delineation of rights, it means uncertainty there, the owners unwilling to explore the potential of the land. Uncertainty of rights on lands will provide constraint for owners to explore the potential use of the lands. It is due to the high cost should be spent by landowners to maintain their rights from trespass. This condition also discourages the owner to put investment on lands because of the same reason. In addition, the problem will be encountered to access the financial market through collateral system. Therefore,

poor property rights will discourage owners to exercise their rights because of uncertainty condition.

For the purpose of lands control, attenuation of rights is often implemented by government so that efficient distribution of resources can be achieved. Land use planning is one form of institutions which reduce the power of rights owned by land owners. Flexible land use planning means that the rights taken by governments and the rights still owned by landowners are uncertain. Uncertainty situation will emerge. In the very extreme attenuation is that government takes over the whole set of rights owned by landowners. In this case, the rights and responsibility to explore the potential use of the lands already moves to the government hand.

Uncertainty is one condition which produces transaction cost. In the certain extent when the uncertainty and cost are already unacceptable by the actors involved, the new institution should be implemented in hope to reduce uncertainty. This cyclic process will always happen in order to achieve an efficient solution to problems.

### **3.4 Conclusion**

This chapter has discussed the institutional economics and its capability to provide tools to understand the role of institutions in driving human behavior in the economics activities. Institutional economics analysis possesses facility to understand not only the output but also the process by incorporating social rules. Toward market, the approach extends the definition provided by conventional approach by putting the rules as endogenous factors. Following the model concept provided by Keogh and D'Arcy (1998), a framework to understand the supply constraint of indigenous land has been developed. This framework focuses on the role transaction cost theory within institutional analysis particularly property rights system.

### **4.0 A METHODOLOGICAL FRAMEWORK FOR**

## **ANALYSIS USING INSTITUTIONAL ECONOMICS**

### **4.1 Introduction**

The objective of this section is to elaborate the research methodology and methods for analysis of the research. It also seeks to explain ways to evaluate the utility of transaction cost within institutional economics analysis with reference to the existence and implication of rules particularly property rights in the supply of land for urban land market. Thus, the methodology explains the fundamental contextual aspects of the theoretical framework of institutional economics analysis for use in the case study to examine the way rules particularly property rights or institutions facilitates and/or constraining the supply of land in the land market. In addition, the method of the research consists of steps to perform empirical work to achieve the aim and objectives as determined in Chapter one. This covers the steps taken to collect primary and secondary data and the way to select sample sites and actors so as to gather reliable and representative data for the case study. It also elaborates the ways of analysing data and the limitations of the institutions methodological framework and methods for analysis in the research.

### **4.2 The methodology**

As mentioned in the previous sub section, the main content of thesis methodology is the fundamental contextual aspects of the framework for institutional formal and informal constraints. This framework consists of two main elaborations about the ways the existing rules and institutions influence actors' decision which finally cause land supply constraint. However, prior to the discussion about the role of institutions and transaction costs, the next section provides terms that will be used in this research.



#### **4.2.1 Terminology**

In order to have similar notion about terms used in this research, the following sections elaborate several terms namely rules, institutions and constraint; land supply constraint in the land market; land right and land rights transfer and indigenous land rights; the transaction cost in the land market as well as agent and agency

##### **4.2.1.1 Rules, institutions and constraint**

The common proposition that commonly used to explain the relation between rules and institutions is that rules establish institutions (Ismail, 1999). Furthermore, institutions form constraints which govern human activity (North, 1996).

##### **4.2.1.2 Land supply constraint in the land market**

Land supply constraints are defined as limitations and restrictions which distort the smooth flow of the land supply from being available in the market (Ismail, 1999). Conversely, in a positive view about restriction, land supply constraints may provide guidelines and incentives in order to facilitate and initiate the land market process.

In term of land market, there are numerous definitions about it. Some of them focus only on the resources involved (Grinol, 1994; Hervey and Ernie Jowsey, 2004). Others try to involve rules or institutions as an internal factor in the process. Therefore in this research land market can be defined as an arrangement of sellers and buyers to exchange land rights within working institutions. In other words, the working institutions provide incentive and/or constraint to agent's decision and action by way of the exercise of agency relations.

##### **4.2.1.3 Land rights, land right transfer and indigenous land rights.**

A bundle of property rights in lands consists of separate and overlapping rights to possess (manage and exclude from), use (access or withdraw) and dispose of (alienate, sell, bequeath) lands (Guerin, 2003; Alchian and Demsetz, 1973). This rights can be owned by individual, group of individual, company or state. All of this rights generally are managed under certain land code.

Land transfer is a bundle of activities to pass on land from one owner to the new owner. In this activity actually not physically transfer the land, but transfer the rights on the land and all attributes attached on the land. In other words, land transfer is pass on part of the rights or the whole rights on lands including land attributes from old owner to the new owner.

In Malaysia prior to the 1966, basically two types of land code were implemented to manage the lands namely customary land code and England land code. In 1965, the federal government enacted National Land Code which also known as Act 56 of 1965. Therefore, in this research all discussion related to the rights over the lands are always referred to this National Land Code.

Related to the indigenous people, using the protection concepts government commonly implements restriction to transfer the lands to non-indigenous people. In addition, indigenous lands are characterized by special relationship between lands and landowners since land is a direct manifestation of their personal, social and spiritual relationship, and provides them with powerful yet subtle answers to their need for integrity and identity (Sheehan, 2002). In Malaysia, to manage the indigenous lands government established Malay Agricultural Lands and Malay Reservation Lands under Land Enactments (1897) and Malay Reservation Enactment (1913) subsequently. Both indigenous lands have similar restriction that is not allowed to be transferred to non-Malay. From land rights point of view this restriction has attenuated the rights to sell the lands to any buyers and reduce the market. However from social power point of view it has improved the bargaining power for the Malay people to still occupy the lands as said in the enactment.

#### **4.2.1.4 Agent and agency**

Individual who is seen as an active, knowledgeable and reasoning person with reference to individual action is called agent (Giddens, 1995; Ismail, 1999). A group of individual agents or organizations such as corporation in the land market are called agents. Actors or agents in the land market process define and pursue their interests, actions and strategies in relation to one another (Adams, 1994, Ismail, 1999). Agency is the entire manner of actors' behaviour in responding to institutions such as the way agents' behave in pooling together the land and making decisions to participate in the land market or to undertake land development (Adams, 1994).

### **4.3 The method of empirical work of the case study**

The objective of this sub-chapter is to elaborate the steps undertaken to identify rules, institutions that cause transaction cost, the determinants of transaction costs which subsequently influence agents' decision to bring the land in the land market. The empirical work adopts the following methods:

#### **4.3.1. Selected approach**

In the empirical works, this study takes an inductive approach which investigates rules affecting individual actors and individual sample sites, in particular, the landowners (sellers), buyers (developers), valuers, land administrators, and planners involved in the land market and land transaction initiatives on a particular sample site. In so doing, the empirical work involves an investigation of rules related to the land rights and land market, agents' attitude and agency power relations in the land market initiatives of the sample sites. The research also examines the actual sample sites intensively by collecting data about legal and landholding criteria, physical characteristics, planning and development potentiality related land supply constraints.

The research examines the effect of land rules such as land rights, land policy, planning and land market regulations, and informal institutions of agents collective attitudes to the supply of indigenous land for the land market. Thus, the research focuses on formal rules, such as laws and regulations, and informal rules or customs, collective decisions, indigenous values and ethical behaviour within the context of land supply for the land market.

Indigenous lands commonly are characterized by the presence of written customary law that protect indigenous people from being landless such as 'non-transferable and cannot be occupied by non-indigenous people' which influence the private rights and transaction cost in maintaining and transferring rights. Therefore, the primary and secondary data are collected for analysis so as to evaluate the extent to which these written and unwritten rules produce additional cost which subsequently affect agents' decisions to participate in the land market. The research relies on secondary data to investigate the formal written rules whereas primary data on informal rules is gathered using interview schedules with potential key agents as respondents.

Since the indigenous land areas were taken for investigation, interview schedules needed careful implementation to select potential respondents and sample site. Therefore, to identify potential respondents and sample sites, besides through direct observation, assistance and information from previous researcher who has similar case study area, from the MAS Board of Management, the Kuala Lumpur City Hall and JPPH had provided useful input. Discussion with valuers and planners were also undertaken to identify respondents and sample sites. Moreover, MAS Board's and heads of kampongs' advices were sought to identify the reliable respondents and sample sites that fit with the required classification.

#### **4.3.2 The case study area**

The study case area is located in Kampong Baru adjacent to the Central Business District of Kuala Lumpur. Kampong Baru is one of the biggest indigenous lands in Kuala Lumpur. The total area of study is 101.02 hectares (excluding two kampongs in the whole Kampong Baru area of 112.38 hectares) which under Section 6, 1897 Land Enactment was established as Malay Agricultural Settlement (MAS) with the main purpose of alienating land to landless Malay in Kuala Lumpur. MAS land is not designated as Malay Reserved Land (MRL) which was introduced in 1913 and gazetted under Malay Reservation Enactment 1913. However, MAS and MRL have the same restriction that is the prohibition to alienate the lands to non-Malays. The case study area is shown in Figure 4.1.

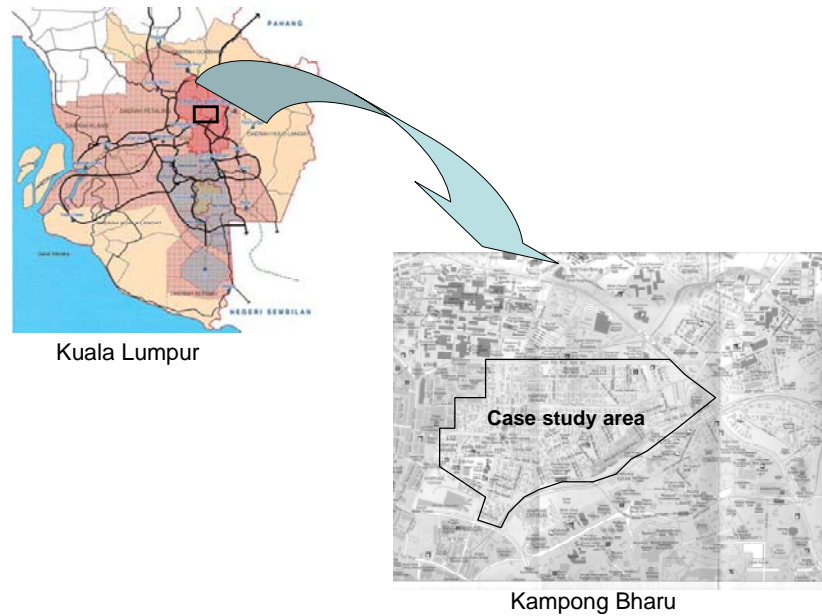
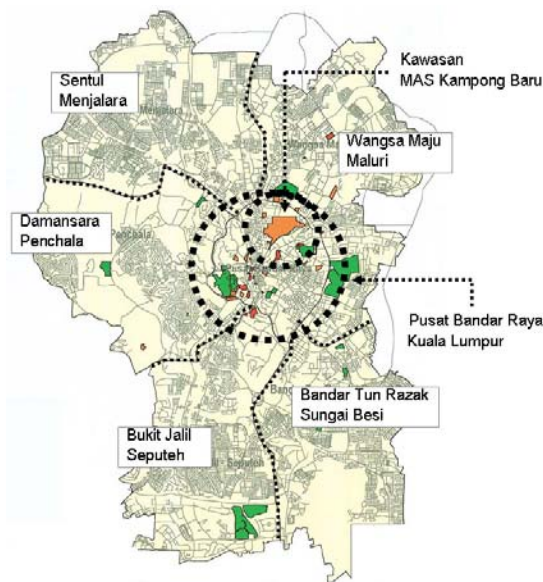


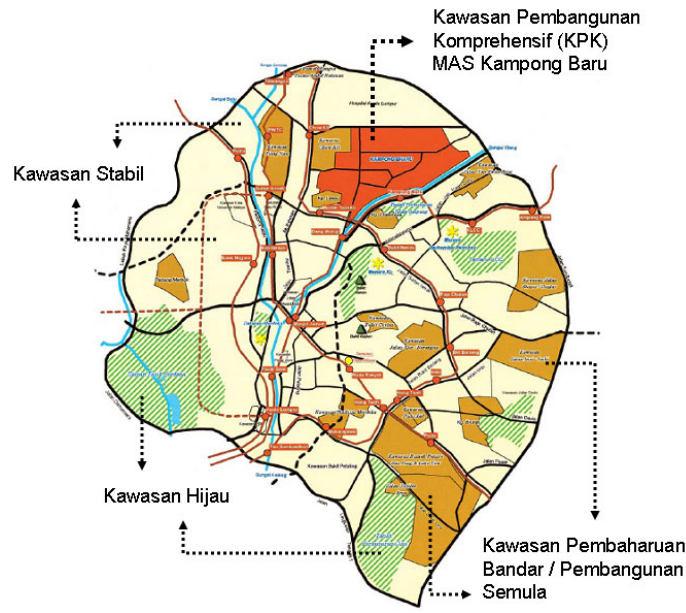
Figure 4.1 Location of the case study area

The physical condition of Kampong Baru currently is very contradictive compared with the vicinity area. Many obsolete buildings, narrow roads; vacant lands which indicate the development problem are easily found in this area. According to Abdul Razak (1992) about 88.0 per cent of dwellings in Kampong

Baru (out of the 56.0 per cent of land in this area categorised as residential) are considered as under-utilised and derelict and 11.0 per cent is vacant or unimproved residential land. In term of property transaction, from 1980 to 1996 the average number of property transaction in Kampong Baru is 4 lands every year (Ismail, 2002). Most of the transactions involved properties in good location such as Jalan Raja Abdullah, Jalan Raja Alang and Jalan Raja Abdullah.

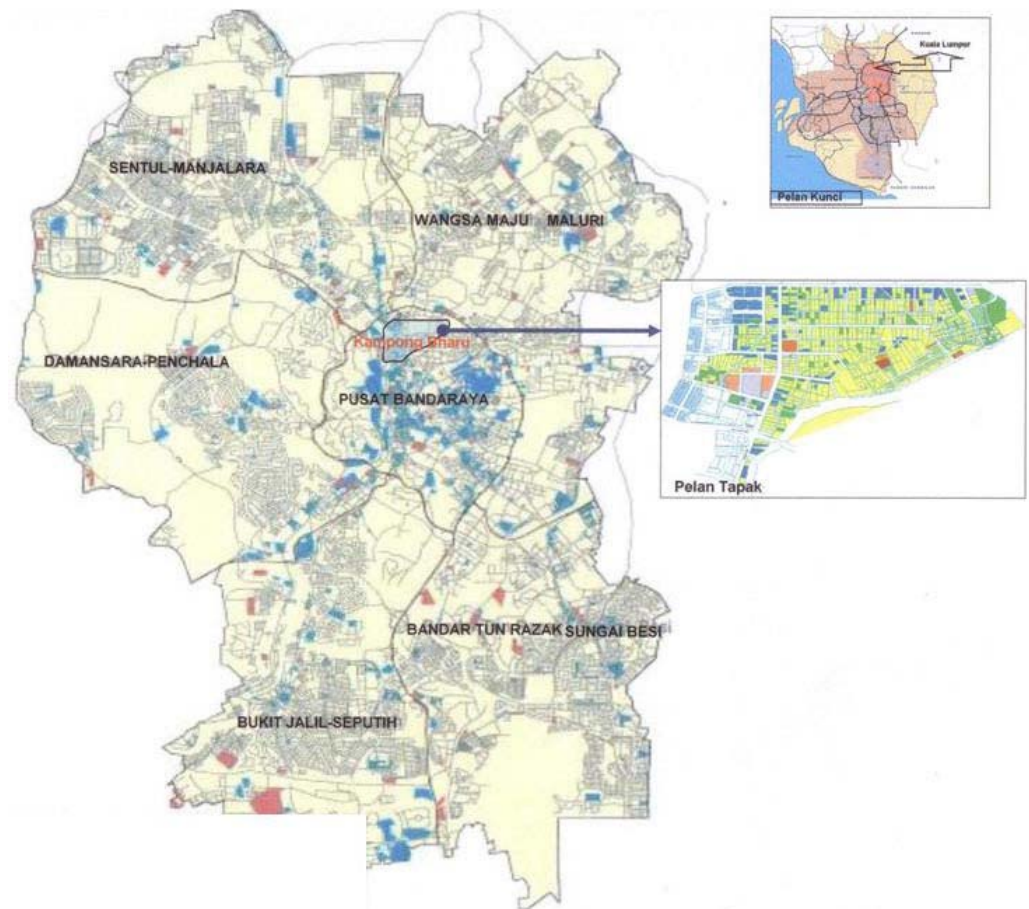


Kampong Baru is selected as study case area reflects the important of this area in the development of Kuala Lumpur to be recognized as a “World-Class City” as envisioned by the KLSP2020. This city is fast growing in term of social, political and economic development. In addition, Kuala Lumpur city indicates a very active property market transaction, particularly residential sectors, in the last ten years as showed by the increased transaction record from year to year (Property Market Report, 1996-2005).



The previous last two paragraphs indicate a very contradictive situation. In one hand the important of Kuala Lumpur area as one of main entrance for the visitor to come to Malaysia. In the other hand, part of the Kuala Lumpur area close to the central Business District called Kampong Baru is failed to anticipate the fast development of the area. Government and academician commonly mention that restriction of rights is among factors which dictate the current condition including the slow land market in Kampong Baru (KLSP 2020, 2004; Ismail, 1999).

Since this research view the power of transaction costs theory within institutional analysis, the current condition of Kampong Baru provides interesting case since this Kampong Baru have complete attributes such as the restriction, slow land market, slow development, located in central of Kuala Lumpur area. Therefore, by taking Kampong Baru as the case study area, the researcher implement theory of transaction costs and hopefully this theory have ability to explain and to relate the current phenomenon through analytical explanation.



### 4.3.3 Data collection



There are a number of items have been considered during undertaking the data such as types of data, source and the procedures to collect the data; sampling technique; and finally field survey. Each of them will be discussed separately in the following next sub-sections.

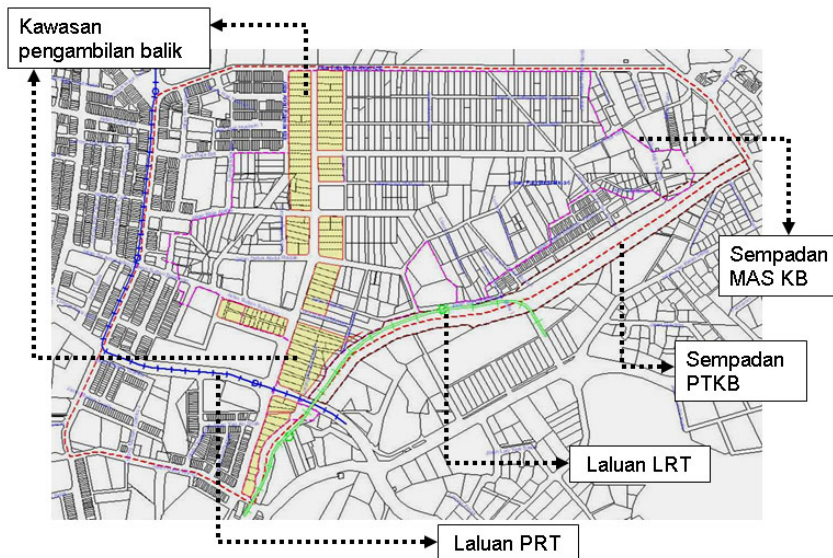
#### **4.3.3.1 Types of data, sources and their collection**

Two types of data have been collected:

- a. Primary data. The primary data were collected by using interview technique to selected landowners who have one of the following criteria namely selected undeveloped lands, developed lands as well as traded lands. The interview is also addressed to the related agents such as planners, valuer, developer and MAS Boards committee. The objectives of this interview is to identify the institutions and variables which cause the transaction costs during the process to maintain the restriction, maintain the land rights as well as during the land transaction process in the case study area. The same objective is also addressed to the second groups of interviewee, although the little bit general question particularly related to the variables influencing the transaction cost. The second objectives of this interview is to identify the ways institution produce transaction costs, the way transaction cost affects actors' decision as well as the way they reduce or overcome this problems. The landowners respondents were selected such that they cover all 5 kampong although the numbers of respondents each kampong is not always similar depends on the respondent classification and the easiness to reach. Information about landowners from planners, previous researcher, MAS board were also considered as input to select the respondents. The primary data on the landowners were conducted by semi structured-interview schedules using open-ended and certain limited closed questions to initiate further discussions. The purpose of semi structured-interview is to identify the rules, institutions and also the variables which cause transaction cost and subsequently to what extent they influence landowners' decision to supply lands in the land market. Particularly for the landowners who have traded

their lands, this interview was conducted to identify the existing rules, institutions and variables that produce transaction costs and to what extent those transaction costs influence actors in performing lands transaction. Open-ended questionnaires were selected in order to provide opportunity for the interviewee to add more detail elaboration out of the questioned given.

- b. The secondary data. The secondary data and information about the rules and variables causing transaction costs were also collected. This data and information include the dynamic of property market, the land transaction as well as the development planning initiated by land owners in the framework of social, political and economics framework. The information was also collected through personal communication to the officer in the private or government offices. Property market data from 1995-2006 was collected from the property market report published by the Treasury, Ministry of Finance Malaysia, whilst the land transaction data of the case study area was gathered from Valuation and Property Services Department; and the last secondary data was collected from the Planning and Building Control Department of the Kuala Lumpur City Hall.

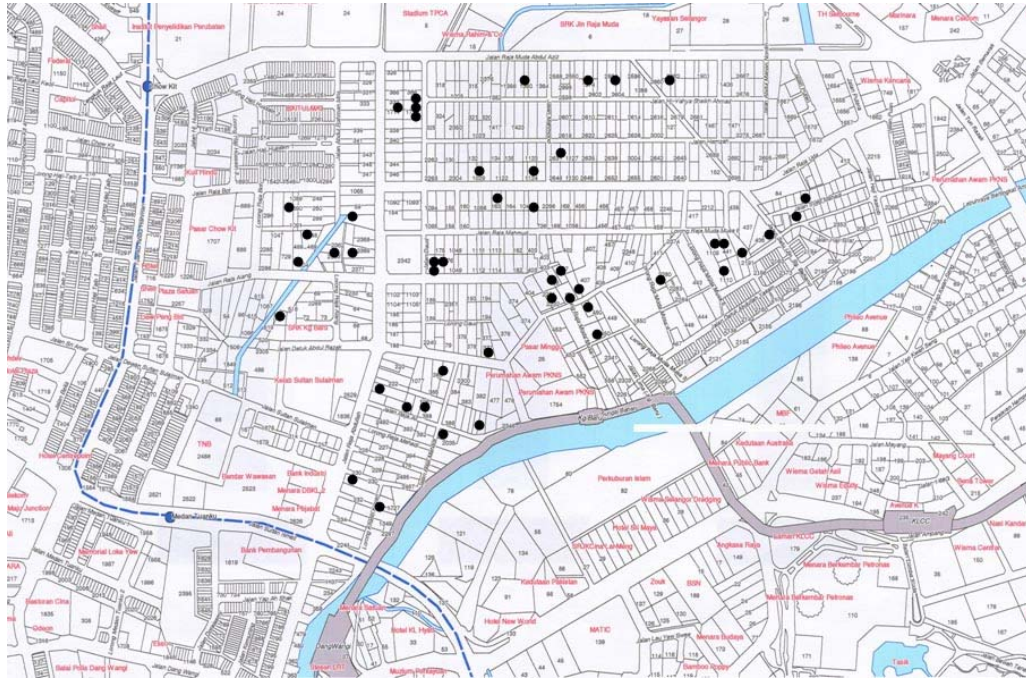


#### 4.3.3.2 Sampling technique

The total number of lots in the case study is 957 lots. A group of 51 undeveloped, developed and traded lots with the distribution of 41,9 and 1 lots subsequently. Among 51 lots, 47 are occupied by individual landowners, the rest are occupied by corporate land owners.

The objective of getting respondents from undeveloped lots is to identify the institutions and variable of transaction cost that influence landowners attitude towards land market and landowners decision to bring or not to bring the land into land markets. Importantly, the interview tries to identify the cost they have to spend to maintain the lands restriction as identified by the reluctant to transfer the lands. In addition, information related to the way they overcome the problem caused by institution and transaction cost were also considered. Whilst, from landowners who have developed their lands, the interview tries to find information about their motivation to develop the land, the rules and institution providing incentive or constrain during the development processes. Data and information about institution and variable of transaction cost were collected from landowners who have experience to trade their lands.

To select the respondents, besides personal identification, some suggestion from planner, previous researchers and MAS Board committee and Chief of Kampong were also taken into accounts. The selection of respondents based on the Kampong distribution and also the stratification of current lots. The number of respondents for each Kampong are Kampong atas A 4, Kampong Atas B 3, Kampong Masjid 10, Kampong Pindah 4, Kampong Paya 11, Kampong Hujung Pasir 5 and Kampong Periok 5. The distribution of the samples is shown in the Appendix A.



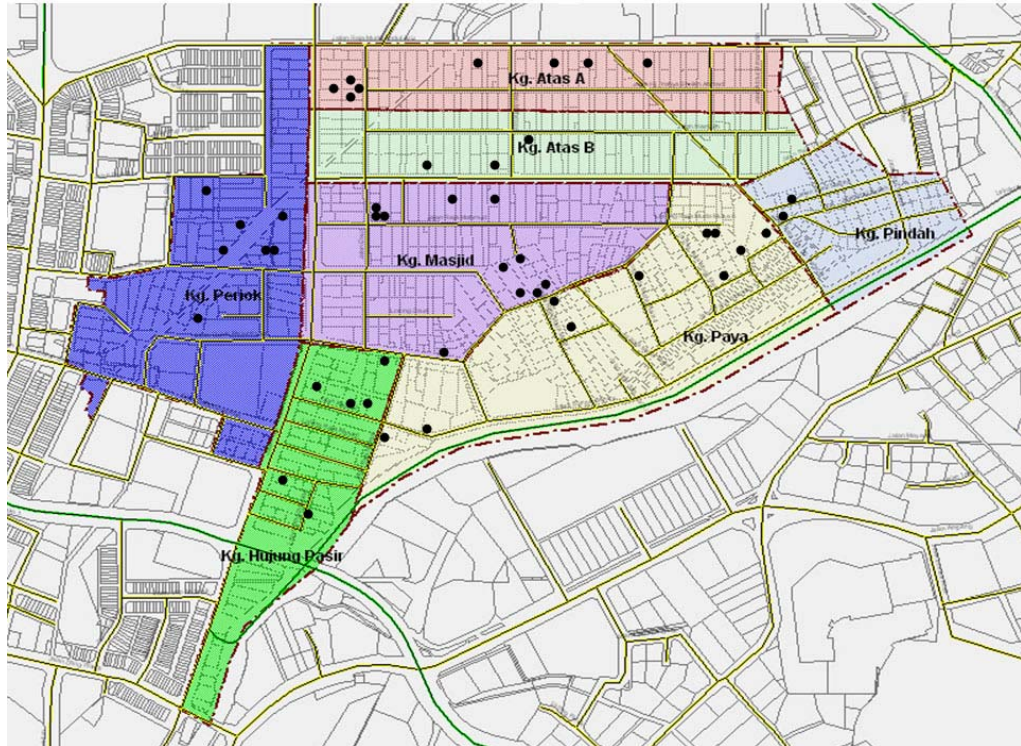
#### 4.3.3.3 Field survey

Aforementioned at the previous sub-section, semi structured interview were conducted with the purpose to identify the element of rules and institutions which cause transaction cost and subsequently influence the agents decision to bring the land into land market and finally into land development process. In other word, it considers various constraint which produce transaction costs that restrict the flow of land supply to the land market and land development process. Since there are three environments of transaction cost that may emerge, the questionnaire covers the elements of transaction cost to maintain the land restrictions because of indigenous lands, the cost to maintain the current land rights and also the cost to perform land transaction that hinder the supply of lands in the land market and in the development. Therefore the questionnaires consist of 4 main parts as follow:

1. Part A consists of the landowners' background. Since in nature difference information can be extracted from individual and corporate landowners, two groups questions are provided, for individual and for corporate land owners. The objective of part A is to identify the potential of the landowners in terms of

technology (knowledge) and financial factors that may influence the decision to initiate the land market or land development.

2. Part B consists of landownership characteristics. This part provides general view of the land ownership that affects the transaction cost and influences the landowners to bring the lands into the land market. Important information in this part are the way land is acquired, the land use, land status as well as the purpose of occupying the land.
3. Part C comprise of the landowners attitude toward land market and land development. The objective of this part is to identify the rules which may cause constraint or incentive to landowners to participate in the land market or land development. Also, identification of rules or regulations that produce transaction cost in all three environments becomes the second objective. For example question about why landowner is reluctant to sell the land is to identify the effect land constraint and land rights to the landowner's decision to participate in the land market. Whilst question about the problem during transferring the lands indicates the transaction cost that emerge during the transaction process. In this part some questions addressing the attributes of the lands were also given such as physical attributes and social attributes.
4. Part D consists of questions to identify the landowners' opinion about the way MAS area should be developed including the possibility to implement alternative governance system to transfer the land whenever possible.



Interview to the key agents such as valuers, planners and developers has an objective to get a general idea about rules, institutions, variable of transaction cost which affects agents' decision to participate in the land market from their expertise view. The questionnaire consists of three main parts. The first part comprise of the respondent background which indicates the expertise and experience of the respondents particularly related to the MAS area development. The second part consists of agents view about the land market in MAS area. And the final part consists of agents' attitude toward the problem of MAS developments and also the alternative of governance system in the framework of MAS development.

To reduce the communication problem with the respondents because some of respondents are old people, during data collection particularly interview steps, 4 graduated students from land administration and development department helped the researcher. Before they go to the field, discussion about the objective of the research and also every single question were performed in order to avoid bias interpretations of the questionnaire. Interview to the professional were conducted by the author.

In term of respondents' response, the critical part of this interview is the first impression of the landowners to the interviewer as indicated by the warm welcome and lets the interviewer to get in the house. Some landowners reject the interviewer to explain the purpose of the interview and are hesitate to participate. Different responses emerge for the landowners who have experience to buy or sell the lands. Since some of them already stay outside Kampong Baru, it is very difficult to have personal contact to them.



#### 4.3.4 Data analysis

Data analysis is in the form of qualitative analysis through categorization, coding and quotation from the semi structured interview. The purpose of categorization the rules is to identify elements of rules, constraint, cost that influence

the supply of land in the land market. From the interview to landowners and professional, data coding can be completed. In so doing, the steps include identification of the phenomena, the condition causing the phenomena, the condition affecting the phenomena, strategy to overcome the phenomena as well as the result of this strategy.

Most of primary data collected by interview with the key agents are analyzed by using direct quotation. It is due to the potential of direct quotations to indicate social relation among and across agents. In addition, direct quotation illustrate the way they exercise their power when interact with other agents.

Most secondary data collected from various government, semi government and private organization are analyzed with references to the existing rules and regulations which cause constraint and subsequently costs that affect agents decision to initiate land market and land development in the MAS area. Research by Ismail (1999) on the formal and informal rules in MAS area, and also research paper on the problem to develop Kampong Baru are of particular complement of this research.

#### **4.4. Limitation of the methodology and methods**

From theoretical framework point of view, transferring the concept of transaction costs to the operational domain remains elusive (Grover and Malhotra, 2003). It is due to a lot of efforts and resources are required to achieve ideal condition where transaction costs can be easily quantified in the form of certain amount of money. To overcome such problem, identification of determinants of transaction costs will be used as a research approach. In term of selected method, interview technique has some limitations particularly to access the respondent in the case study area. The main reason is that Kampong Baru have been the national issue for long time and many efforts have been proposed but have no result, so that the residents of Kampong Baru are very sensitive particularly related development issues. Moreover, some of landowners are already old, so that difficulties always there and in fact some of them are unwilling to be interviewed. The next problem is the communication technique particularly language which at certain extent hinder to



access the respondent. To solve this problem, asking help to local people will reduce the chance to be rejected. Related to the landowners, particularly those who have traded their lots, commonly the previous landowners have moved to the new places outside Kampong Bharu. To reach team require a lot of efforts and time.

#### **4.5 Conclusion**

This section discusses methodology and methods to achieve the aim and objectives of this research. It starts with the framework of formal and informal rules for analysis to evaluate the supply constraint in the land market. In the empirical works, selected approach section discusses about the manner empirical works are taken particularly related to the way sample respondents are selected. Some special terms used in this research are also elaborated in order to provide similar conception to go through to this thesis. The next discussion gives rough pictures about the characteristics of the case study area including the reason why to select the area. Next, the empirical framework consists of the steps to collect the data and some considerations to achieve the reliable data, the technique implemented to analysis the collected data. Finally some difficulties and the way to overcome those difficulties are explained in the last section.

## **5.0 LAND MARKET STRUCTURE**

### **5.1 Introduction**

This section discusses trends in the land and property market in the case study areas.

#### **5.1.1 The economical environment**

Macro economic factors of the country are among the factors influencing the economic development and property market. Those factors dictate the economic developments particularly the demand of the property market. The following discussions focus on the macro economics indicators including the various parameters that determine economics level of Malaysia such as growth national product, growth development product, interest rate, inflation rate, population, household income as well as the government policy indicated by established rules to drive the economic development.

The Malaysian economy in the last ten years (1996 up to 2005) has grown significantly although world economic crisis started at 1997 and reached the significantly worst at 1998 has influenced the Malaysia economics. The GDP (Gross Domestic Product) in 1996 reached RM 130,621 million and increased by 4.7 per cent in average annually. This strong performance was achieved after Government introduced an economic stimulus package such as tax cuts benefited and attractive new loan package.

This high growth of national economics has underpinned the admirable performance of property market activities. In national scale, to stimulate property market activity government has introduced economic stimulus packages for example HOPE programs, relaxed FIC`rules as well as low rate by Bank Negara. Figure 5.1 shows the healthy growth of Malaysia economics illustrated by the trend of the Gross Domestic Product (GDP) and Gross National Product (GNP).

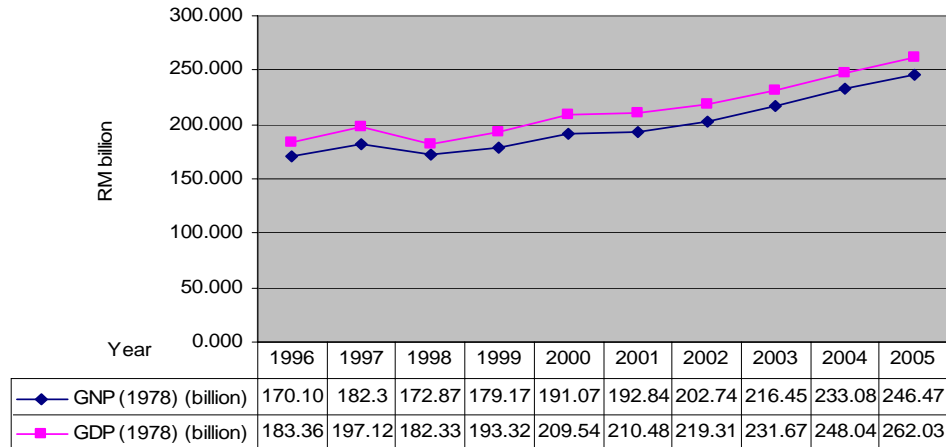
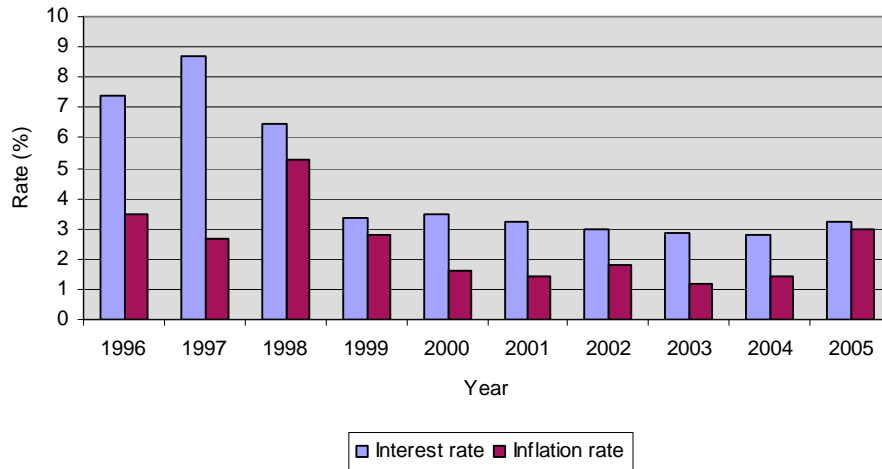


Figure 5.1: GNP and GDP 1996 - 2005  
Source: Economic Report (1996-2005)

Figure 5.1. shows the growth of Gross Domestic Product (GDP) and Gross National Product (GNP) based on the 1987 price rate which both indicators have the similar trend of growth. From 1996 to 2005 GDP significantly improved more than 42 % as from RM 183.367 billion to RM 262.029 billion. Of the 10 years period, the negative growth was founded from 1997-1998 due to world economic crisis, though the next following years recorded very significant growth which is indicated by the economics recovery through various government regulations. However, in 2001 only very least increased was achieved as indicated by only 0.4 % growth. It is probably due to the bombing of WTC Building in New York which affected world economic countries including Malaysia. However, in 2002 the economic growth have had got recovery, in fact in 2003 it gained the significant development.

The second indicators indicating the health economics development can be found in the bank policy and also the circulation of the capital as indicated in the figure 5.2 and 5.3



Rajah 5.2: Interest rate and Inflation rate  
(Source: Economics report 1996-2005)

Figure 5.2 shows that in the first two year the interest rate increased following the world economic situation that was slowly going down and also the policy of US federal government that increased interest rate. The result of increasing interest rate, both growth domestic product and national product was also recorded slight decreased as indicated by negative growth – 7.5 % and – 5.1% subsequently. To halt the slide of the country into recession, in 1998 government implemented policy such as expansionist monetary, lowering interest rates and increasing liquidity. As a result the economy gradually recovers, the GDP and GNP increase although the effect of 1997 recession still can be sensed as indicated by the increased of inflation rate. This government’s policies have become a significant basis for maintaining the economics growth generally and property market specifically since non-fluctuated interest rate, low interest rate and low inflation rate provide certainty for the private company to invest resources and to do business.

The next factors which determine the power of demand side in the particularly property market is the number of population, GNP per capita as well household income. In line with the steady growth of GDP and GNP, the population is also increased gradually as during 10 years the population raises around 23 % or 2.3 % in average every year. While for the GNP per capita, it was fluctuated although still provide positive growth as shown in Figure 5.3.

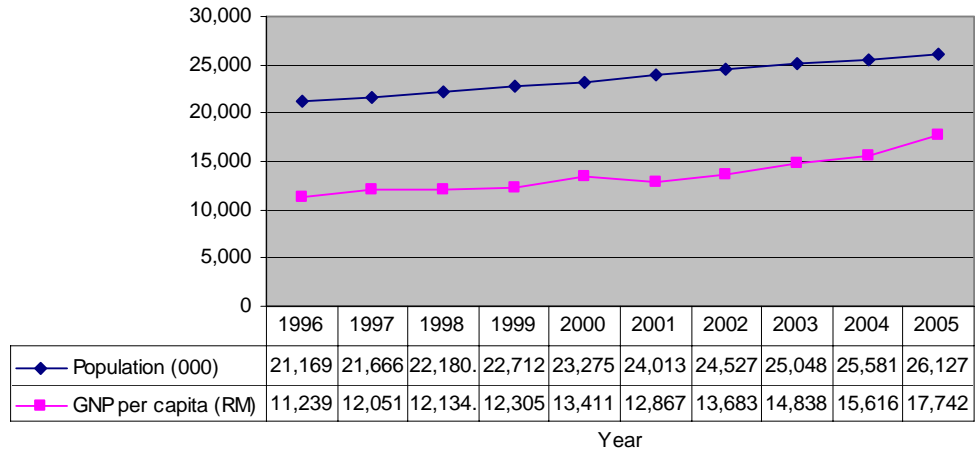


Figure 5.3: Income per capita and population  
(Sources: Economics report 1996-2005)

From Figure 5.4, the common trend for the household income is very encouraging. During 4 years (1995-1999) the numbers of household which have income lower than RM 1500 tend to decrease, from 54.4% to 43.8%, while the others tend to increase. It indicates that the affordability of the household tend to increase. This positive trend of development becomes significant factors that determine the power of demand side in the property market.

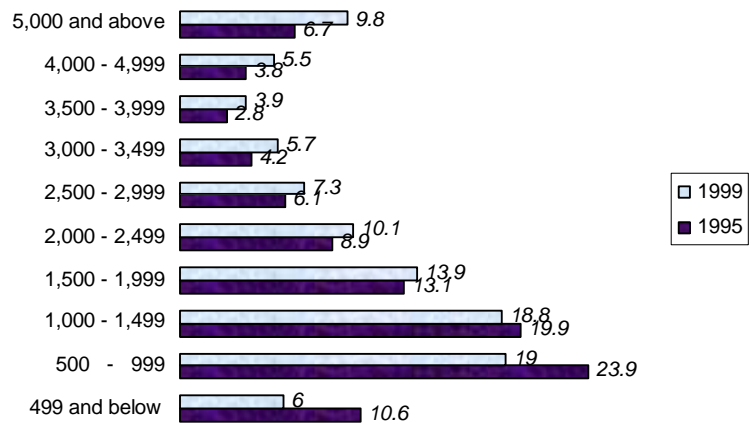


Figure 5.4: Distribution of monthly household income  
(Sources: Eight Malaysia Plan 2001-2005)

High growth of GDP, high income per capita, low inflation rate as well as low level interest rate become a conducive factor to support economic activities upon all sectors. For the property market, bank loan to the property sector is one of the indicators which denote the buoyant of those sectors progress as shown in Figure 5.5.

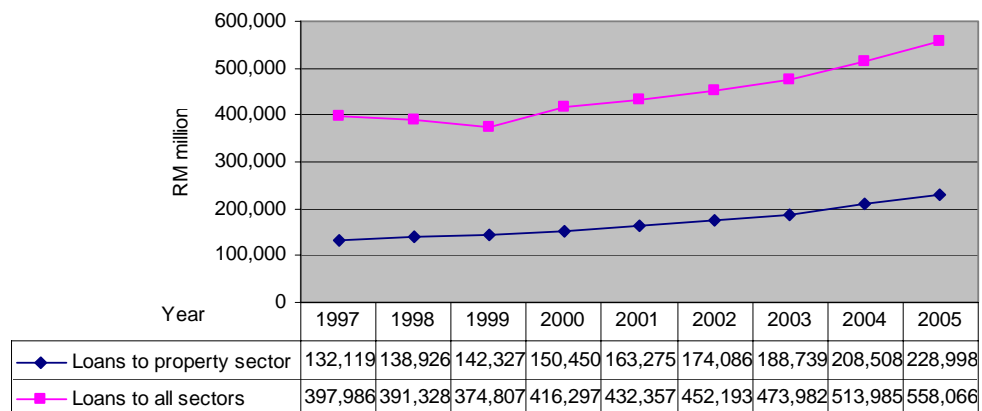


Figure 5.5: The growth of bank loan in property sector  
(Source: Property market report 1997-2005)

In 1997 bank loans for property sector reached RM 132,119 million or 33.2 % from the total loans, and increased dramatically to RM 228,998 or 41 % from total loans in 2003. The total loans given to the property sectors increase from year to year and reach the amount of 37.8 % for the average. In term sector type, residential property still dominated the whole amount of loans to property sector.

The encouraging growth of Malaysia economics as indicated by the increased of GDP, income per capita, household income, controlled interest rate and one digit inflation rate has stimulated the live of property market through property transactions. In addition, from financial point of view, the total loans for property sector that increase from year to year provide encouragement to private company to

invest their capital in the property sector. Figure 5.6 shows the trend of property market in Malaysia during last 10 years.

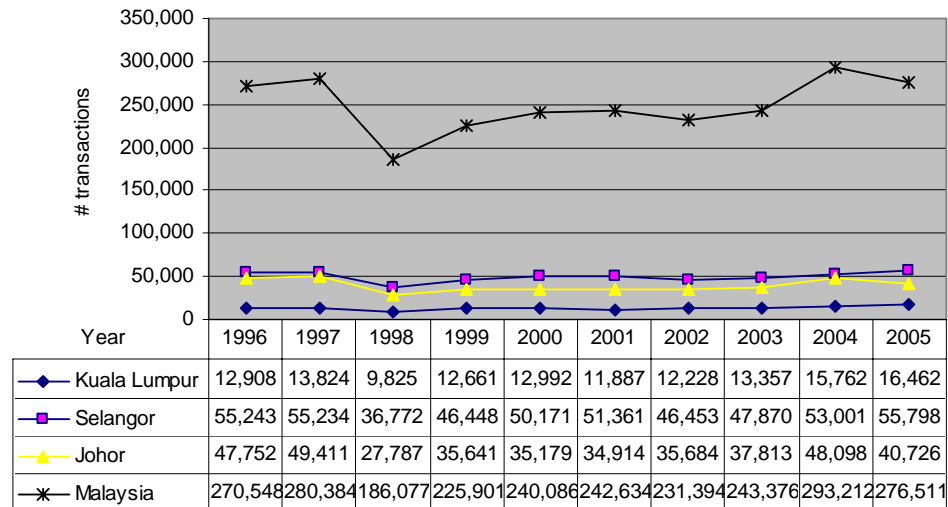


Figure 5.6 : The number of Property transaction in Malaysia  
(Source : Property Market Report, 1996-2005)

Figure 5.6 shows positive trend for the property sector has been recorded during the last ten years although little fluctuation is also shown there. The world recession that started in 1997 have had significant effect to the property transaction as illustrated by negative growth in 1998 that is -33.6 %. However, through the various government regulations such as exchange rate to US Dollar strictly maintained at the level of RM 3,800 become very strong economics reference. In addition, government also encouraged private sector to actively take important roles in driving economics wheel in the form of various incentives such as tax incentive, improve delivery systems, reducing cost doing business as well as enhancing the business environment. Given that policy, in 1999 it has recorded significant improvement, 21 % positive growth than the previous year. The effect world economics in 2001 also provide negative growth of transaction by -4.6%. However in 2003 the economic recovery have reached the significant result as recorded around 5.2 % improvement and significant growth in the next year that is 20.5 % increased.

Based on the figure 5.1 to 5.6 it is easily recognized that the last ten years the macro economic of Malaysia tend to have positive growth. It is due to various government policies to handle economics crisis. In addition, this encouraging economics growth also stimulated the buoyant of property market activities. As a result, more space to accommodate economics activity is required.

## **5.2 Overview Kuala Lumpur property market trend**

### **5.2.1 The economic development and property market in Kuala Lumpur (1996-2005)**

Property market activity in Kuala Lumpur has also been influenced by global economics, national economics as well as regional economics. As the capital city of Malaysia, the property market in Kuala Lumpur continued to be resilient to show a buoyant market since year 1996. Figure 5.7 shows the number of transactions for the principal property sectors in Kuala Lumpur



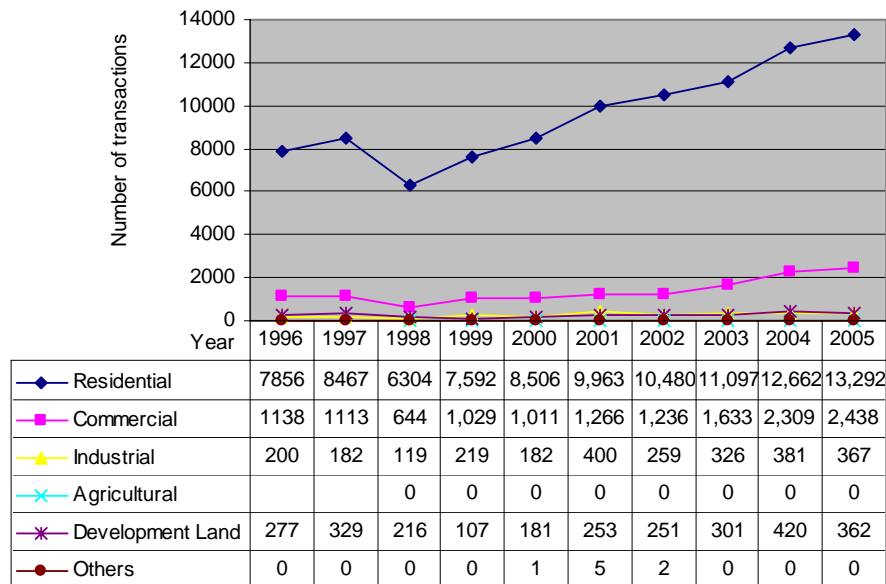


Figure 5.7 Number of transaction for the principal property sectors  
(Source : Property Market Report 1999-2003)

Figure 5.7 shows that the property market in Kuala Lumpur remained active, and the residential sector still dominated the transactions in the property market in which significantly performed property market pattern. In the volume of transactions the residential sector contributed around 80.28% to 86.56 % in between 1996-2005. Next was the commercial sector accounting for 10.78% in average annually within 10 years , followed by the industrial sector contributing 2.22 % in average. The last sector participated the least volume of transaction was development land, which shared 1.92 % of the market. The ranking of these sectors in the contribution to the volume of transactions has remained unchanged within 10 years.

The total number of transactions for the residential property, within 10 years, was fluctuated. The highest number of transaction was reached in 2005, while the lowest number was recorded in 1998. It is due to the effect of world recession that causes high interest rate and the difficulty to gain loans from the banks. However, since 2001 the number of transaction for residential increased steadily, in fact in the year of 2003 it attained 11,097 transactions. This recovery of the residential property

market happened because government introduced stimulus package programs among others stamp duty waiver package and reduction of price margin of houses for foreigners. The volume of residential property transactions according to type was dominated by condominium/apartment which registered about 34.3% to the total of the residential transactions. The second type was the 2-3 storey terraced contributing around 20.7 % to the total, followed by the flat type which shared around 14.1 %. According to the price range, the volume of transactions of the condominium/apartment type was evenly distributed. However, for the flat type the transactions mostly (above 90 %) occurred below than RM 200.000, which indicated that middle and low income people preferred to rent/to buy flat type.

The commercial sector recorded relatively stable number but tended to increase steadily, although in 1998 it decreased significantly (recorded as 644), around -43 % from the previous year (1113) due to world recession. In 1999 it rebounded substantially from -43 % decreased in the previous year to 60 % growth. In term of commercial property type, the first 3 years of transactions of commercial sectors is dominated by storey shop house. However, from 1999 the shop unit/retail shop and office lot substituted the domination of storey shop house. In fact, in 2005 the office lots transaction recorded as the highest number of transaction reached around 34.6% of the transaction of commercial sector. According to the district where the commercial property located, Kuala Lumpur Town and Mukim Kuala Lumpur contributed more than 50% to the total number of commercial property transactions. It indicates that Kuala Lumpur has grown as one of central business area.

Among principal property sectors, the development land, although improved in number of transaction, contributed the least to the market activity. The recorded volume in 2000 indicated substantially increment by 69.1 % to 181 against 107 in 1999. Lands in Kuala Lumpur Town and Mukim of Kuala Lumpur were the most active one in the land market, which contributed 52.6 % in average to the total transactions of land development. It was then followed by Land in Mukim of Setapak/Ulu Kelang which contributed 19.9 % to the total.

The second parameter which can be used to discuss property market activity in Kuala Lumpur is the value of transactions. Figure 5.8 show the activity of property market in Kuala Lumpur by value of transactions.

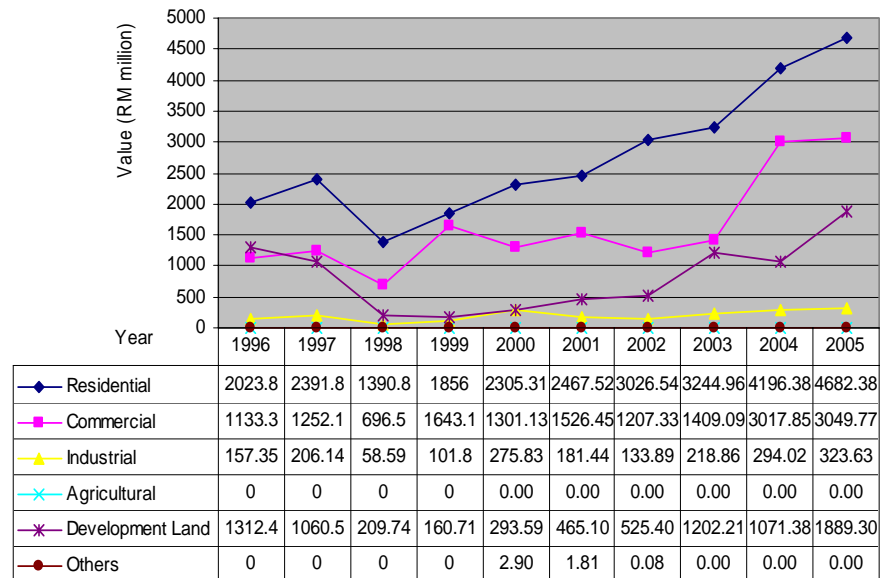


Figure 5.8 Value of transactions for the principal property sectors  
(Data source: Property Market Report 1999-2003)

Figure 5.8 shows that the total value of transactions since year 1996 basically indicated the impression progress of property market, although in 1998 due to the global economics situation the amount decreased by -52 % of the previous year. The total value reached significant increment of 41,2 % to RM 5879.63 million in 2004. As the number of transaction, the value of transactions for the residential still dominated the total value within the range of 43.7 % to 61.90 %. It was followed by commercial sector which contributed 23.9 % - 43.7 % of the total value, development land sector (8.9 % - 28.4 %) and industrial sector (2.7 % - 6.6 %).

The value of transaction for the residential sector is stuck to the progress of national economics of Malaysia; for example in 1998 the decreased of all economics indicators (GDP, high inflation rate) also affects the total value of transactions to -41.8 % contractions. Increasing the total amount of loans by government for

property sector from year to year has stimulated the wheel of property market in Kuala Lumpur particularly residential sector.

The value of transactions for the commercial sectors from 1996 – 2005 was unable to provide good impression since the oscillation of the volume except in 2003 when the value rebounded by 16.7 % to RM 1409.09 million. This pattern also happened to the contribution of this sector to the total value. The recorded contributions of this sector to the total value of transactions are in the range of 23.9% to 43.7 %.

The development land, though contributed the least in the volume of transaction, substituted the position of the industrial sector in the value of transactions. In 1996, the development land recorded RM 1312.375 million or 28.4 % to the total value, but had contraction by -19.1 %, -80.2 % and 23.4 % in the following three years because of world recession. Since 2001, the value of transactions for the development land increased progressively and achieved significant increment in 2003 and participated around 17.3 % to the total value.

The performance of the property market in Kuala Lumpur has been elaborated in the previous discussion. Based on the existing data of Malaysian economy and property market in Kuala Lumpur, it seems that in the future the property market in Kuala Lumpur will grow more and more buoyant. The sustained growth of basic economics indicator such as GDP, GNP per capita, low interest rate as well as low inflation rate, along with government regulations will stimulate the supply and demand of the property market.

### 5.2.2 The property transaction in Kuala Lumpur (1996-2006)

In connection with the parties involved in the transaction that is from who and to whom, there are 4 type groups of transaction namely individual & individual, developer & individual, corporate & individual as well as corporate & corporate as shown in Figure 5.9 and Figure 5.10 This figure can provide rough figure about the

structure of property market, particularly group of buyer and seller who actively participate in the property market.

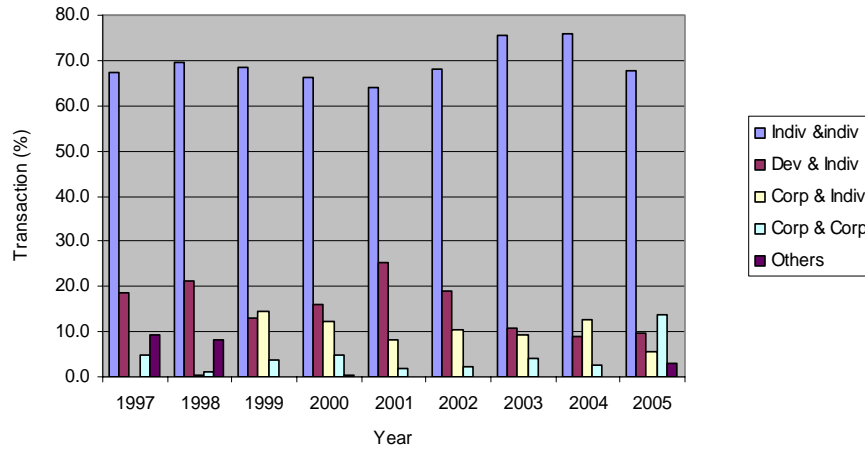


Figure 5.9 The percentage of number of transaction based on the type of parties involved for residence sectors  
(Sources: Property Market Report, 1997-2005)

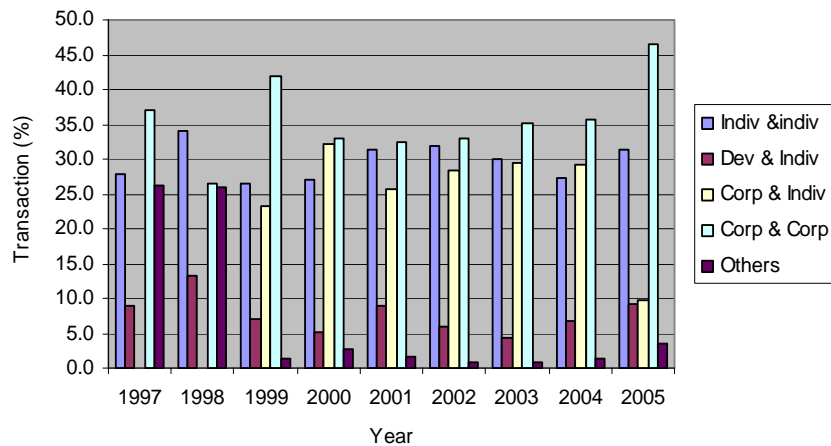


Figure 5.10 The percentage of number of transaction based on the type of parties involved for commercial sectors  
(Sources: Property Market Report, 1997-2005)

Figure 5.9 shows that for the residential sector, the transaction is dominated by individual & individual which recorded more than 65 % from the total transaction. It means that for the residential sector, individual is more active to perform transaction processes since home or residence is one of basic need in every household. The involvement of firms or corporate in the transaction of residential sector is less than 25 % in average and commonly the role of firm or corporate is as the developer or investor. While for the commercial sector, no one type of transaction dominates the transaction as illustrated by Figure 5.10. The highest number of transaction is recorded by corporate & corporate, followed by individual & individual. In addition, the involvement of private or corporate is in average more than 70 % from the total of transaction. It is due to the nature company or corporate have close relationship with the availability of space to support their economics activities either as the space provider or as space user.

This sub-section has discussed various types of parties involved in the property transaction particularly residential and commercial sectors. The role of individual dominates the transaction for residential property sector, while for the commercial sectors firm or corporate take more important role in performing transaction.

### 5.2.3 The land transaction in Kuala Lumpur Town (1996-2006)

To give illustration about the price of land transaction around Kampong Baru, the following table provides a list of transaction in Kuala Lumpur Town that have been reported in the Property Market Report publication.

Table 1. Land Transaction in Kuala Lumpur Town (1996-2005)

Year	Location	Zoning	Area	Price per m <sup>2</sup> (RM)
1996	- Jln Tun Razak	Commercial	6.090	6.394
	- Jln Bukit Bintang	Commercial	3.506	4.844
	- Jln Yap Kwan Seng	Residential	1.558	3.175
1997	- Jln Ampang/Tun Razak	Coommercial	3.821	7.400
	- Jln Bukit Bintang	Commercial	1.617	5.716
	- Jln Sultan Ismail	Commercial	12.154	8.800

1998	- Jln Tuanku Abd Rahman	Secondary	186	7.600
1999	- Jln Ipoh	Secondary	273	2.873
2000	- Jln Bukit Bintang	Secondary	1.763	9.000
	- Jln Kemuning	Residential	1.770	2.070
2001	- Jln Ampang	Residential		2.087
2002	- Jln Tiong Nam	Commercial	135	1.314
	- Jln Ampang/Kav uthan	Residential	3.463	2.032
2003	- Jln Tiong Nam	Commercial	1.528	2.799
2004	- Jln Tiong Nam	Commercial	140	1.417
	- Jln Bukit Bintang	Commercial	176	5.494
	- Off jln Ampang	Commercial	1.450	3.152
	- Jln Pahang	Commercial	2.286	1.793
	- Kaw Jln Gurney/Jl Maktab	Residential	775	1.114
	- Kaw Jln Semarak	Residential	1.449	1.338
	- Jln Tun Razak off	Residential	1.700	3.231
	- Kaw Jln Ampang	Residential	1.951	2.049
2005	- Jln Tiong Nam	Commercial	140	1.430
	- Kaw Jln Dang wangi	Commercial	186	6.635
	- Off Jln Bukit Bintang	Commercial	152	5.005
	- Jln P Ramli	Commercial	4.615	7.300
	- Jln Tun Razak/Kav Jln Yap Kam	Commercial	1.039	2.444
	Seng	Commercial	1.428	3.552
	- Off Jln Ampang	Residential	775	1.157
	- Kaw Jln Gurney/Jl Maktab	Residential	1.953	2.189
	- Kaw Jln Ampang /U thant	Residential	1.219	3.082
	- Off Jln Tun Razak/Jln Yap Kam	Residential	1.410	3.121
	seng			
	- Off Jln Bukit Bintang/ Jln Tun Razak			

From Table 1, It shows that basically land transaction around Kampong Baru is quite active particularly the area where the need of space always growth such as Bukit Bintang area as one of tourist destination. While of the residential property, Jln Gurney is considered as an active location as indicated by several transaction during the period of discussion.

In term of price, generally commercial area has higher value than the residential area. For the low price of the commercial zoning at the same area, for example lots at Jln Tiong Nam from in 2003, 2004, 2005 the price increase around 20 % and 1 % subsequently. While for the high price lots for example at Jln P. Ramlee from 2004 to 2005 the price of lots per m<sup>2</sup> increases around 8 %. For the residential area, for example Jln Gurney/Jln Maktab, the price from 2004 to 2005 increase around 4 %; lots at off Jln Tun Razak/Jln Yap Kim Seng increases around 1 %.

### 5.3 Land transaction in Kampong Baru (1996-2006)

#### 5.3.1 Trend on land transaction

Two types of transaction according to openness of the transaction are in the market and internal transaction. The latter means that the transfer of rights or ownership through bequeathing or inheritance. This transaction is indicated by no real money should be given from the receiver to the giver and also generally there is blood relationship between old and new owners of rights. It is also belong to this type transfer right that is to change the name of owners from individual owner into firm owner, particularly happens when the old owner is also the owner or staff of the firm. Transaction through market is indicated by the real money given to the old owner.

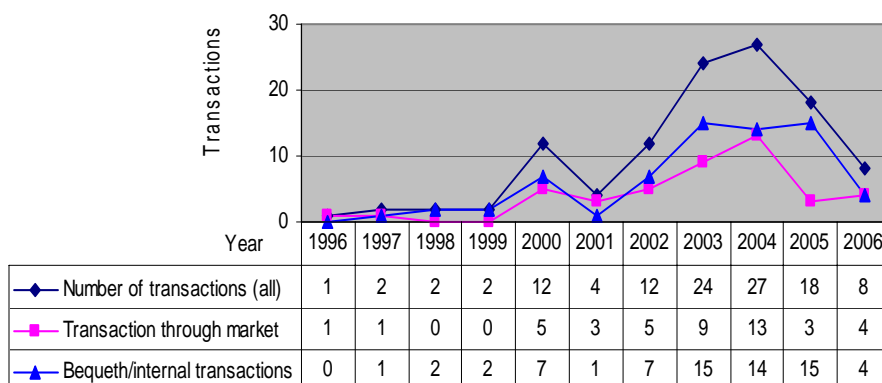


Figure 5.11 The trend of land transaction in Kampong Baru (1996-2006)

(Source : Valuation and Property Services Department, 2006)

Figures 5.1 shows that the internal transfer of rights dominate the transfer in Kampong Baru area which recorded around 60 % of the transfers. This fact support the general notion that in relation to the lands Malay people prefer to preserve the lands through bequeathing to their off springs.



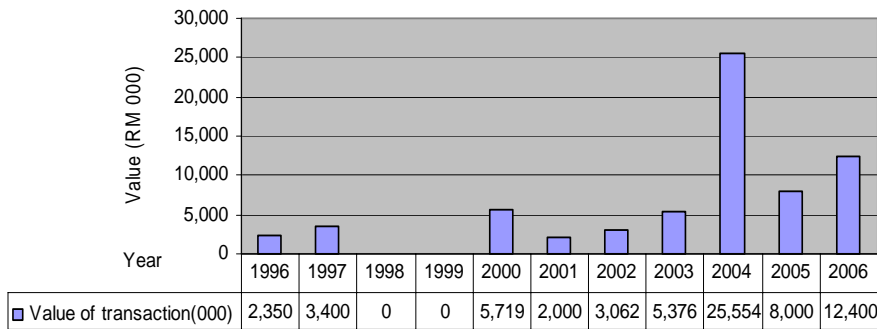


Figure 5.12. The total value of transaction from 1996-2006  
(Sources : Valuation and Property Services Department, 2006)

In term of the total value of transaction in Kampong Baru, from 1996 to 2003 the value fluctuates and recorded only view growth. However in 2004 the total number and also the value of transaction increase significantly from RM 5,377,000 to RM 25,554,000 or around 375 % growth. No definite reasons so far can be used to explain this phenomenon, however according to the macro economics data, either in Malaysia or in Kuala Lumpur area the property transaction in 2004 are all increase. It may be due to the stability of economics situation as indicated by the lowest inflation in 2003 which provide positive effects to the property transaction in 2004.

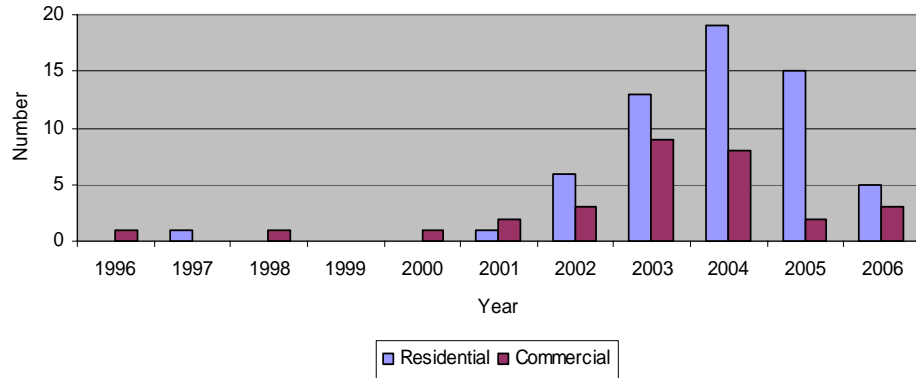


Figure 5.13 Type of land have been transferred according to zoning area (1996-2006)

(Source : Valuation and Property Services Department, 2006)

### 5.3.2 Actors in the land transaction

From the recorded data about the type of transaction in term of parties involved, the group of actors that actively participate in the transaction processes can be recognized.

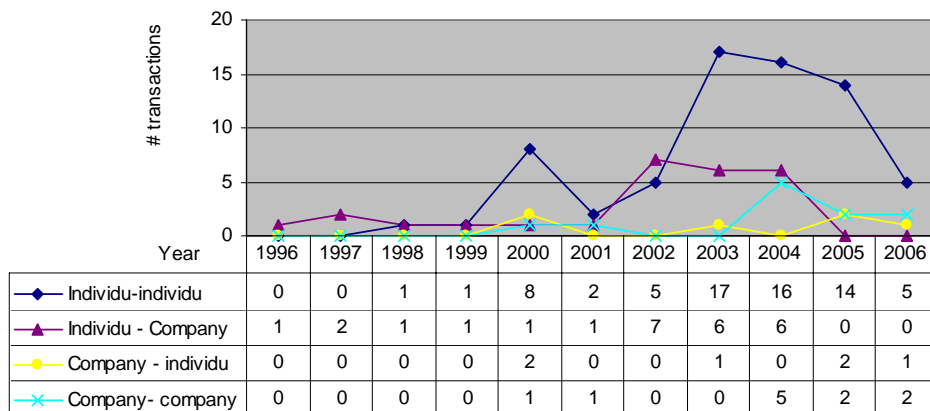


Figure 5.14 Type of transaction according to parties involved (1996-2006)

(Source : Valuation and Property Services Department, 2007)

Figure 5.14 shows that individual-individual still dominate the transaction in Kampong Baru that reach around 62 per cent in average. While individual-company transaction is around 23 per cent, company-company is 16 per cent, finally company-individual is 6 per cent. This data illustrates that the most active buyers is individual. This phenomenon in the frame of land developments processes which provide positive impression since generally individual owners have financial problem to develop their lands. This argument is supported by the data that during 10 years, from the total number of land transaction in Kampong Baru only 10 lots that the planning proposals have been approved or around 25 per cent from the total transaction through market system.

Among companies which actively performed transaction in Kampong Bharu during the last 10 years, Rah Property, Naza and Datuk Dagang are the three most active companies. During 10 years each company bought 5 lots in Kampong Baru. It is than followed by Pembangunan MAS Bhd that bought 3 lots.

### 5.3.3 Interaction between seller-buyers

According to the ways seller and buyers interaction, two type of market can be identified that is formal market and informal market. Formal market is indicated by the information about the lands is distributed through formal organization such as land agents or through formal publication such as newspaper. While informal market is indicated by the information is distributed from individual to individual such as friends, neighbors. As Mr Onn (Group executive from Naza Properties) explained that the information about lands can be come from individual sources or from formal sources such as agents and Bank.

In term of relationship between new owners and old owners, Figures 5.15 shows that about 62 per cent transaction performed is between new and old owner who has relationship such as parent to children, brother to sister.

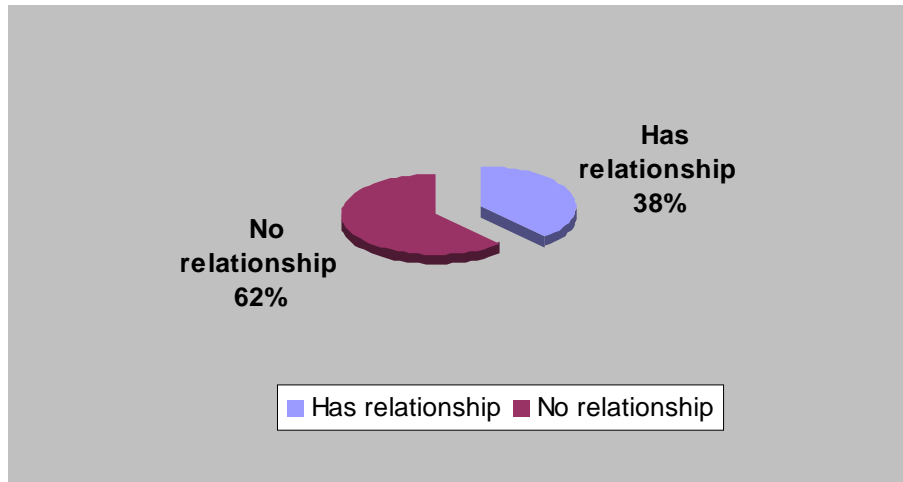


Figure 5.15 The relationship between old and new owners (1996-2006)  
(Sources : Valuation and Property Services Department, 2006)

#### 5.4 Conclusion

As shown above, there are linkages between economic framework and the activities of agents in the land market in Kuala Lumpur. The economic framework as institutions laid down the foundation for the demand and supply to interact in the market place. As shown, these affect the ways they decide either to supply the land for development or limit the transfer by holding the land and hence no development may take place. Similarly, there are legal frames that restrict and/or facilitate the negotiation, transfer and dealing in the land and property market.

## **6.0 ANALYSIS ON THE LAND SUPPLY CONSTRAINTS IN THE MAS AREAS OF KAMPONG BARU, KUALA LUMPUR**

### **6.1 Introduction**

In fact, the rate of land development in the MAS areas is not really smooth as expected comparing to the rest of the CBD areas in Kuala Lumpur. As mentioned earlier in Chapter 3, there are factors attributed to the formation of land supply constraints in the case study areas. Moreover, the increasing pattern of trends in land market in Kampong Baru is comparatively lower than the rest of the CBD areas in Kuala Lumpur. Therefore, Kampong Baru is an indigenous area full of speciality. This is attractive for further investigation.

Unfortunately, there were several efforts undertaken by the government to undertake redevelopment of Kampong Baru during 1980s and 1990s. Government proposal to acquire the MAS areas in 1992 was a failure due to landownership and valuation constraints. This had initiated a new development plan in 1993. Once again, the plan was abandoned due to the land supply constraints. Consequently, the government had realised about the need to come up with a new Development Plan in 2006 to take place until 2020 considering the land supply constraints.

Although the land development initiatives had been undertaken by individual and corporate landowners as well as a society of Kampong Baru people known as Pembangunan Mas Melayu Berhad (PMMB). Table 6.2 shows the progress of land development activities from 1995 to 2005. The table shows that during the period of ten years from 1995 to 2005, the most obvious type of land development was commercial with 73 per cent compared to residential 22 percent only. There are Naza Tower and Rah Properties which were being developed into multi-storey buildings in 1997 and 2004 respectively.

Type of Development	Kampong Bharu (KB)		MAS	
	No	%	No	MAS/KB (%)
Commercial	44	73	11	25
Residential	13	22	5	38
Others	3	5	-	
Total	60	100	16	27

Source: JPI DBKL

There are proposed developments approved but left undeveloped by land developers. For example, development initiated by Ruby Realty in 2004 with the problem of feasibility due to density or number of storey of the building proposed for development. Since there are delayed and abandoned projects in the areas, it can be said that the land development activities in Kampong Baru is at a slow pace since 1990s due to the land supply constraints.

## 6.2 Property Market Trend in MAS areas

The trend in land and property transaction in Kampong Baru is said to be consistent and stable. Figure 6.2 shows about 100 transactions from 1995 to 2006. Transaction occurred everywhere within the MAS areas alongside the main road or even at the inferior location of Kampong Paya and Kampong Masjid. During 1996 to 1999, there was a slower rate of transaction due to economic recession. Conversely, the trend in property transaction increased during 2000 to 2006 once the economy got better.

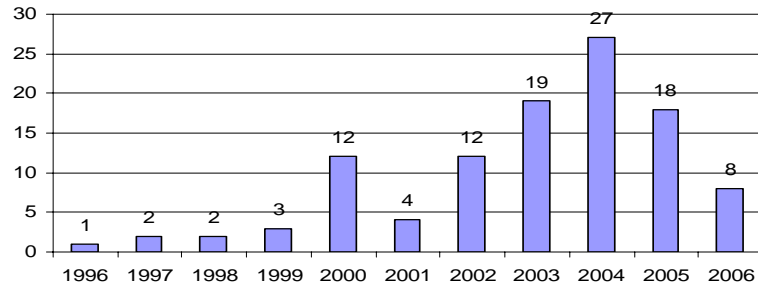


Figure 6.2: Property Transaction in MAS areas 1996 - 2006

Source: Adapted from JPPH2007

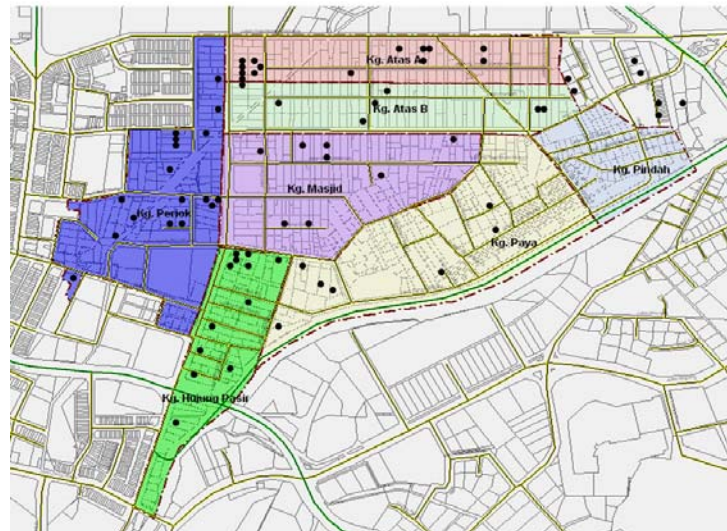


Figure 6.3 Distribution of transactions 1996-2006

Source: Adapted from JPPH 2007

There is about 61 percent of the transaction done from individual landowners to individual landowners. About 30 per cent transactions were completed by corporate landowners and individual landowners and only 9 per cent from corporate to other corporate firms. Transfer from corporate to another corporate landowners involving approved land indicated that they are looking for speculation without having real intention to undertake redevelopment themselves.

## **6.2 Planning Constraints and Analysis**

In Chapter 2, the literature reviewed the importance of planning in preparing a good land use for development purposes. This ensures a sustainable urban land development for the next generation.

According to neoclassical perspective, rules of planning for development may constraints the landowners from making up decision to sell the land or to participate in the land development. Planning requirements, for example, land use ratio may distort and restrict the landowners from making decision to develop the land. In other word, planning rules may influence the level of price in the market. When the price of land is affected by lower price of low cost housing as designated in the land use plan, land developers may reluctant to buy the land due to lower profit margin expected from the project. Conversely, when a piece of commercial land has been designated in the development plan, its price may tend to be higher for commercial price. Consequently, high price in the market may attract more property developers. Unfortunately, the restriction in interests of the indigenous land may distort the potential buyers to buy the land for development purposes. The reasons may be for the landowners to wait a longer while for a higher price or lower profit margin expected by land developers. In both cases, the availability of the land is constrained by the nature of planning rules applied therein.

### **6.2.1 Planning Constraints in the MAS areas**

Kuala Lumpur Structure Plan (PSKL) 2020 emphasis on the improvement of living quality with regards to cultural values and encouraging active participations of its citizens. As such, PSKL 2020 ensures that infrastructure and amenities, culture and social development will be met for the benefit of the population, staff, visitors and investors. Therefore, the planning was aligned towards achieving the equivalent of physical, economic, social and environments. This core target would lay down a strong framework for the potential redevelopment of the MAS areas in Kampong Baru.

In PSKL2020, the MAS area has been identified as one of the main Comprehensive Development Areas (KPK) to stimulate and promote commercial



and industrial development in Malaysia. As indicated, this area is planned and to be promoted as a mixed development to incorporate residential, commercial as well as light industrials.

Nevertheless, there are constraints and redevelopment initiatives may have to face challenges. It needs attention from everybody involved in redevelopment of the areas. This is due to the fact that there are land supply constraints in the areas that have to be solved prior to the actual launching of the redevelopment projects. Since long time, any redevelopment initiatives had be undertaken but the success was too far away from what should be harvested. A thorough study may be undertaken in details to analyse the possibility to preserve but enhance the traditional way of life in the MAS areas rather than a total redevelopment.

### **6.2.2 Planning Constraints with regards to the Drafted Local Plan of Kampong Baru (DPTKB)**

Policies and plans for implementation had been arranged and drafted in a plan known as DPTKB. Those policies act as guidelines for implementation. One of the ingredients of the plan is to uphold the interests of the Malay landowners and the most suitable way to undertake the redevelopment of the MAS areas in Kampong Baru. Originally, the guidelines have been drawn from those initiated but aborted redevelopment programs since 1991 when the MAS areas was planned for land acquisition involving lots of lands along Jalan Raja Abdullah. This area has been designed as a comprehensive redevelopment site in 1991 but failed. The main reason was landowners refused to sell their lands or disagreed to get involved in the schemes. Since then, the government has had several initiatives that had indicated the real initiatives to undertake redevelopment in the MAS areas.

In 1993, the development had been further strengthened with allocation of different land uses zones for Kampong Baru areas. The area along Jalan Raja Muda Abdul Aziz , Jalan Raja Abdullah and Jalan Raja Alang up till Weekend Market had been designated as commercial and limited special commercial areas. The inferior lots were allocated for residential zones. Interestingly, the MAS area in Kampong Baru is then strengthened once again in 2006 with emphasis on the requirements of

PSKL2020. This shows that the government is really serious in efforts to undertake redevelopment in Kampong Baru.

As a consequence of the detailed allotment of the MAS areas according to structure and local development plans, the lands in the MAS areas has been showing an increase trends due to the allotment of land uses. For sure, commercial lots is fetching a higher prices in the market compared to residential lots. Planning has made the affected landowners are more confident with the demand and potential land uses in the market. Whilst the land developers are more secure in looking towards the potential redevelopment plans and initiative for the purpose of identifying the feasibility provided by the government. For example, once the redevelopment initiative failed to take effect in 1991 due to disagreements with the land compensation to be given to the affected landowners, they have realised the real value of their indigenous lands in the market. The main ingredient of their land value is due to the development planning of the land as proposed by the government.

## **7.0 LANDOWNERS' ATTITUDE AFFECTING THE SUPPLY OF LANDS**

### **7.1 Introduction**

Landowners have important role in determining the availability of land in the development processes. Only landowners who are willing to bring the land into the development process either directly through planning proposal or indirectly by releasing their rights to other people who can optimize the potential of the lands through land transfer and hence the land will be readily available in the development process. Therefore, besides existing institutions, landowners' attitude also affects their decision in determining the future of the land (Cadman and Topping, 1995; Ismail, 1999).

### **7.2 Respondents' Characteristics**

In this empirical work, three groups of respondent i.e landowners, professionals and land development agents were successfully interviewed. Detailed distribution of respondents and characteristics of respondents are shown in Table 7.1 and Table 7.2.

**Table 7.1:** The classification of samples based on current condition of the lots and sample occupation

<b>Classification</b>	<b>Total samples</b>	<b>Description</b>
Landowners of undeveloped lots	43	- 42 lots owned by individual - 1 lot owned by corporate
Landowners of developed lots	8	- 5 lots owned by individual - 3 lots owned by corporate ( 2 of them as developers)
Landowners who have traded their lots	3	- 1 voluntary transfer - 2 compulsory purchase
Planner	3	- 1 of them works in the special unit of Kampong Baru Development
Valuer	1	
MAS Boards	3	

The total respondents for landowner of undeveloped lots occupy the highest number, since undeveloped lot is the main issue in the land development processes. Among four corporate owners, two of them are developer.

Respondents' background for landowners of undeveloped lots and the characteristics of the lots are shown in the Table 7.2.

**Table 7.2:** Landowners background of undeveloped lots and characteristics of lots

<b>Characteristics</b>	<b>Detailed characteristic</b>	<b>Percentage</b>
<b>A. Landowners Background</b>		
Ages	1. <20 years	0.0
	2. 21-30 years	0.0
	3. 31-40 years	4.8
	4. 40-50 years	28.5
	5. > 50 years	66.7
Education	1. Uneducated	4.8
	2. Elementary	26.1
	3. Secondary	59.6
	4. Higher education	9.5
Household income	1. < RM 1000	33.4
	2. RM 1001-RM 1500	35.7
	3. RM 1501-RM 2000	16.7
	4. RM 2001-RM 2500	7.1
	5. > RM 2501	7.1
<b>B. Lots' Characteristic</b>		
How lot was occupied	1. Gift or inheritance	88.1
	2. State granted	4.8
	3. Purchase	7.1
	4. Compulsory purchase	0.0
	5. Lease	0.0
Landownership	1. Single owner	19.0
	2. Multiple owner	81.0
Land use	1. Residential	95.2
	2. Industrial	0.0
	3. Commercial	4.8
	4. Vacant lands	0.0
The purpose of occupying the lots	1. Leasing	0.0
	2. Own use	88.1
	3. Generate income	9.5
	4. Investment capital	0.0
	5. Development potential	0.0
	6. Inheritance	2.4

From Table 7.2, some information can be extracted in terms of respondents' background and characteristics of the lots. The common respondents' background is dominated by old people (more than 67 per cent), medium education (87 percent) and low household income families (85.8 percent income less than RM 2000 per month). Whilst, for the lots' characteristics, most of lots were occupied from their ancestor (inheritance lands), owned by more than one owner (81 per cent), used as residence (95.2 per cent) as well as the purpose of occupying the lot was for own use (88.1 per cent).

### 7.3 Land Owners' Attitudes from Land Rights Point of View

Basically there are three rights attached on the land namely the right to use, to possess and to dispose of (Guerin, 2003; Alchian and Demsetz, 1973). These rights can be attributed to an individual or can be shared among different individuals (Picot *et al.*, 1997). Which rights exist and who owns them has major societal and economic implications such as incentives on rights owner for long-term management of lands (Guerin, 2003).

Based on the empirical survey, there are many ways landowners handled the land particularly related to the intentions they have and actions they have done. Table 7.3 tries to relate the landownership, landowners' characteristics, the objectives to own the land and also the landowners' attitude in handling the land.

**Table 7.3:** Characteristics and the main purpose in owning the lots

Variables		Lots number	
Landownership	Multiple	1,2,5,6,7,9,10,11,12,13,14,15,18,19,21,22,23,24,25, 26,27,28,29,30,31,32,33, 36,37,38,39,40,41,42,43, 44, 47	
	Single	3,4,8,16,17,20,34,35,45,46	
	Corporate	48,49,50,51	
Landowner's characteristics	Old people	1,2,3,4,5,9,10,12,14,15,16, 18,19,20,21,22,24,26,27, 28,29,30,34,37,38,39,41, 42	
Lots' Characteristics	Inheritance	2,3,5,6,8,9,11,12,13,14, 15,16,17,18,19,20,21,22, 23,24,25,26,27,28,29,30, 31,32,33,34,35,36,37,38, 39,40,41,42,43,44,45,46, 47,48,49	
	State granted	7,10	
	Purchase	1,4,29,49,50,51	

**Table 7.3:** Landownership, landowners' characteristics, landowners' attitude and the main purpose in owning the lots (Continued)

<b>Variables</b>		<b>Lots number</b>
Main purpose in owning lots	Own use	1,2,3,4,5,6,7,9,10,11,12,13,14,15,16,17,18,19,20,21,22,23,24,25,27,28,29,32,33,34,35,36,37,38,39,40,41,
	Bequeathed asset	8
	Generate income	26,30,42,43,44,45,46,47,48,49,50
	Development potential	51
Landowner' attitude	Intend to sell	1,3,14,21,24,39,42,46,
	Intend to develop for own use	1,2,14,15,16,17,19,20,24,26,28,34,37,39,40,42
	Intend to develop for rented house/apartment	6,9,13,22,23,27,30,31,32,33,35,38,41,51
	Agree to compulsory purchase	1,3,4,6,7,9,10,11,12,13,14,15,16,17,19,21,22,36,23,24,26,27,29,30,32,33,35,36,37,38,42,44,45,46,47,48,50
	Prefer to stay in KB after redevelopment	2,3,4,5,6,9,11,12,13,14,16,17,18,19,20,21,22,23,24,25,26,27,28,29,30,32,33,34,35,36,37,38,40,43,44,45,

Table 7.3 shows that 37 samples or 79 per cent of the individual landowners have more than one owner. Only 21 per cent of the lots are owned by a single owner. It indicates that multiple ownerships is a common condition in the Kampong Baru area. Besides it is caused by the interval time between the establishment of MAS settlement and the registration of rights, 1900 to 1964, strict implementation of Muslim rules on inheritance, called Faraid, by distributing land to all respected owners and by putting all names on the grant is considered as the owners' attitude causing multiple ownerships (Baharin, 2003).

According to the way 47 individual landowners occupied the lands, 42 samples were occupied from inheritance process, 2 samples from state granted, 3 samples from purchasing. Corporate landowners purchased or inherited the lands. Landowners of lots number 48 stated that his family founded a private company

called Arina Development Sdn Bhd and put the inheritance land as the asset for their company. Dato' Rahim, the owner of RAH Properties Sdn Bhd and lot 49 mentioned that besides inheritance land, he also bought the adjacent lands from the original landowners so that a 23-storeys building can be technically and economically constructed.

In term of the objectives to occupy the lands, 90 per cent land owners used their land for their own usage such as residences. Only 9 per cent have tried to optimize the potential of the land by generating income through running small business such as a store or leasing part of the lots to other people such as what lot 31 did. This is different with the owners of developed lands who have successfully optimized the land by improving the use of the land. While in terms of the age of the landowners, 66.7 per cent are occupied by old landowners.

Based on Table 7.3, particularly the intention of the landowners to sell and to develop the land, three groups of landowners can be drawn namely to maintain the whole rights, to maintain part of rights and to release all of the rights. The first group is identified by the intention of the landowners not to sell the land and develop the land for their own use. The second group is characterized by the intention of the landowners not to sell the lands, to develop the lands but intend also to lease the land or the landed property for other parties. The last group of intension is identified by the will of the landowners to sell the land. According to Buitelaar (2003b) transferring part of the rights changes the content of the bundle of rights, whilst transferring the whole of rights doesn't change the content of the rights but the ownership of the rights.

Table 7.4 summarizes the result of landowners' attitude in terms of the way they manage their rights and the reasons behind their actions.

**Table 7.4:** Reasons for supporting landowners' attitudes towards land rights

No	Attitudes	Lots	Reasons
1	Release all of the rights	1,3,14,21,24,31,35,40,41,42	Avoid conflicts, financial problem, stay out side KB
2	Keep part of the rights	4,6,9,13,22,23,27,30,32,33,36,39,3,44,45,47,48,49,50,51	Stay in KB, get return from the lands, Preserve Malay Land, good location
3	Keep all of the rights	2,5,7,8,10,11,12,15,16,17,18,19,20,25,26,28,29,34,37,38,	Inheritance land, Preserve Malay land, good location, easy to do business, want to stay in KB

Landowners' conflict is a reason mentioned by landowners of lot 31 who intend to sell the land. Often multiple ownership triggers conflicts among them particularly related to the implementation of use-right. They are aware that the longer they keep this condition, the worse the conflict will be. Different reason was stated by landowners of lot 32 who intended to sell the land. Since every owner has the full rights upon the land, no decision about the future of the land can be achieved. Although some landowners, lot number 14, 31, 35, 40, 41 and 46, basically intend to keep their land rights by developing the lands, financial problems have encouraged them to release the rights.

Various reasons were mentioned by landowners who want to maintain their full rights such as inheritance land, preserve Malay land, good location, easy to do business and want to stay in KB. Inheritance land is the mayor reason stated by landowners. For them land given by their parent are considered as a mandate that should be maintained as best as possible. In fact, landowners of lots 5, 8, 18, 20, 28, 35 consistently stated that whatever the condition is, including compulsory purchase approach, they will always try to keep all their rights.

Subsequent reason that drives landowners to keep the land rights is to preserve Malay land in the urban area. This is because Kampong Baru is the only Malay Reservation Land located in the urban area, thus maintaining their land rights is one form of preserving Malay dignity. The next factors are good location and



easiness to do business. Kampong Baru which is located close to central business district area of Kuala Lumpur city provides amenities particularly the easy access to any public facilities such as bank, government office, education and hospital. In-depth discussion on this reason will be presented in Chapter 8.

The intention to maintain the rights is also expressed by the intention to develop their land particularly for their own uses although some of them are still hindered by financial problems, for example landowners lots 2, 26, 37 and 38. Even landowners lots 37 have tried to develop their land with the help of a private developer. However, the developer deprived the promise by still keeping the grant without any development progress.

The third group of landowner is those who still want to own the rights, but they also have no objection to release part of their rights for a temporary period, for example through leasing. The landowners still keep the right to delineate, release the lots, but give the right to use and to occupy to other people for a certain period of time. By leasing for a certain period of time, besides getting additional income the original landowners will be able to secure the inheritance land from being permanently transferred. Therefore, if there is a chance to develop the land, besides for their own uses they also want to develop the land for, such as, rented house and apartment.

According to the survey addressed to the landowners, only 4 land owners who have tried to sell their lots. Multiple ownerships is one of the land attribute that provides dual effects. For the first group who intend to sell the land, multiple ownerships is a condition which should be immediately solved as what Rosta (Respondent no: 31) mentioned. The reason is that the longer this condition attached on the land, the more problem will be encountered particularly to optimize the potential use of the land. On the other side, multipleownership becomes factors that make the landowners hesitate to sell off the land because of the huge effort to obtain unanimous agreement among the landowners. This is what the respondent no: 36 mentioned that they have had many times the whole family (8 land owners) discussed about the future of the land. However until the interview was done they still have not decided about the future of the land.

When a question about what factors influence landowners decision to release the lands and 5 choices were given namely development, land price, money, land status and others, the answer is shown by Figure 7.1.

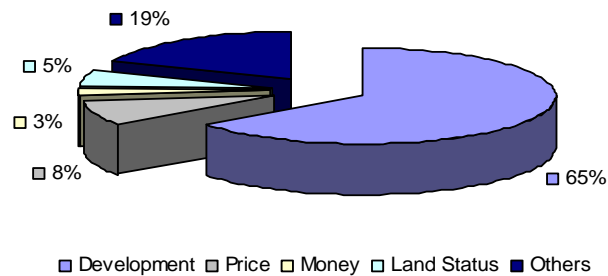


Figure 7.1 Factors influence landowners to release the lands

Figure 7.1 shows that 65 percent respondents will release the land if there is development project set up either by government or private companies in Kampong Baru area. The second and third reasons are ‘others’ and ‘land price’ which recorded 19 per cent and 8 per cent respectively. Depending on other landowners’ decision and what the government wants are two argumentations belonging to ‘others’ choice. These arguments indicate that passive response is one alternative solution that landowners may prefer. Whilst expecting high price is the only argument supporting ‘land price’ choice such as what landowner number 21 and 35 stated. Since both landowners intend to release the land (see Table 7.4), high price become precondition to perform land transfer.

Besides using market mechanism, landowners may be forced to release the land through compulsory purchase or land acquisition. This approach has been used as a policy instrument to correct market failures in urban development or to help to implement land use plans (Ding, 2007), or as preliminary works to amalgamate lands (Ismail, 1999). Land acquisition is a form of the hierarchy mechanism which is part of the autonomy owned by the landowners are given to the other party (in this case is the government) through a special process different to the normal land transfer process.

Once the respondents were asked about the possibility to use compulsory purchase as the alternative approach to overcome the land supply problem, around 79 per cent of them agreed to the use of this approach as long as a certain condition has been fulfilled. The condition is that the compensation should be based on the open market value of the land. There are 48 per cent of the respondents firmly agreed that the amount of compensation becomes the main factor that hinders the success of the compulsory purchase. In fact, in order to increase the land price, three landowners of lots 22, 24 and 42 had suggested the removal the landownership restrictions. Lot number 3 mentioned that besides compensation government should also consider another alternative way to acquire land such as by substituting the land and house with comparable price at a certain place close to Kampong Baru area.

For the corporate owners, only 2 owners (48 and 50) don't agree with the compulsory purchase since they believe it is very hard for the government to handle fair compensation to allow Malays to develop Kampong Baru according to their intentions. The other 2 landowners (49 and 51) agreed, although they are still wondering whether the government is capable to buy all the land due to the fact that substantial capital must be invested in Kampong Baru areas.

Twenty one percent of respondents still do not agree with the land acquisition since the land must be for inheritance that should be maintained and further bequeath to the next generation. Landowners of lots number 2, 8, 18, 20, 25, 28, 32, 35, 43, 45, 49, 51 are those who don't agree the compulsory purchase as an alternative approach to solve the land supply problems. This attitude is in line with the landowners' attitude not to release their rights as listed in Table 7.3 except landowner lot 35 and 40. It is due to their rational reasons that amount of compensation would be generally lower than the open market price. This is the main reason why they prefer to release their right through market mechanism. In addition, landowner number 40 mentioned that government should elaborate clearly about the planning proposal for the development so that every affected landowner is aware about his rights and his responsibility.

In terms of compulsory purchase, interviewed respondents were commonly mentioned that it is no need to use this approach. Several reasons that they gave

were that there are problems to transfer the rights (Mohd Fauzy Hasyim, 2006) due to the landownership constraints. Some of the government agency was given responsibility to develop Kampong Baru (Kamarulzaman Mat Saleh, 2006), let the Malays develop on their own with the help of the government (Samsuddin Abdul Kadir, 2006). However, government must review the land status prior to the development (Azmir Jaafar, 2006).

From the previous discussions about the condition that caused landowners to release their rights and also about the compulsory purchase, indication on the behaviour of the landowners can be identified. Generally landowners are willing to release their rights to the government as long as the government provides clear information about the objectives of the project with just compensation. This is shown in the following Table 7.5.

**Table 7.5:** The landowners' attitudes to releasing the land

<b>Land owners attitude</b>	<b>Through Market</b>	<b>Through Compulsory Purchase</b>
Release their rights	1, 3, 14, 21, 24, 31, 35, 40, 41, 42	1, 3, 4, 5, 6, 7, 9, 10, 11, 12, 13, 14, 15, 16, 17, 19, 21, 22, 23, 24, 26, 27, 29, 30, 31, 33, 34, 36, 37, 38, 39, 41, 42, 44, 46, 47, 48, 50
Keep (part or all) of their rights	2, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 15, 16, 17, 18, 19, 20, 23, 25, 26, 27, 28, 29, 30, 32, 33, 34, 36, 37, 38, 39, 43, 44, 45, 46, 47, 48, 49, 50, 51	2, 8, 18, 20, 25, 28, 32, 35, 43, 45, 49, 51

Some landowners are strictly mentioned whether they agree or not, once government has established the compulsory purchase, the affected landowners should obey (Lot 5 and 7).

According to the question asked to the landowners who have released their land rights due to land acquisition and/or transactions, a number of reasons emerged. Two of them released the land due to compulsory purchase while the third one is because of personal reason. All of them mentioned that agreement from all landowners is the main step that should be taken into account. Wapingi (son of

landowner of lots 557 A) mentioned that their family actually didn't intend to release the land because they wanted to keep their rights and enjoy the amenity they had. The government project had forced his parent to release the land regardless of the reasons. The intention to enjoy the amenities was also proved by purchasing the new land inside Kampong Baru after they received the compensation from the project.

However, a different reason was given by Latifah (daughter of landowner of Lots 398) who sold the land due to government project to develop new road surrounding Kampong Baru area. She mentioned that, although government didn't acquire their land, her family still intended to release the land because all of the landowners had already stayed outside Kampong Baru. Whilst, Syamsul (son of landowner of Lot 444) elaborated that the main reason why his parent sold the land was to avoid family conflict and the size of the land (around 444 m<sup>2</sup>) is too small to be divided among them. In addition, the alternative to amalgamate the land with contiguous was considered difficult since the people who are at that time stayed everywhere else did not have close relationship with his parent. Thus, releasing the land was the best alternative to optimize the potential use of the land (Syamsul, 2006).

The main concern for landowners who were affected by compulsory purchase projects was the value of fair compensation. Wapingi (2007) mentioned that due to compensation dispute in the hearing process, his family brought the case to the court. Fortunately, the court approved to give additional compensation. Latifah's (2007) family initially expected compensation value of about RM400/square foot. However, after four months of negotiation, they finally agreed to release the land for RM250/square foot. In addition, the uncertainty on the valuation system used by the government also becomes a very crucial factor. For example, Wapingi family received compensation for RM 240/square foot in 1996 and Latifah's family received compensation for RM250/square foot in 2002 for their land. The government was given compensation for widening the road of Jalan Sultan Sulaiman at RM250/square foot (Syamsuri, 2007). These examples on compensation illustrate that although those land acquisitions happened at different times, the same amounts of compensation were given to the affected landowners.

This discussion gives preliminary clues that although landowners wanted to keep the land rights, they still have positive response to any project established by the government. Anyway, the landowners are still looking forward for a just that provides monetary awards so that they may release their land for development.

From the property rights view point of view particularly the land status, generally lands in Kampong Baru are already secure in terms of ownership, for example around 90 per cent of the lands have had title of document and the status of lands are freehold (Abdul Rahman, 2007). This implies that security in landownership had increased the degree of transferability of land (Mooya and Cloete, 2005). However, the process of land transfer in the market is slow compared to the bequeathing process (see Chapter Six). The main reason in support of this phenomenon is that these are inheritance lands, preserve Malay land, good location (see Table 7.4) that must be secured. This is online with what Mooya and Cloete (2005) who had found in their research about land market in urban fringe area where land holders prefer to pass over the land to their relatives than to sell it off in the market. They found that this phenomenon is the result of the concept of land ownership as a security and welfare rather than as a tradable asset.

In relation to land ownership rights, multiple land ownerships was recognized as hindering the supply of land for development. The bundle of rights is shared together with other land owners. As a result any decision to manage the land should be approved by all landowners. Since every owner has his own interest, it is not easy to get consensus. This causes attenuation of landowners' rights particularly to transfer the land due to certain limited buyers may be interested to buy the land. As a result, bargaining power of the landowners to find the best buyers at a higher price is also attenuated.

#### **7.4 Land Owners' Attitudes Towards Land Development**

In relation to the development of MAS area, generally respondents agreed to the idea that MAS area should be developed. Forty six respondents or around 90 per cent with various reasons fully support the redevelopment of MAS area,

unfortunately the rest answered “No”. The following Table 7.6 shows landowners and their stated reasons.

Interestingly, there are arguments by the landowners to preserve the Malay identity is are either agree or do not agree on the development of MAS area. Landowners of lots number 14, 16, 18, 22, 25, 27 and 28 mentioned that those who agree on the development of MAS area argue that development of MAS area is possible without having to ignore Malay identity. They stated that only through development the identity of urban Malays can be preserved. It is due to surrounding Kampong Baru area that has grown significantly so that the physical contrast emerged between Kampong Baru and its adjacent areas. However, the landowners of lots 5, 8, 43 and 45 are argued that maintaining the current condition of the kampong is the alternative way to preserve their inheritancy.

**Table 7.6:** Landowners’ attitudes toward MAS development and supporting reasons

Attitude toward MAS development	Landowners of lots number	Reasons
Agree	1,2,3,4,6,7,9,10,11,12,13,14,15,16,17,18,19,20,21,22,23,24,25,26,27,29,30,31,32,33,34,35,36,37,38,39,40,41,42,44,46,47,48,49,50,51	Strategic location, preserving Malay identity and dignity, to improve Malay income, to adapt with the vicinity area
Not agree	5,8,28,43,45	To preserve Malay identity

In terms of the type of landowners, landowners of undeveloped land in general, totaled to 40 samples, have agreed with the development of MAS area, while 7 out of 9 landowners of developed land agreed the development of MAS area. Both landowners of undeveloped and developed lands provided similar reasons to support their arguments. However, in relation to the need to maintain the restriction in interests, there are 35 out of 51 landowners were firmly stated that the landownership restriction in interest of MAS should be maintained as it is. The reason is simply that Kampong Baru is the only Malay settlement in the urban area. As such, releasing the restriction in interests means opening the possibility of non-Malays to own the MAS lands in Kampong Baru.

With regards to the landowners' attitude to develop the land, Table 7.7 shows various attitudes and reasons there on.

**Table 7.7:** Land owners' attitude to develop the land

<b>Landowners' attitudes to development</b>	<b>Lots number</b>	<b>Factor influencing the attitudes</b>
Tried to develop but failed	5, 9, 24,34, 35, 37, 40,51	<b>Support:</b> Landowners agreement, improve household income, improve the amenity <b>Hinder:</b> Financial problem, difficult to get agreement from landowners, cheated by private company, lengthy procedures
Haven't tried to develop	1,2,3,4,6,7,8,10,11,12,13,14,15,16,17,18,19,20,21,22,23,25,26,27,28,29,30,31,32, 33,36,38,39,41,42	Financial constrain, difficult to get agreement, old age, no grant at hand
Want to develop	1,2,6,9,13,14,15,16,17,19,20,22,23,24,26,27,28,30,31,32,33,34,35,36,38,39,40,41,51	Improve household income, increase the pleasure, preserve Malays lands, optimize the potential of the land
Don't want to develop	3,4,5,7,10,12,13,18,21,29,37, 42	Old age, inheritance land, financial constraint, difficult to get agreement
Have developed	43,44,45,46,47,48,49,50	To get additional income, optimize the potential of the land, good location, improve amenity, to stimulate the surrounding area, to support the need for space for the core business

Among 42 undeveloped lands taken as sample, there are only 7 landowners of lots 5, 9, 24, 34, 35, 37 and 40 have tried to develop the lands. Three of them failed to develop the land because the private land developer they were going to cooperate with had cheated them by mortgaging their grants without performing any development. In fact, a certain amount of money was spent in order to recover the document of title. In addition, some of them are still don't know of their grants where about. The other reasons why they failed to develop the land were the



difficulties to get firm agreement from the landowners and who have no financial support. For example, landowner of lot 9 failed to develop the land since a proposal to get a loan from a bank was refused. The reason was that at that time around 1990's the government wanted to purchase the land through Kampong Baru redevelopment program.

However, there are some good reasons that encouraged them to develop the lands such as all landowners were agreed to develop the land, to get additional income and to renovate the existing houses. Landowner of lot number 5 for example had renovated her house by securing a loan from a bank in 1967. The house was obsolete which is no longer fit for habitation. Landowner of lots 9 and 40 mentioned that all the family members have agreed to develop the land, however financial problems have impeded the plan for development due to economic recession in 1980's.

Table 7.7 shows that there are landowners who are passively responded to the land development initiatives. Unfortunately, twelve landowners don't want to develop the land. Some of them declared that the government should take over the development of Kampong Baru area as what landowner of lot number 6 stated:

“I do nothing because I have no financial support to develop the land. The government should take over the development of Kampong Baru. Landowners have no money” (Landowner of lots number 6, author's translation).

The government is responsible to initiate and undertake the development of Kampong Baru area as mentioned by 29 per cent of the landowners taken as samples. Many reasons may support this argument such as landowners have no money (lots 1 and 6) and the government always has dominant roles in the development of Kampong Baru (Sulaiman, 2000). It has also been supported by the argument that Malays should have special position as mandated by Article 153 of the Federal Constitution.

Anyway, those who have developed their lands commonly mentioned that optimizing the potential of the land was the only main reason. Good location is the reason why landowners of lots number 44 and 45 used the land for running a

restaurant. The fact that the lots were being located along the main road and close to the business area. Whilst, landowner of lots number 43, 46 and 47 who had developed a rented house described that some reasons that encouraged the development were to improve their household income and to respond to the trend in the market for rented.

Conversely, there are different reasons as stated by Dato' Rahim, the owner of Rah Properties Corp. Sdn Bhd and Ghazali Syamsudin, the executive director of Arina Development Sdn Bhd. Dato' Rahim explained that besides economic reasons, the development of Plaza Rah was intended to stimulate other landowners to develop the lands adjacent to the development site by providing better environment.

“Let the Malays themselves develop the land. Encourage wealthy Malays to participate in the development and to provide stimulation to other landowners. The government doesn't have enough money to develop the whole Kampong Baru area” (Dato' Rahim, 2006).

The same reason has been also given by Ghazali Syamsudin why he and his brothers wanted to develop 18 stories (revised to 28 stories) apartment and office building in the areas. His family realized the potential value of their land which is located along Jalan Raja Muda Abdul Aziz and also the intention to maintain inheritancy.

Table 7.8 shows the characteristics of the lands, type of developments and factors that support the development in stimulating the development in the MAS areas.

**Table 7.8:** The characteristics of developed lands and objectives of development

<b>Lots number</b>	<b>Land characteristics, landowner characteristics</b>	<b>Type of development, objective, factors affecting the development</b>
43	Inherited, single lots, individual owner, bank loan	Rented house, Malay developer slow to finish, enjoy income, amenity
44	Inherited, single lots, individual owner, own funding	Restaurant, Not enough funding, get income
45	Inherited, single lots, individual owner, own funding	Restaurant, optimize the potential of land
46	Inherited land, single lots,	Rented house

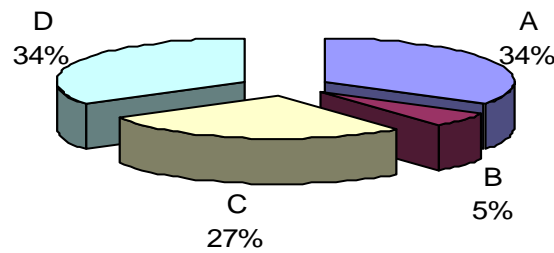
	individual owner, government funding	
47	Inherited land, single lots, individual owner, bank loan	Rented house, get income
48	Inherited land, multi lots, corporate owner, bank loan	Apartment + office, stimulate, get income, take time to get approval (6 month)
49	Inherited+purchase, multi lots, corporate, bank loan+self funding,	Condominium, get income, stimulate other landowner
50	Purchase, multi lots, corporate owner, self funding	Administration building, own use

In relation to the scale of land development, commonly the individual owners have smaller land size than the corporate landowners. This scale dictates the size of land needed as shown by the number of lots to support development. Individual owners commonly developed single lot, while corporate owners developed multi lots. For example Plaza Rah is constructed on the amalgamation of five lots including lots 1711, 1712, 332B, 336 and 338 B; Menara Naza is constructed on lots no 1358 and 1360 and Arina Development is constructed on lots number 317 A and 317 B. The amalgamation of these lots was done after the transfer of rights from initial landowners to the corporate owners.

Landowners' motivation of those who have successfully developed the lands is also varied. Individual owners commonly were motivated by the personal reason such as to increase household income, whilst corporate owners have wider motivation such as to stimulate other landowners and to improve the environment. However, development carried out by Naza properties was mainly to fulfill the need for more spaces to run their core business in car industry (Onn, 2007).

## **7.5 Landowners' Attitude towards Land Supply Constraints**

The previous sub-chapter 7.3 and 7.4 have discussed about the landowners' attitude and factors that influenced their attitudes either positively or negatively. When a question was asked to the landowners of undeveloped lands about "Why you did nothing (didn't develop or didn't sell the land)" and four choices were provided, the answer is shown in Figure 7.2



A: I never thought about it      C: Have no funding sources  
 B: Have no knowledge              D: Difficult to make decision

**Figure 7.2** The reasons why landowners did nothing

Figure 7.2 shows that 34 percent of samples didn't think of selling the land or developing the land (lots number 3,5,7,8,10,11,12,17,18,19, 20,25,26,27,28,29, 33, 37 and 41). There are many reasons supporting this argument are such as being old people, already convenient with the current condition, inheritance land and they have been deprived by private companies. Samples which answer "have no knowledge" are lots number 26,27 and 30. Whilst, lots number 1,2,4,22,23,26,27,30,32,33, 35,37,38,40 and 42 mentioned that they did nothing since they have problems with financing. There are 19 samples (lots number 6,11,13,14,15,16,19,22,24,26,27, 30,31,32,33,36,37,38 and 42) stated that difficulties to make decision among landowners was the main reason why they either didn't sell the land or didn't develop the land.

As illustrated in chapter three, there are two ways where land will be readily available in the market for the development process, either directly or indirectly through land transfer. Therefore, this sub-section will focus on the attitude that hinders the land from being available in the land market for the land development process. Tables 7.3, 7.4 and 7.7 show that there are a number of factors that affect the landowners attitude namely reasonable price, landownership, financial problem as well as personal reason such as landowners experience, their perspectives on land development, physical condition of the land owner such as being of an old age.

### **7.5.1 Reasonable Land Prices**

Land prices dispute is recognized as the factor that hindered the redevelopment of Kampong Baru in 1991 (Sulaiman, 2000; Ismail, 1999). As for the current situation, the high value of compensation is still the main issue in the redevelopment of Kampong Baru as mentioned by Kamarulzaman Mat Salleh (2006):

“The main issues to develop the MAS area are landownership and high compensation asked by landowners. Therefore to improve MAS area these factors should be taken into account first” (Kamarulzaman Mat Saleh, 2006, author’ translation).

The just compensation value is always becomes the main consideration when discussing about compulsory purchase. The result of interview shows that among 37 landowners who agreed to the compulsory purchase, 23 landowners are firmly putting the market-value based compensation as the consideration that has to be achieved first. Just to give illustration about the value asked by affected landowners and the market price from the real transaction recorded by VPSFTKL, a number of landowners taken as samples were asked about the land price if the government wants to acquire their lands. The sample lots are located along Lorong Raja Muda Musa 5, Jalan Daud, Jalan Raja Ali, Lorong Raja Muda Musa 6, Jalan Shed Mahadi. The asking prices by landowners are RM500, RM800, RM400, RM600 and RM650/square foot respectively. According to Onn (Executive staff of Naza properties Sdn Bhd), the current market price of land in Kampong Baru is in the range of RM200-RM300/square foot for the land located at prime area such as Jalan Abdullah and Jalan Raja Muda Abdul Aziz. The market price will be less if the land is located at the inferior area. According to the land transaction recorded at VPSFTKL in 2006, a lot of land located at Jalan Abdullah was transferred at RM294/square foot. Whilst, land located at Jalan Daud and Jalan Raja Alang were sold at RM210/square foot and RM179/square foot respectively. This example indicates significant differences between the asking prices of land by the landowners as compared to market value of the lands.

Interestingly, the only main reason that can be used to explain the big difference in prices are due the fact that MAS lands are with restrictions in interests as compared to the land outside MAS areas without it. This argument was put forward by landowner of lot 40:

“If land price at Jalan Sultan Ismail is around RM800/square foot, the land price in Kampong Baru therefore is RM500/square foot. It is the reasonable price” (Landowner of lot number 40, author’ translation).

This argument is an indication that landowners are actually aware about the negative effect of landownership restrictions in interests towards land prices. This awareness is also supported by the result of interviews on the factors that influenced the land prices. There are around 76 per cent samples that agree landownership restrictions in interests are significantly influence the land price. Why they asked quite a high price ?. Dato’ Rahim (2006) tried to explain that they may be don’t have information about the real demand in the market. He subsequently stated that due to the fact that only Malays can occupy the land, the demand is limited and is strongly relied upon the affordability of the Malays. For him the current market price had already indicated the affordability of the Malays and the reasonableness of the land prices. This is actually known as bounded rationality based on lack of information affecting landowners’ decision by institutionalists’ view point.

### **7.5.2 Land Ownership and Supply Constraint**

As mentioned in sub-section 6.4.1, landownership is the next issue which is suspected to hinder the supply of land for development (Kamarulzaman Mat Saleh, 2006). According to Adams *et al.* (1997) two main classifications of landownership that caused constraint namely (1) related to ownership such as unclear ownership, divided ownership and fragmented ownership; and (2) related to selling-eagerness such as willing and unwilling to sell. Mohd Fauzy Hasyim(2006) mentioned that the main characteristics of ownership in Kampong Baru which can commonly be found are multiple ownership and unknown owners.

In relation to multiple landownership, Guerin (2003) mentioned that multiple ownership discourages uses of the land because every owner has his own interest. In addition, Healey (1991) stressed on different strategies, perspectives and actions of landowners. When a question about why they didn't sell or develop the land, 19 samples stated that difficulties to get consensus from all landowners is the main factor. Land owners of lots 6, 11, 13, 14,15,16,19,22, 26,27,30,31,32,33,36,37 and 38 failed to develop the land because of no consensus among landowners. Landowners of lot 33 have tried to determine the future use of the land. Three options emerged during the meeting namely to sell the land and equally divided the money, to sell the land and buy new land outside Kampong Baru or to develop the land themselves. No decision has been made until now. In other case, there is no unanimous decision about land price among landowners which has hindered the landowners from selling the land (lots 24, 32 and 36). This phenomenon has been proven by Ellickson (1993) that it is more difficult for multiple owners due the fact that their behaviour are diverse.

Conversely, there is a good implication of multiple land ownership. For example in the case of lot 31, the landowners will sell off the land in order to avoid conflicts among the landowners. This means that multiple ownership may provide positive effects to the supply of land. Another example is shown by landowner of lot 48 who are with his brother had taken amalgamation of two lots 317 A and 317 B which subsequently had a planning approval to erect a 18 stories office and apartment building. In 2002 this proposal has been approved by KLCH, though until 2007 the construction is not yet started. The next example is multiple ownership of lot 45 whereby the landowners are sharing the capital to develop a restaurant without any money from a bank. This is in line with what Buitelaar (2002) stated that multiple ownership have superiorities in terms of being more efficient than single ownership in order to achieve economies of scale.

### **7.5.3 Financial Problems**

Financial problem was the next factor that respondents often mentioned when they were asked about the factor that hindered the development of the land. According to the interview, 15 samples indicated that the reason why they didn't

particularly develop the land was that they didn't have enough money (lots 1, 2, 4, 22, 23, 26, 27, 30, 32, 33, 35, 37, 38, 40 and 42). In this case, it seems that landowners positioned themselves as the developer since financial problem generally are encountered by developers who handle the physical works (Cadman and Topping, 1995). Regardless of the assumption they made about themselves, from the questionnaires about household income of the respondents, 69 per cent of the landowners have household income less than RM1500 per month. It is less than the average income of Malays household in Peninsular Malaysia in 1995 which has recorded RM1631 per month (Jali *et al.*, 2003). In other words, affordability of landowners to self-development of their lands is in fact quite low compared to the other ethnic groups of people in Malaysia.

Actually, financial problems can be solved by getting financial assistances from bank, pension funds and insurance companies (Cadman and Topping, 1995). However, when the respondents were asked about submitting proposal to obtain loans from banks, most of them (40 respondents) answered "never tried". A number of arguments they mentioned such as being old, will try, never thought of it, multiple owners as well as difficult to get loan from banks.

However, landowners of developed land mentioned that around 66 per cent of the respondents secured the financial support from banks for development purposes. This is why some landowners of undeveloped lands who intend to develop the land, are planning to borrow money from the bank (lots 34, 39, 40 and 41) to undertake development. Some landowners are no longer hesitate to use the bank as an alternative solution to get loans to develop the land. It is little bit different with the survey done by Ismail (1999) ten years ago where some of landowners hesitated to borrow money from the bank because of religious reasons, that is about interest. However, the Islamic banking system which was introduced in Malaysia in 1994 (Ministry of Finance Malaysia, 2003) and which no longer implements interest has greatly reduce the hesitation. Therefore, actually the financial problem can be solved as long as there is intention from landowner to make a change.



Another financial problem that still remains as the constraining factor is the low value determined to the land if landowners used the land in MAS areas for collateral purpose. Despite that low value, due to restrictions in interests, the land has to be developed for high value building. Moreover, only certain banks are allowed to offer loan to the MAS land with restrictions in interests. Unfortunately, in this research no information can be extracted from landowners who have experienced in borrowing the money from the bank. Only landowners of lot 51 who stated that it is difficult to borrow money from a bank by using land in the MAS areas for collateral purpose.

#### **7.5.4 Personal Attitudes**

The first personal attitude that influences landowners to sell or to develop the land is landowner's perspective about the value of land development in the MAS areas. Landowners of lots 7, 10 and 12 argued that development of Kampong Baru is the government's responsibility. This argument is also supported by answers that saying they don't want to sell the land, they don't want to develop the lands, they even strengthened their arguments by saying "I never thought about it" when a question about why they did nothing was posted to them. This attitude and the supporting argument has caused the landowners to be passive, who are reluctant to respond to any development initiatives. According to Adams (1994) passive landownership is landowners' behaviour that causes land supply constraint.

The second personal attitude is the experience they gained during the development of their lands. Landowners of lots number 34, 35 and 37 told that their parents have had bad experience regarding the land development within the MAS areas. A private company had promised them to develop the land and had used the grant for the purpose of preparing development plan. However after a couple of years there was no development materialized but the private company didn't return the grant to them. Even until now landowner of lot 34 do not know of the grant where about. This is the reason why landowner lot 34 was unable submit any development plan to local authority, because he did not have the grant.

The third personal attitude is the physical condition of the landowners or the land. As discussed in the previous sub-section, being old people is the reason that the landowner argued why he didn't intend to sell or develop the land. Landowner of lots 5, 11, 27 and 29 are among those landowners who mentioned that age is of the reasons why they don't want to sell or to develop the land. In fact they answered "never thought about it" when the reason why they did nothing was asked to them. In addition, landowner of lot 5 said that present condition of the MAS area is already satisfactory and he is pleased that all his children had the lands in Kuala Lumpur for their own family. This discussion indicates that being an old age landowner is a factor that constrains the supply of land for development.

## **7.6 Conclusion**

This chapter has discussed the landowners' attitudes toward land rights and land development process. Based on the way they managed their land rights, three group of landowners' attitudes can be identified namely intend to keep all of the rights, intend to keep part of the rights and intend to release the rights. Each group of landowners has specific reasons as the main consideration.

In term of landowners' attitudes toward land development, there are five groups of landowners that can be classified. First group is those who have tried to develop the land but failed. The second group is landowners who never tried to develop the land. The next group is those who intend to develop the land and finally those who don't want to develop the land. Each group has particular factors that either encourage or constrain the decision.

## **8.0 TRANSACTION COSTS WITHIN 'INSTITUTIONS' AFFECTING THE SUPPLY OF LANDS**

### **8.1 Introduction**

When actors control certain resources, there are two type of elements drive the manner in which actors make decisions, externally and internally. The former are determined by institutional environment surrounding the actors. Whilst, the latter is more related to the actors themselves which is influenced by cost and benefit consideration (Eggertsson, 1995). Institutions according to North (1996) provide incentive and restriction which affect human decision. Transaction costs which are associated with the internal element simultaneously with institutions affect human decision whatsoever.

This chapter, therefore, discusses the way institutions affect transaction costs which subsequently influences landowners' decision to participate in the supply of land for development. As such indirect approach was selected by assessing activities that embedded transaction costs. Therefore, there are three circumstances proposed about the possible sources of transaction cost namely related to the institutions, related to the existing property and contract rights and related to the transfer of existing property rights (Furubotn and Richter in Benhamm and Benhamm, 2001) This is used as the guidance to the discussion. In addition, there are three characteristics of transaction were proposed by Williamson in Petersen (1995) namely uncertainty, frequency and asset specificity were selected to identify the presence of transaction costs. In relation to land rights, two types of land rights are attached on land including fixed and legal rights as well as variable economic rights (Lai, 2001). In term of cost, the former usually incur the fixed cost, the latter is vary depending on the presence of land attributes.

### **8.2 Institutions, Transaction Costs and Land Transfer**

Transfer of lands is one of the initial steps in the land development activities (Cadman and Topping, 1995). Transfer of lands means not to transfer the physical land but the rights upon the lands (Alchian & Demsetz, 1973). During exchange

process, North (1996) says that measuring the valuable attributes of what is being exchanged, protecting rights, policing and enforcing agreements are among activities that may produce transaction costs. Cost here is not only related to the money but also in the form of time, opportunity and effort (Buitelaar, 2004b). According to North (1996) institutions reduce uncertainty and so reduce costs. However according to Furubotn and Richter in Benhamm and Benhamm (2001), related to institution there are transaction costs that include the costs of resources utilized for the creation, maintenance, use, change of institutions.

Basically there are two ways landowners may release the lands through voluntary exchange (market) and through involuntary exchange (compulsory purchase) (Eggertsson, 1995). The next sub chapters, therefore, discuss in detail institutions and land attributes that produce transaction costs which subsequently influenced the landowners decision to release the lands either through market or through compulsory purchase.

### **8.2.1 Transferring Land in the Market**

As mentioned in Sub-section 8.1, when actors performed land transaction a fixed cost should be spent as a consequence of transferring fixed and legal rights. Including fixed costs are legal fee and legal tax. For respondents who have experience in buying the land (Rah Properties Sdn Bhd, Naza Properties Sdn Bhd and Pembangunan MAS Melayu Sdn Bhd), these type of cost have been considered before land transaction. In other words, market have internalized externality so that transaction cost is already attenuated (Guerin, 2003). Another cost which can be known before transaction is lawyer's fee. Onn (2006) mentioned that in average he has to pay around 1 per cent for lawyer's fee.

#### **8.2.1.1 Transaction Costs and Intention to Transfer the Land**

The first legal attributes attached to Kampong Baru settlement was the Malay Agriculture Settlement (MAS) Act in 1897 that established this area as indigenous land for Malays as the indigenous ethnic group Peninsular. This establishment has

provided a protection to Malays to occupy a settlement in Kuala Lumpur city. In other words, the government has provided exclusive rights to the Malays. These exclusive rights became a form of dignity and pride for Malays in the multi ethnic society.

Discussing redevelopment of Kampong Baru, Syamsuri (2006) argued that development of lands in Kampong Baru is not only as a matter of economic factor but also as dignity factor for Malays. This is in accordance with what Dato' Rahim (2006) mentioned "Kampong Baru as a Malay settlement should be preserved since it is related to the Malays' dignity". Syed Ali Alatas, the president of The Malaysian Malay Chamber of Commerce, mentioned "Land in Kampong Baru symbolizes the culture, dignity and soul of the urban Malay community inherited over hundreds of years" (Bernama, 2007). This relationship has also affected the decision of landowners to release the lands.

From landowner's point of view, releasing their lands is considered as loosing their pride and dignity. Landowner of lot number 25 who doesn't want to sell the land stated:

".. how pity it is, since this is an inheritance land passed on from one generation to the next generation. Hard to be understood if I have to sell the land" (Landowner of lot number 25, 2006; author' translation)

This expression indicates a guilty feeling if she has to release the land. Syamsuri (2006) mentioned that to a certain extent landowners who have sold the land and commonly stayed out of Kampong Baru felt guilty to their neighbors because of their inability to secure the rights.

Another argument related to the value of inheritance land is argued by land owner of lot number 45 who doesn't want to sell the land and also who rejects compulsory purchase:

"No matter how big the compensation given, it can't substitute the value bequeathed for Malays in Kampong Baru. Money received from compensation will run out immediately" (Landowner of lot number 45, 2006, author' translation).

This argument indicates that the main reason why they don't want to release the land is not as a matter of economic consideration. This is because they don't want to lose their dignity.

The next attribute of the establishment of Kampong Baru, which is located in central business district of Kuala Lumpur, is the facilities received by the residents of Kampong Baru. The development of facilities near Kampong Baru wasn't followed by the developments of Kampong Baru area. It is due to prior to 1980 the focus of local government wasn't to develop the lands in Kampong Baru, but to secure the land from land transfer (Syamsudin Abdul Kadir, 2006). This better condition has provided amenity, privilege to landowners and people who stayed in Kampong Baru and subsequently affects the decision to release the rights. In other words, releasing the rights means losing the opportunity to get the amenities and privileges.

Among the respondents, landowners of lots number 7, 32, 33 strictly argued that the current condition is already convenient, so that they don't intend to release the lands. More detailed explanation was given by Syamsul (2006) who said that he and his family will still stay in Kampong Baru:

“... people don't want to move from Kampong Baru because there is a train station here, we have Pasar Minggu, short distance to monorail, buses and taxis pass to the main road, a short distance to the bank, office close around here, it is quite convenient” (Syamsul, 2006)

Social attribute is also the next reason given by Syamsul (2006) why he doesn't move out from Kampong Baru

“Lets say a lot with the price is RM 100 per square foot and we have 8000 square feet, so we have RM 800000. Of course for RM 800000 you can buy a good land out there somewhere, for the same value. It may be 25-30 km a way there. Or you can buy a good bungalow. But I will not. Because I live here, all my friends are here, all the things are now here. There is no reason why I should move out from Kampong Baru”.

This argument indicates that social attributes that they currently enjoy is also a factor that hinder the intention to transfer the land. They hesitate to release their land, because they don't want to lose the social privileges.

In relation to the preference of the current resident of Kampong Baru if redevelopment is successfully undertaken, eighty per cent of the landowners still intend to stay in Kampong Baru. The reason is that this area is located in the central business district of Kuala Lumpur so that access to public facilities is easy. In addition, landowners of lots 21,22,24,26,34,39 and 40 still prefer to stay in Kampong Baru because of strategic location particularly to do business.

This argument strengthens the reason that economic consideration is not the only matter that hinders landowners to transfer the lands. Landowners don't intend to release the land because for them the opportunity cost that they have to pay is quite valuable such as opportunities to have dignity and opportunity to have amenities.

The third land attribute is land rights factor particularly multiple ownership. In 1964 the government of Selangor State made a decision to provide rights to the Malays resident by registering their lots and giving them grants as evidence of a legal ownership (Sulaiman, 2000). Since then residents in Kampong Baru gradually registered their land so that now around 90 per cent of lots in Kampong Baru already have grants (Abdul Rahman, 2007). However, the number of landowners name attached on the grant are generally more than one which is called multiple ownership. According to the author survey, among 47 individual landowners, 37 lots or 79 per cent are owned by multiple ownership. In fact at a certain lot the number of owner reaches more than 100 names (Norlizah Abas, 2006).

In general, the planning and development rules require collective agreement of every multiple landowner prior to land transfer (Section 217 Part Fourteen the National Land Code 1965), subdivision, partition and amalgamation (Sections 146 to 150 Chapter Three, Part Nine of the National Land Code 1965). Therefore effort should be taken particularly to get collective agreement from the owners before land development and land transaction.

Interviews with landowners of undeveloped lots on why so far no real actions have been undertaken, nineteen landowners mentioned that the difficulties to make a collective agreement from landowners is the main reason why they did

nothing. Landowner of lot 36 elaborated that they have tried to develop their land. On many occasions all 8 landowners had meeting to discuss the future of the land. From these meetings, various proposals emerged such as to develop an apartment, to sell the land then distribute to every landowner and to sell the land and buy new lots outside Kampong Baru. Until now, a collective agreement hasn't yet been decided. This problems is in accordance with what Ellickson (1993) argued that consensus between just a few individual is easier than between a whole group, it is due to every owner with different behaviour has to be involved.

Difficulties with multiple ownership have also caused Syamsul's family to sell off their land. It is due to family kinship owned by other owners, who allowed other families to stay at their share, provided additional effort to manage the land as a unity. Such condition has been stated by Ellickson (1993) that land owned by an individual is relatively low-transaction-cost in term of internalizing externalities. This is because it is the easier to monitor the boundaries, easier to self-control than a group-owned or multi-person.

When a question about factors that affect the value of land, 52 per cent of landowners answered that multiple ownership very significantly influence the value of the land, 26 percent considered that it was significant and the rest mentioned that it wasn't significant. This data show that multiple ownerships is among factors that affects the value of the land. From this discussion, therefore, multiple ownerships is a factor that produces transaction cost particularly the time needed to get collective agreement and the opportunity to get better land value.

Therefore Table 8.1 summarizes the institutions, activities that produce transaction costs as well as type of costs.

**Table 8.1:** Institutions, activities, type of costs that affect landowners to release the land.

<b>Institutions</b>	<b>Activities that produce transaction cost</b>	<b>Type of cost (lot number)</b>
Restrictions in interests	- Decision to release land	- lose opportunity to have dignity and amenities (7,12,18,25)
Multiple ownership	- To bring into market and development	- effort and time to get agreement among owners



		(11,36)
	- To make transaction	- lose opportunity to get buyer and better value. (78 per cent of landowners)

### 8.2.1.2 Transaction Costs and the Process of Land Transfer

In the case of landowners already having the intention to release the land, there are still factors that will affect the process to transfer the land. The first step is to find the best buyer. To accomplish this activity, landownership restriction is well recognized as the significant factor that provides limited land market (Ismail, 1999). Restrictions in interests have positive and negative effects for the landowners in relation with land supply for development. It has provided dilemmatic situation. Restriction of ownership has attenuated the opportunities for landowners who intend to sell the land to get the best potential buyers since the only possible buyers are Malays.

It means that the demand price really relies on the affordability of Malays. According to the data of household income (Government of Malaysia, 2001), Malays' household income is lower than the household income of ethnic Chinese and Indian's (See discussion in Sub-section 5.2.1). In other words, the affordability of Malays to provide better demand price is still low compared to non-Malays. In this case, maintaining the restriction of landownership, the landowners will pay cost in the form of losing opportunity to get better land price. From the transaction costs point of view, the landownership restriction has brought about to asset specificity characteristic. In this case sellers only have particular buyers. It is commonly called dedicated assets (Petersen, 1995).

To see the potential buyer, the list of transaction from Valuation and Property Services Department is quite useful since the land market in Kampong Baru commonly are informal markets. During the period 1996-2006, only certain buyers were actively participating in the market. It was recorded that among 43 transactions, only 26 buyers were actively participating in the land transactions.

Three corporate owners bought more than one lot during 1996-2006 such as Naza Properties Sdn Bhd, Rah Properties Sdn Bhd who bought 6 and 5 lots respectively, and two individual owners who bought more than one lot (See discussion in Sub-section 6.3.2). The second case is the difficulty to get buyer as the case of landowner of lot 31. Land owner of lot 31 intended to sell the land through a land broker, however after a couple of months the land was still unsold. The third case is the seller should be active in order to get the possible buyer. It was often that landowners had to approach an active buyer such as Rah Properties Sdn Bhd and Naza Properties Sdn Bhd either to buy or to jointly develop their lands (Onn, 2006; Hamisah, 2005). These examples mentioned above show that landownership restriction bring about the condition that the seller have to spend additional cost in term of efforts to get the best buyers due to limited land market in Kampong Baru area.

After the seller has successfully found the buyer who intended to buy the land, the next step is to negotiate and to transact the land. To start the gathering of negotiation information about the attributes of the land and other party involved is very important. The lack of information causes additional transaction cost that should be considered in order to get the best negotiation status (North, 1996).

As mentioned, only few buyers actively participated in land market so that sellers or landowners in Kampong Baru at least have knowledge about the buyers. Reversely, buyers who intend to buy the land commonly already recognized about the ownership problems since Kampong Baru case has become a famous issue in the urban-land development. This is the reason why Dato' Rahim, Enc Onn and Syamsul mentioned that there wasn't any problems during land transaction in Kampong Baru. It is due to the multiple ownerships as external factor commonly has been considered (internalized) by the buyer in the transaction by asking the seller to overcome the cost of multiple landownership prior to the negotiation (Onn, 2006). In addition, from transaction costs point of view, higher frequency of buying land in Kampong Baru owned by active buyers has improved the knowledge and reduced the transaction costs.

In addition, the availability of road network inside this area causes information about particularly the physical attributes is no longer difficult to be

accessed. Syamsul son of landowner of lots located at Jalan Raja Muda Musa 444 mentioned that it needed around 6 months to finish land transaction. It is due to the buyer is also the resident of Kampong Baru who has known well the physical attributes of the land.

Based on the discussion above, it seems that several sources of activities that may produce transaction costs such as time to collect information about land attributes and buyer, time to negotiate the price, resource needed to perform transaction and also resources needed to secure transaction didn't appear in the land transaction in Kampong Baru. It is due to limited buyers who actively participated in the market and the restriction of land in Kampong Baru is already well known by the buyers.

In the case that landownership restriction is considered unsatisfactory to the current condition, the institutional change can be taken into account. By changing the contents of landownership restriction, the opportunity of the Malays to occupy the rights on the land will be attenuated. At a certain extent, the Malays have to lose their dignity because they have to release Kampong Baru to the non-Malay. In the long run, the identity of Malays in the urban area is no longer available. In addition, for the current government which has the power to change the restriction, changing this institution provides various effects which could be costly, it isn't only as a matter of economic reason but also as a political reason due to its relation to the survival of the Malays in the urban areas (Nik A Majid, 1993; Massa, 2003).

When a question about the future of MAS area was asked to the respondents, for the undeveloped lots, 26 landowners or around 60 per cent don't agree on removing MAS status for Kampong Baru. The main reason is that Kampong Baru as the Malays inhabitant in the urban area and as the inheritance lands should be maintained. Only landowners of lots number 22, 24 and 42 who agreed that the restriction of interest should be removed, so that it will omit the limited demand that finally increase the land value. For the landowners of developed land, 100 percent don't agree to the removal of the MAS status from Kampong Baru area. Their common reason is that Kampong Baru symbolizes the dignity of urban Malay.

Table 8.2 summarizes the institutions, the activities that produce transaction and also the type of cost that may happen.

**Table 8.2:** Institutions, activities and type of cost which affects land transaction

<b>Institutions</b>	<b>Activities that produce transaction cost</b>	<b>Type of cost (Lot number)</b>
Restrictions in interests	- To obtain buyers	- opportunity to get the best buyers (assets specificity). (22,24,31,42)
	- To change institution	- opportunity to have dignity (60 per cent of landowners) - political cost (for government)

### 8.2.2 Land Rights Transfer Through Compulsory Purchase

Compulsory purchase is an approach to acquire lands by not using market mechanism. This approach is selected whenever market mechanism can't handle external factors such as landowners' attitude so that transfer of rights is hard to be performed. It is also used as initial steps to overcome small land size which isn't economic for development by amalgamation process. In term of type of right's transfer, it is considered as hierarchy approach, where one party gives part of the autonomy to the other party.

However, the implementation of compulsory purchase to overcome land supply problem commonly encounters some problems such as the lengthy and cumbersome procedure with no certain outcome; from political point of view it isn't a legitimate intervention to the land market; finally it is very expensive business (Adams, 1994; Singh, 1994). Under Section 4 of the Act to prevent land speculation, all land transactions in the area are "frozen" for a maximum of 1 year. It creates uncertainty for landowners such as whether their land is to be acquired. Amendment besides provides government the rights to alienate land and subsequently translates into physical project for the benefit of the population, it also gives the government very wide power to acquire land for developments not necessarily for a "public

purpose". In a certain extent it may encourage a land policy decision maker to be an opportunist by using a legal mechanism to acquire lands for personal benefits (Singh, 1994).

During the acquisition process, the key factor which often hampers the whole processes is determination of the compensation. Redevelopment project proposed by the government in 1991 to improve the quality of Kampong Baru failed to be implemented because of land value disputes (Ismail, 1999). At that time landowners asked quite a high price that can't be afforded by either the government or the private company which intended to participate in the development process. The government offered a compensation of around RM175-RM200 per square foot to the affected owners. However, according to the survey undertaken by National University of Malaysia, fifty seven per cent of the landowners expected the compensation higher than RM 200. Only 29 per cent expected compensation less than RM200 (Ismail, 1999).

Another example is the amount of compensation given to the landowner recorded from the author's empirical study. In 1996 the amount of compensation for private company purpose was RM240 per square foot. In 2002 lot 398 located at Jalan Khotib Khoyan was compensated RM250 per square foot for public purpose. Six years elapse the compensation was only increased RM10 or increased 4.1 percent or 0.7 percent each year. While in the market during the same interval years, lot in Jalan Abdullah Kampong Baru was increased around 52 percent or 8.4 percent each year (Valuation and Property Services Department Federal Territory of Kuala Lumpur, 2006).

Just to give an illustration about land market price, in 1996 a lot located at Jalan Sungai Besi 557 A was acquired by government for Light Rail Transit at RM 240 per square foot. At the same year a lot at Jalan Abdullah was sold at RM175 per square foot and a residential lot at Jalan Yap Kwan Seng, non Malays reserved, was sold at RM353 per square foot. Next, in 2002 lot at Jalan Khatib Khoyan was acquired by government for public purpose at RM250 per square foot, whereas in 2003 lot at Jalan Abdullah 23 was transferred at RM200 per square foot. In addition, RM 250 was the price of land per square foot which is located at Jalan Kemuning (VPSDFTKL, 1996-2005). These examples illustrate that the

compensation that the government paid is actually already higher than the market price of the same land status, but lower than the market price of land without ownership restriction.

The examples given above illustrate that no standard valuation system have been used to determine compensation. An uncertain situation is faced by either the landowners or the government. Usilappan (2006) mentions that unfortunately the term market value is not defined under the Act. Therefore, disputes often emerged between government and landowner when determining the compensation. To solve the dispute, the parties bring this case to the court and judge with the help of two assessors will make a decision.

A case happened in Kampong Baru during land acquisition held by government for Light Rail Transit (LRT) in 1996. Wapingi family as the owner of lot 557 A located at Jalan Sungai Besi wasn't satisfied with the compensation. Their land was only compensated by RM200 per square foot, while the land with the typical characteristic was valued RM250. Therefore they brought the case to the court. Finally the judge decided that additional RM40 per square foot should be given to the Wapingi family. It means that uncertainties which derived from unstandardized valuation system have provided additional cost in term of time to negotiate the final compensation (Wapingi case). The summary of the discussion above is presented in Table 8.3.

**Table 8.3:** Institutions, activities and type of cost which affects land acquisition

<b>Institutions</b>	<b>Activities that produce transaction cost</b>	<b>Type of cost Lot number</b>
Compensation in practice	- To achieve acceptable compensation	- time and effort to get acceptable compensation (uncertainty) (557 A)

### **8.3 Institutions, Transaction Costs and the Development Planning**

The landowners' perception about development is shown by the argument that development responsibility is owned by the government. Landowners of lots 1, 3, 4, 6, 7, 19, 10, 11, 12, 14, 20, 23, 25 are those who agreed with this argument. Though, only landowners of lots 3, 7, 10, 11, 12 who supported this argument by deciding not to do anything and, in fact, intend not to develop the land. This perception can be understood by tracing back the history of the establishment of MAS area and how this land has been developed. The role of government since the establishment of this area and the development process is quite dominant (Sulaiman, 2000), therefore they believe that the future of Kampong Baru is also in the government's hand. This perception will hinder the landowners' intention to develop their lands. This phenomenon is called bounded rationality, in which the decision they made based on the information and knowledge they have.

The second factor that may hinder the intention to develop the land is multiple ownership. As mentioned at Sub-section 7.2, landowner of lot number 36 did nothing because no consensus can be made among landowners although meetings were held many times. In addition, a similar case happened to lots number 24 and 30, although they still intend to develop the land, they are still doubtful about the possibility to develop their lands. In fact, landowner of lot number 30 intended to release the land. Both landowners have bad experience because they have tried to develop the land but dispute among landowners caused the development process to fail.

Uncertainty is a condition that produces transaction cost and subsequently affects the landowner decision (North, 1996). The first case that may belong to this characteristic which can be identified is uncertain situation about the availability of grant because of unexpected experience in the past. Landowner of lot 35 mentioned that he wanted to develop the land but he can do nothing since the grant is not in his possession. He realized that he and his family have the ability to develop a rental house since his sons are already employed well. In this case uncertainty situation has brought a deadlock condition so that the development is difficult to be materialized.

In preparing the planning proposal, the physical attributes of the land become the main factors such as the infrastructure and the land size. As previously mentioned, the lot size in Kampong Baru is 90 per cent less than 808.3 square meters (Ismail, 1999). To achieve economic land size for development, amalgamation of more than one contiguous small lots have to be taken. To amalgamate two or more lots isn't an easy work due to landownership difficulties, including different landowners' attitude such as refusal to participate or to preserve their inheritance.

Syamsul (2006) mentioned that his family in 1990 wanted to develop the land and asked his neighbor to have joint venture in the development. A consultation to an architect was done in order to have preliminary design of the development. Most of owners of adjacent land agreed, but one owner rejected to participate in the development. As a result the intention to develop the land failed because of the difficulties to get consensus from all landowners. He further more stated that:

“It isn't enough to just make a plan. You have to do extra work to materialize the plan” (Syamsul, 2006).

A corporate owner, who have bought a number of lots in Kampong Baru but distributed at several sites mentioned about the additional cost that he has to pay:

“Holding cost. Due to nature of land-small and narrow, you have to buy a few lots around before the land can be properly developed. Must wait for surrounding owners to sell” (Corporate landowner of lot 51, 2006).

This statement indicates that because of the size of land, to bring the land into the development process becomes more difficult. In addition time and effort are needed in order to get agreement from owners of adjacent land to release the land. The problem will be more difficult if the adjacent land is also attached by multiple ownership case such as what Syamsul family has encountered. Since it has nothing to do with the land and at least land tax should be paid every year, an additional cost called holding cost will emerge.



Besides the physical attribute discussed above, landownership restriction also produced asset specificity characteristic, in more specific term it is called dedicated assets. The product of land development can only be occupied by particular buyers, Malays. Therefore, the affordability of those certain buyer absolutely influences the investment that the owners will put in the development process such as what landowner of lot 51 mentioned:

“If too high a value (of the land), development cost is high. Selling price (will be) higher. So middle income Malays can’t afford. Defeat the original intention –to allow Malay retain their ownership of Kampong Baru” (Corporate landowner of lot 51, 2006; in the bracket is added by author)

This argument is also supported by Dato’ Rahim, the owner of Plaza Rah, who explained that limited market of developed property and the high price of the land in Kampong Baru dictated the owner/developer to develop building such that the Malays can achieve, for example high rise building. In addition, he also proposes a solution to the government to relax the restriction by giving temporary right to non-Malays, so that dedicated assets will be a little bit loose.

In order to get approval from local the government, landowners or developers have to consider various regulations as mentioned in Chapter 5. When a question about planning regulation was asked to landowners of developed lands, all of them mentioned that there were no difficulties during the processes. However, corporate owner of lot 51 said that for small lot 20 inch set back is not feasible.

From the previous discussion about institution and transaction cost, the following table summarizes the variables that cause transaction cost and the type of cost.

**Table 8.4:** Institutions, activities, type of cost in the planning of development

<b>Institutions/ Land attributes</b>	<b>Activities that may produce transaction cost</b>	<b>Type of cost (Lot number or case)</b>
Ownership	- to prepare planning proposal	- time and effort to get consensus (24,27,28,30,31,32, Syamsul case) - uncertainty (grant not in hand) (34,35,37)
Physical attribute	- to prepare planning proposal	- time and effort to get economic land size (51, Syamsul case)
		- time and effort to amalgamate lands (51, Syamsul case)
Planning regulation	- to prepare planning proposal	- opportunities to maximize the use of the whole surface of land. (51)

#### **8.4 Landowners' Attitude and Transaction Costs Approach in the Land Supply in MAS areas- a Resume**

Chapter Seven has discussed the landowners' attitude towards the supply of land for development. In sub-sections 8.2 and 8.2 a further discussion about the landowners' attitude from the view of transaction costs analysis has also been elaborated. This sub-section is a resume of the landowners' attitude which influences landowners' decision in managing their lands and also the activities, the institutions and the land attributes that embedding or causing transaction costs.

As discussed in Chapter Seven, there are landowner's attitudes that have been identified as the elements that drove the ways landowners manage their land and the ways they respond to the future development of MAs area. Among others landowners' attitudes are intend to sell, not intend to sell, intend to develop as well as not intend to develop. Table 8.5 shows the combination of these attitudes and the current condition of the lands namely undeveloped land and developed land (or in the development process).

**Table 8.5:** Landowners' attitude and the current condition of the land

No	Attitudes	Final/current condition	Lots number
1	Not intend to sell Not intend to develop	undeveloped	4, 5, 7, 8, 10, 11, 12, 18, 25, 29
2	Intend to sell (Has not been sold) Not intend to develop	undeveloped	3, 21, 24
3	Intend to sell (Has not been sold) Intend to develop	undeveloped	1, 14, 31,35,39, 40, 41, 42
4	Not intend to sell Intend to develop (Has not proposed proposal)	undeveloped	2, 9, 13, 15, 16, 17, 19, 20, 22, 23, 25, 26, 27, 28, 30, 31, 32, 33, 35, 36, 37, 38, 41, 51, 6, 34,39
5	Not intend to sell Intend to develop (Has obtained approval and/or have developed)	developed	43, 44, 45, 46,47, 48, 49, 50
6	Intend to sell (Has been sold)	Sold	52

As shown in Table 8.5, combination of 4 attitudes and the current condition of the lands provided 6 possible decisions that landowners have selected. In the table, there are 8 landowners who have 2 basic intentions, which actually little bit contradictive, namely intention to sell and intention to develop. Once the landowner intends to release the lands, they don't want to put any investment on it. Figure 8.1 illustrates these 6 decisions in the flow chart form. To illustrates the connection between intention to develop and sold, a dash line is used, particularly to indicate an ambiguous decision.

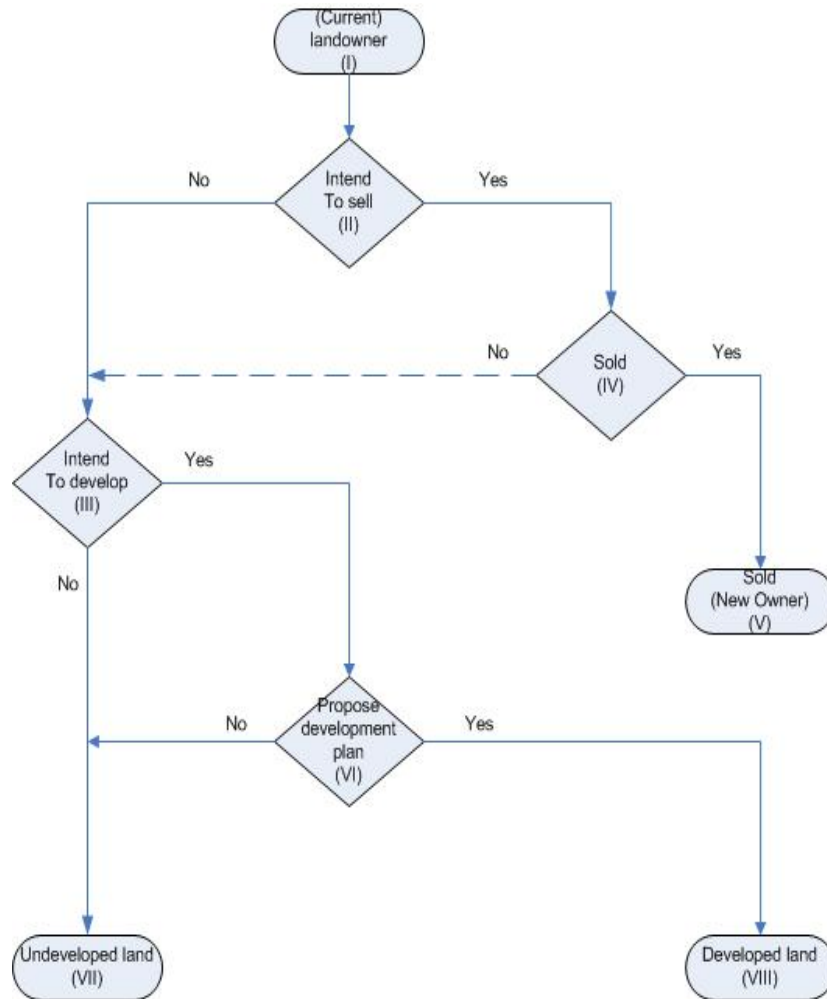


Figure 8.1 Spectrums of the landowners decision to manage the lands

In relation to the transaction costs, as discussed in sub-section 8.2 and 8.3, there are various type of transaction costs that emerge during the processes to supply the lands for development purpose such as opportunity costs (to enjoy dignity, to enjoy amenity, to obtain good buyer, to achieve better land value, to maximize the use of the land), time (to have consensus among landowners, to achieve acceptable amount of compensation, to amalgamate lands, to achieve economic land size), effort (to have consensus among landowners, to achieve acceptable amount of compensation, to amalgamate lands, to achieve economic land size). For the government, the most related cost is political cost particularly when the government

changes the current status of MAS area. Based on Table 8.5, Table 8.6 shows the relation of the landowners' decision, the landowners' attitudes, the type of transaction cost and the sources of costs that affect landowners' decision

**Table 8.6:** The relation of decision, landowners' attitude, sources of costs, type of cost and land owners

Decision	Landowners' attitude	Sources of costs	Type of cost	Land owners
1	Not intend to sell Not intend to develop	-restriction in interest -multiple ownership -bounded rationality	-opportunity cost -effort -time	4, 5, 7, 8, 10, 11, 12, 18, 25, 29
2	Intend to sell (Has not been sold) Not intend to develop	-multiple ownership -physical characteristic -bounded rationality	-effort -time	3, 21, 24
3	Intend to sell (Has not been sold) Intend to develop	-restriction in interest -multiple ownership	-opportunity cost -effort -time	1, 14, 31,35,39, 40, 41, 42
4	Not intend to sell Intend to develop (Has not proposed proposal)	- restriction in interests - multiple ownership -physical characteristics - uncertainty - asset specificity - bounded rationality -planning regulation	-opportunity cost -effort -time	2, 6,9, 13, 15, 16, 17, 19, 20, 22, 23, 25, 26, 27, 28, 30, 31, 32, 33, 34,35, 36, 37, 38, 41, 51, 39
5	Not intend to sell Intend to develop (Has obtained approval and/or have developed)	-restriction in interests	-opportunity cost	43, 44, 45, 46,47, 48, 49, 50
6	Intend to sell (Has been sold)			52

From Table 8.5 and 8.6, it can be recognized that in the supply of lands for development, there are 4 unit of transactions namely achieving a unity intention to sell, achieving a unity intention to develop, transferring the rights and obtaining approval for development. By adding the actors involved, the activities in the transaction as well as the manner landowners may supply land for development, the transaction costs approach in the supply of land is shown in Table 8.7:

**Table 8.7:** Transaction costs in the supply of land for redevelopment of MAS areas

Stage	Seller	Buyer	Activity	Transaction
<b>A. Supply land through land transfer</b>				
(1) Intention maturation	Individual owner	Owners as a unity	To have consensus of interest	Initiation
(2) Land transfer	Previous landowner	New landowner	To make a contract; negotiation	Transfer ownership
<b>B. Supply land through planning proposal</b>				
(1) Intention maturation	Individual owner	Owners as a unity	To have consensus of interest	Initiation
(2) Planning approval	Landowner / developer	Local authority	To make planning proposal and to get approval from local authority	Procurement

Intention maturation means to assure that the intention to sell or to develop is the result of comprehensive consideration to the existing internal and external factors. In other words, the intention to sell and to develop the lands is influenced by the existing institutions such as restrictions in interests and land development regulation and also the cost benefit consideration for example countable values and uncountable values. Initiation as the transaction in the intention maturation stage (see Table 8.7) consists of any (initial) steps to ignite and to mature the intention to either sell or develop the land. For example, landowners don't intend to release the land because they don't want to lose the opportunity to enjoy amenity and dignity currently they obtain (landowners lots 7,12,18 and 25). Landowners don't want to sell their land since they don't want to spend the cost in the form of time and effort to achieve consensus among them (landowner lots 11, 36). In the intention maturity stage, individual landowner who has personal interest is the seller, whilst corporate landowner is considered as a buyer.

In the supply of land through land transfer, previous owner is the seller and the new owner is the buyer. Activities involved in this stage are including to get information on the land price and buyers, to negotiate as well as to make a contract. Ownership is the object to be transferred. From the empirical study, landowner of lot 31 failed to transfer the land because restrictions in interests have produced asset specificity so that only limited buyer can be found.

Procurement is the transaction in the supply of land through planning proposal. Procurement means the seller expect something, for example approval, from buyer by obeying any requirements established by the buyer. In this case, the seller is the developer or landowner, the buyer is the local authority. Any cost spent to fulfill requirements and to get approval is considered transaction costs. For example corporate landowner lot 51 until now have not proposed the planning proposal since the size of the land don't fulfill the economic size for development. Syamsul' family failed to apply planning approval since the requirement to get approval from all the landowners can not be realized.

## **8.5 Conclusion**

To measure transaction costs various approaches were used such as indirect approach; three possible sources of transaction cost proposed by Furubotn and Richter in Benham and Benham (2001); three characteristics of transaction proposed by Williamson in Petersen (1995) as well as two types of rights attached on land identified by Lai (2001).

From land attributes point of view, there are a number of attribute that have caused transaction costs. In the transfer of rights, the establishment of Kampong Baru as indigenous land and also restrictions in interests have provided dignity and amenities for Malays, specifically landowners, and hindered landowners to release the land. It is due to transferring the rights, at the same time loosing the opportunity to enjoy dignity and amenities. In addition, ownership restriction has caused assets specificity since only certain buyers can buy the lands, so that sellers lost opportunities to get the best buyer and the best price. A multiple ownership also produced transaction cost particularly time and efforts to get landowners' consensus. Uncertainty about valuation system was also identified as the source of transaction cost particularly in the process of obtaining acceptable compensation.

In the land development process, ownership restriction was identified as the source of assets specificity particularly any developed property located in Kampong Baru area. This characteristic influenced landowners or developers decision to put investment in the development of MAS lands. While during preparing planning

proposal, physical attributes of the lands particularly lots' size dictated to the various costs such as time and effort to amalgamate the lands and to achieve economic size of the land.

By using Cadman and Topping (1995) approach where two activities are considered as the manners land supply may enter the development process, there have been identified six decisions the way landowners manage the lands. In addition, there are 4 unit of transactions namely achieving a unity intention to sell, achieving a unity intention to develop, transferring the rights and obtaining approval for development have been identified. Based on these 4 unit transactions subsequently a transaction costs approach in the supply of land in the MAS areas has been developed.

Institutions, land attributes, transaction costs and land development create a circular linkage. The existing institutions and the existing attributes of the lands will affect the amount of transaction costs. By measuring the transaction costs, actors make decision such as to sell or to develop the lands. At a certain extent, actors may change the institutions if these institutions are no longer capable either to accommodate their interests or to solve their problems efficiently. Positive decisions will stimulate development, so that development can be materialized. The output of the development then changes the current attributes of the land.



## 9.0 THE FUTURE DIRECTION IN THE REDEVELOPMENT OF KAMPONG BARU, KUALA LUMPUR

### 9.1 Introduction

This chapter discusses the future direction in the redevelopment of Kampong Baru based on the identified problems related to the institutions and also proposed suggestion by interviewees. The solution is divided into some parts namely related to the suggestions from respondents, predevelopment considerations, strategies to achieve the objectives and proposed redevelopment plan.

### 9.2 The Respondents Suggestions to Redevelop Kampong Baru

In terms of redevelopment program for Kampong Baru, Kuala Lumpur, basically 90 percent of respondents agreed. Table 9.1 lists the suggestions proposed by respondents in the redevelopment project which are classified based on the predevelopment considerations, organization, actors involved as well as target output of the redevelopment.

Table 9.1: List of suggestions from respondents

Topic	Suggestions	Landowners number/Agent' name
<b>Predevelopment considerations</b>		
a. The objectives	Preserve Malays characteristic	2,9,15,16,17,18,19,22, 23,24,25,27,28,30,35, 37,38,39,42, 43,44,45,49, 52,53,54
	For the community benefit	21,24,30,36
b. Institutions	To relax restriction	49
	Review the land status	Azmir
	Amend act	Kamarulzaman
	Comprehensive planning	21,24,30,36
<b>Organization</b>		
	Established a powerful body	52

	Review the role of MAS board	Azmir, Fauzy, Dato' Rahim
<b>Actors</b>		
a. Type of actors	Resident involved	43,49
	Government involved	43,51,49,48,45
	Private companies involved	51
b. Strategies	Government initiate developments	1,3,4,6,7,9,10,11,12,14,20,23,25
	Government selects good private companies to redevelop	51
	Lets Malays redevelop MAS area gradually	Dato' Rahim
	Group land owners initiate redevelopment	Fauzy
	Comprehensive involvement of the government and landowners	Azmir, Syamsudin
	Educate people	Azmir, Kamarulzaman
	Encourage wealth Malays/private companies own by Malays	Dato' Rahim
<b>Target output</b>		
	Mix land use (tourism, residence, office)	7,9,39,35,36,33,12,38, 51,47,45, Syamsuri
	Malays settlement in the city	Syamsuri

Based on the summaries mentioned above and also the suggestions from the respondents in the redevelopment project, the next sub-sections discuss steps should be taken namely predevelopment considerations, strategies to achieve the objectives and proposed redevelopment plan.

### 9.3 Predevelopment Considerations

Some aspects that should be considered before establishing the project is to determine the main objectives of the project. In addition, some problems that will hinder the project particularly the land supply constraint must be anticipated. Therefore discussion will be addressed to the possible objectives derived from respondents' suggestion. Whilst, the discussion about factors that hindered the

supply will be focused on the institutions and land attributes based on the research findings.

### **9.3.1 The Objectives of Redevelopment**

Various objectives of redevelopment of Kampong Baru can be extracted from the interview such as for the benefit of all society particularly Malays in urban area (lots number 33,36,37,39), as an example of Malay community in the urban area (Syamsuri) as well as to preserve inheritance lands (lots number 43,44,45,49,52,53,54). Above all, the main objective is to improve the quality of life among the Malays through providing rights to access resources in the urban area.

The objective contains some implications in the implementation stages namely still provide rights to occupy the lands for Malays (lots number 2,9,15-19, 22 -25,27,28,30,35, 37-39, 42 to 45, 49; Syamsuri). Malay community, particularly landowners, should be actively involved in the development process (lots number 18,39,42; Azmir; Syamsudin; Fauzi). In term of physical output, mixed land use design is among suggestion proposed by agent and landowners to accommodate various interests (lots number 7,9,12,33,35,36,38,39,51,45,47; Syamsuri). Besides as the residence for Malays, commercial facilities such as offices and rental house building is also developed in this area.

### **9.3.2 Strategies to Resolve Institutional Constraints and Land Attributes**

There are two types of institutions that constrain the supply of land for the development of formal institutions and informal institutions. The following sub chapters discuss the need to review formal institutions, to deal informal institutions as well as to deal with land attributes.

#### **9.3.2.1 Formal Institutions**

From the discussion in Chapter Seven and Eight, two formal institutions that affected actors' decision to supply land for development were establishment of Kampong Baru as indigenous lands for Malays and valuation in practice. The first formal institution produced Malays' sentiment to the lands and also the ownership restriction. The second institution caused the refusal of landowners to release the lands, or if this system was implemented a big cost has to be spent in terms of time and effort.

The need to redevelop Kampong Baru is based on the intention to maintain and improve the urban Malays settlement in urban area. The issue is related to ownership restriction in that the land can't be occupied by non-Malays. From property rights point of view, restriction attenuates landowners' right to sell (delineate) the land to any buyers. From land market point of view, this restriction limits the market. Incomplete rights and limited market will reduce the value of the land. Also, it will be less attractive for land developers and financiers for development purposes. So that the purpose of the amendment is to attract more land developers and investors to undertake development of Kampong Baru area.

To amend the existing institutions, careful consideration has to be taken into account particularly related to the objective of the development. Removal the restriction can contradict to the objective of amendment, to improve the quality life of the Malays. Therefore, a feasible solution is to allow non-Malays to have part of the rights, for example the use right, for a certain period of time. This approach has been successfully implemented for Malay Reservation Lands (1913) which provided possibilities for non-Malays to occupy the lands for a certain period of time up to 30 years.

To implement the solutions, amendment can be done to any individual title through surrendering to government, then realienating back to registered landowners and amending the restriction of interest to allow foreigners or non-Malays to occupy the site. Next, section 195 to 204 of Part Twelve of the National Land Code 1965 which have articles about surrender and realienation should be reviewed and amended.

The second institution that should be reviewed is valuation principle. This principle is regulated in Land Acquisition Act 1960. In 1997, an amendment has

been made to schedule 2 of Land Acquisition Act 1960 particularly related to compensation addressed to Malay Reserve Land. Compensation is given without considering restrictions when the development is for public purpose. However, if the development is only for Malays, compensation given should consider restrictions. An other issue that should be reviewed is the practical definition about “market value”. Usilapan (2006) argued that until now there are various definitions about “market value”. Such loose definitions may produce uncertainty and open possibilities for landowners to refuse the government offer. Therefore, more practical definition about “market value” should be given so that no big difference of asking values emerged.

### **9.3.2.2 Informal Institutions**

From empirical studies some informal institutions were identified as factors which affect costs and actors decisions. Among others were landowners’ perception about land development, multiple landowners and financial difficulties.

First, landowners’ perception about land development. Some landowners have perceptions that land development is the government’s responsibilities. As a result they tend to be passive landowners, in fact some of them didn’t think about selling land and developing land. Perception emerges because of combination of experiences and the existing knowledge in his brain. Therefore to overcome this problem, a new technology that can make up the existing technology, for example through positive information about land development, hopefully can re-orientate the perception of land development upon their lands.

Second, multiple landowners. Multiple landowners cause difficulties and additional costs to get consensus among landowners particularly to determine the future of the land which finally constrained land supply. Two issues related to the multiple landowners are the problem to trace the availability of landowners and to make consensus among landowners. Formal approach to overcome the first issue is by reviewing the existing land registration policy particularly to simplify the process as regulated at Section 175 of Part Ten of National Land Code 1965 such as too many unregistered owners. Also to reduce the complexity of the ownership, the

name of deceased owners must be deleted and new interested landowners should be written as soon as possible. The regulation that should be reviewed is Section 342 and 343 of Part Twenty One of National Land Code 1965.

In the case of obtaining consensus is the main issue, an alternative approach to simplify the procedure in making decisions can be selected for example to reduce the minimum percentage of landowners to make a legal decision. For example, as long as 80 percent of landowners agree, the development or transfer can be processed. To do that, some regulation should be reviewed such as related to land transfer (Section 217 Part Fourteen the National Land Code 1965), subdivision, partition and amalgamation (Sections 146 to 150 Chapter Three, Part Nine of the National Land Code 1965).

Third, financial difficulties. There are various attitudes toward financial problems. Landowners of lots 33 and 44 mentioned that, what they know so far, there are too many procedures to apply for loans from banks. Whilst, landowner of lot 27 mentioned that he didn't want to borrow money from the bank because he was already old. Corporate landowner of lot 51 stated that it was difficult to get bank loan for Malay Reserve Land. Therefore various alternative solutions can be proposed. The first solution is to educate landowners about the procedures to get loan from the bank and the knowledge about how to manage money. The second solution is through formal approach by reviewing restriction so that the land value will increase. The last solution is by selecting new body that can handle financial difficulties instead of bank such as a trust fund set up by the Pilgrimage Board (Tabung Haji).

### **9.3.2.3 Land Attributes – Focus on Land Size**

As North (1996) and Lai (2001) mentioned, attributes of the land is one type of variable rights that becomes a source of transaction costs. In Kampong Baru the prominent attribute that hindered the supply of land is the small size of the lots so that additional work to amalgamate the land is required. The amalgamation process will be feasible if all landowners already have the same vision about the importance of land development to improve their prosperity and their inheritance. In doing so,

an education process to landowners is needed either through direct system using the existing community organization such as MAS Board or indirect system for example through real actions. An example of indirect system is pilot projects held by the government which consist of amalgamation process and planning development process. Of course at the same time, other issues should be considered such as financial difficulties and technical skill difficulties. Therefore to accomplish the works, a powerful body to take care the work is needed as discussed in sub-section 8.4. To a certain extent, an enforcement approach to push the amalgamation process may be selected particularly if a deadlock situation is encountered, for example through compulsory purchase.

#### **9.4 Strategies to Achieve the Objectives**

In order to achieve the objective, the following strategies can be taken into account namely comprehensive implementation and empowering Malays. Comprehensive implementation means that the redevelopment program should be supported by all levels of government organization, private organizations, landowners and other agents.

##### **9.4.1 Organizations**

The federal government should put this development project as a national issue. In the hope, the program will be supported by parties which currently run the government. To do that, the government should make this project as one form of issue for example in the Malaysia Plan. It is not a simple work since the government has many priority programs that should be implemented. In addition this is the only body which has the power to amend any acts and has the power to enforce in the implementation stages.

To handle the project, the government may set up a new body in the federal level which has a special responsibility to develop indigenous land such as Urban Development Authority (UDA) (Land owner of lot 48; Syamsul, 2006). This body is responsible to make comprehensive planning and also to set up a technical

department that covers various issues such as financial, legal and land development issues related to the indigenous land development.

The second government organization is local authority. The role of local authority is to secure and translate the agenda of indigenous land development established in the national level for the local purpose. In the case of Kampong Baru, Kuala Lumpur City Hall and Kuala Lumpur Land and Mines office are two government organizations that have important roles. Local authority should provide informative and easy access planning system so that any developer and landowners can freely access information and easily understand the details of planning. This open system hopefully can overcome the passive landowners. Establishment of a special body that handles development proposals may reduce the complexity of obtaining approval from local authority.

The third organization is private land development authority. The role of private authority here is as a catalyst between landowners and the government. The private authority uses opportunity that regulation provides, and match the need of the landowners. An example that currently can be found in the area is Rah Properties Sdn Bhd. Rah Properties have proven that a Malay company can develop the land, in fact Dato' Rahim mentioned that his company acted as a stimulator for other Malays to develop Kampong Baru. He successfully developed 23 stories condominium located in Jalan Abdullah. Naza Properties Sdn Bhd is also the second Malay corporate that actively participate in land market in Kampong Baru. Arina Development Sdn Bhd is also a new Malay corporate that has obtained planning approval from local authority to develop 18 stories building at Jalan Raja Muda Abdul Aziz. Currently the corporate is still trying to find a developer to undertake development through a certain financial arrangement.

Instead of buying the lands prior to development, private companies can undertake initiatives to undertake development and have certain arrangement with landowners such as joint-venture or equity partnership (Azmir Jaafar, 2006; Samsudin Abdul Kadir, 2006). In doing so, private companies should have a comprehensive land development scheme that considers landowners' needs and aspirations such as to preserve traditional values and land rights.



Other agents that also have important roles in the land market and land development are financial organizations, such as banks and financial institutions, and landowners. So far the banks and other financial organizations consider indigenous land development as non-secure and non-profitable project so that only 60 percent of the project value can be given loan (Nik Mohd Zain, 2005). Financial organization should change the notion about the non-secure project for indigenous land development particularly if the project is backed-up by the government.

#### **9.4.2 Empowerment Program for Malays**

Some respondents mentioned that lets the Malay themselves develop Kampong Baru (Dato' Rahim, 2006; Syamsuri, 2006). Therefore the affordability of Malays either as landowners or as Malay corporate in terms of financial and knowledge should be always improved (Kamarulzaman Mat Saleh, 2006). As mentioned in the previous discussion, landowners have an important role that determines the supply of land for development. Therefore to improve the roles of landowners, additional knowledge related to the land market and land development should be provided. Hopefully in the long run, the knowledge they have can encourage the intention to optimize the potential of the lands. Education process can be undertaken through regular meetings in the society, participation in certain land development or through seminar. MAS board, heads of Kampongs and professionals may take part in this programs. In relation to the financial problems, the established body has to approach financial institutions to help Malays by relaxing the requirements.

The same programs are also implemented to Malay corporates particularly related to the improvement of technical skills, management skills as well as financial aspects. To do that, the established body should have the power to approach related departments to improve the technical skills or management skills for Malay corporates. To empower financial aspect, the same approach to financial organization can encourage Malay corporates to initiate development in Kampong Baru. For example, certain incentives are given to those who develop indigenous lands.

## **9.5 Zoning Map of Proposed Redevelopment Plan**

As discussed in the previous chapters, attributes of the land together with the existing institutions will dictate the transaction costs and influence actors' decision to participate in the land market and land development. It means that the changing of land attributes and institutions will drive the actors to respond to market and development in a different ways. Therefore, this sub-section focuses on the effort to change the attribute of the land through physical development.

By referring to the existing development plan from Kuala Lumpur City Hall (2006), see Appendix E, and suggestion from respondents particularly related to the future performance of Kampong Baru area (as multiple land use or mixed land use), three zoning plan will represent the objectives and the landowners' interest. The first zone is commercial zone. In this area the main use of land and building is to support business activities. The second zone is mixed zone. Mixed zone is identified by multi use of the land, not only for business activity but also for residence. The third zone is residential purpose. In the third zone, the main use of the land and building is to support household activities. This zoning map is shown in the Figure 9.1.

In relation to the land transfer, there are two governance systems to handle land transfer namely through market and through hierarchy for example compulsory purchase. In the case where the land market is already active, the best way to maintain and to stimulate the market is by providing incentives to either buyer or seller, for example tax relaxation. This system can be implemented in the commercial zone and mixed use zone. Compulsory purchase may be exercised on the residential zone. The reason is that according to the land transaction data, only few transactions in the market were reported in this zone. However, since compulsory purchase is full with the transaction costs, this approach should be implemented carefully. Therefore, encouraging the landowner to initiate land development is the most appropriate approach.

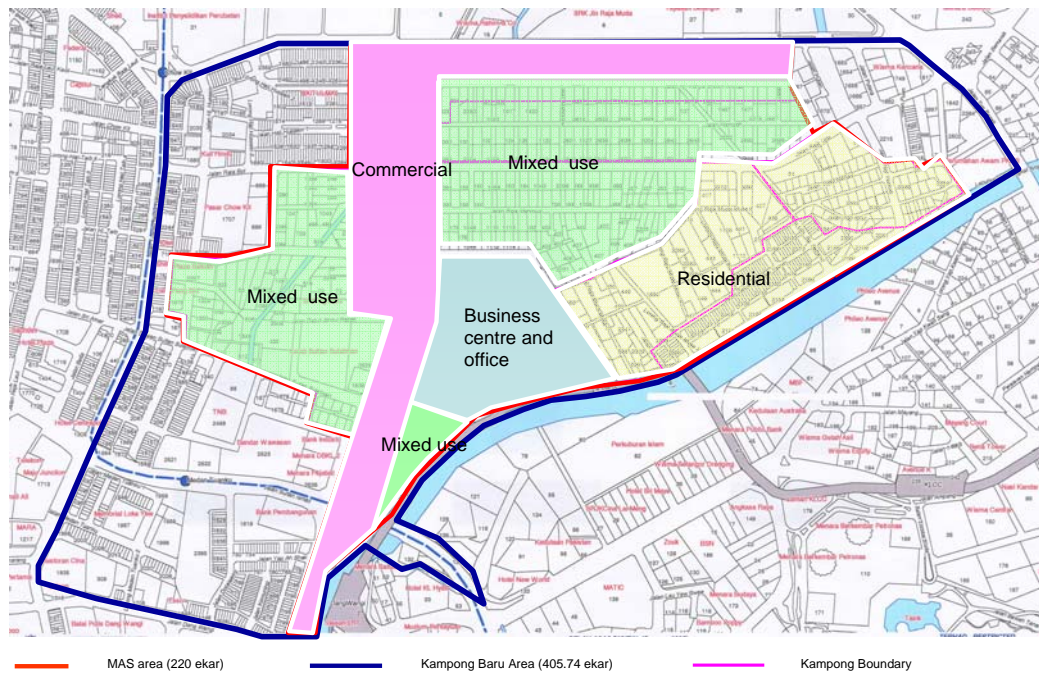


Figure 9.1 Zoning map of the proposed redevelopment plan

A number of landowners, together with developer or investor may initiate development by establishing a certain joint venture arrangement to develop the land (Mohd Fauzy Hasyim, 2006). To accomplish this development, readjustment technique for urban area can be used. The concept of this technique is to assemble a number of contiguous lands so that an economic scale of the development can be achieved. For urban area, not the physical land will be shared among owners, but the right on the land. It means that after assembling the lots, any individual owner still has the rights on the land but not full rights. In terms of the priority development, the zone which located at the prime area becomes the first priority. The reason is that besides their accessibility, the development of the prime area can be directed to be a catalyst for the development of the other inferior areas. Tables 9.2 shows the strategy to develop MAS areas.

Table 9.2: Development strategy

Activity	Residential zone	Mixed zone	Commercial zone
Redevelopment	Third priority	Second priority	First priority
Stimulate land market	Yes	Yes	Yes
Land acquisition	First priority	Second priority	Third priority

Implementation of Readjustment	Yes	Yes	Yes

## 9.6 Conclusion

This chapter has discussed strategies to undertake redevelopment of Kampong Baru particularly taking into consideration how to improve the land supply constraints. In doing so, the establishment of the redevelopment objective becomes the most important part. The next step is to consider the existing institutions and land attributes that produce transaction costs and hinder the supply of lands. To overcome institutional constraints, some formal institution should be reviewed and amended. Whilst, for physical attributes particularly land size, the same vision about land development should be given to landowners so that amalgamation of the lands will be more feasible. To achieve the objective, an integrated program handled by a powerful body consisting of multi levels authorities is needed. Since Malays become the main actors that occupy the full rights, the affordability of Malays determines the success of the program particularly if the government role is as a stimulator. To accomplish that, empowerment of individual Malays or corporate Malays is needed.

A zoning map of proposed redevelopment plan is also identified and provided. According to priorities, this case study area is classified into three zoning areas namely commercial, mixed and residential zones. The commercial zone has the first priority in the redevelopment due to its accessibility and its potential development. To stimulate the market in the area where market is already active such as in the commercial and mixed zone, providing incentives will be the best alternative. For the area where market is not active such as residential zone, compulsory purchase or land acquisition may be selected but a careful implementation should be taken into account.

## **10.0 CONCLUSIONS AND RECOMENDATIONS**

### **10.1 Introduction**

The objectives of this chapter are to resume the whole research that has been done including the developed framework, the empirical study as well as the discussion of the results. Chapter Two, Chapter Three and Chapter Four discussed the theoretical framework and methodological approach to approve the developed framework. Discussion on institutions and the way these affect actors' attitudes towards land supply and land development are provided in Chapter Five. It shows in Chapter Six the trend of land market and actors that actively participate in the supply of land in Kampong Baru. Chapter Seven discusses the landowners' attitude towards land supply for development process. Chapter Eight investigates institutions and the way institutions produce transaction costs that subsequently affect actors to supply lands. Next, Chapter Nine proposes the strategies to overcome land supply constraints for redevelopment of Kampong Baru, Kuala Lumpur.

Therefore, this chapter is organized as follows; next sub-section discusses about the research findings, then fallowed by further research and closed by conclusion. In the research finding sub-section, besides discussion about how far the research have found the relationship between institutions, transaction costs and land supply constraint, it also argues about how far research objectives have been achieved and the limitations of the research.

### **10.2 The Findings of the Research**

This research has identified institutions, including property rights, and land attributes that affect actors' decision to supply land in the development process. Two formal institutions have important roles in providing transaction costs namely ownership restriction and valuation in practice. Ownership restriction produces asset specificity in the land transfer and also limited buyer since only Malays can

occupy the lands. This asset specificity further more causes the value of land and property attached on the land become lower than those that don't have restrictions. It means asset specificity will reduce the opportunity to get the maximum value of the land. Valuation in practice so far produces uncertainty since, according to empirical data, no standardized output was given to the lands that have typical characteristics. This uncertainty produces additional cost to negotiate and to end up at the acceptable value.

The prominent land attributes that yield transaction cost are the small land size and fragmented rights or multiple landownership. The former hinders the land development since additional costs (could be money, time and effort) are needed to have economic land size by amalgamating two or more adjacent lots. The latter produces transaction costs to get consensus among landowners about the future of the land. Location of MAS area surrounded by developed lots and in the urban area indirectly provides transaction costs. Currently MAS residents or landowners can benefit from the existing public facilities located a distance to MAS area. This amenity and the dignity because the indigenous land become attributes that are hard to be valued, which subsequently affect landowners to release the lands.

From the previous discussion, the relationship between institutions (including property rights), land attribute, transaction costs and land development is shown in Figure 10.1:

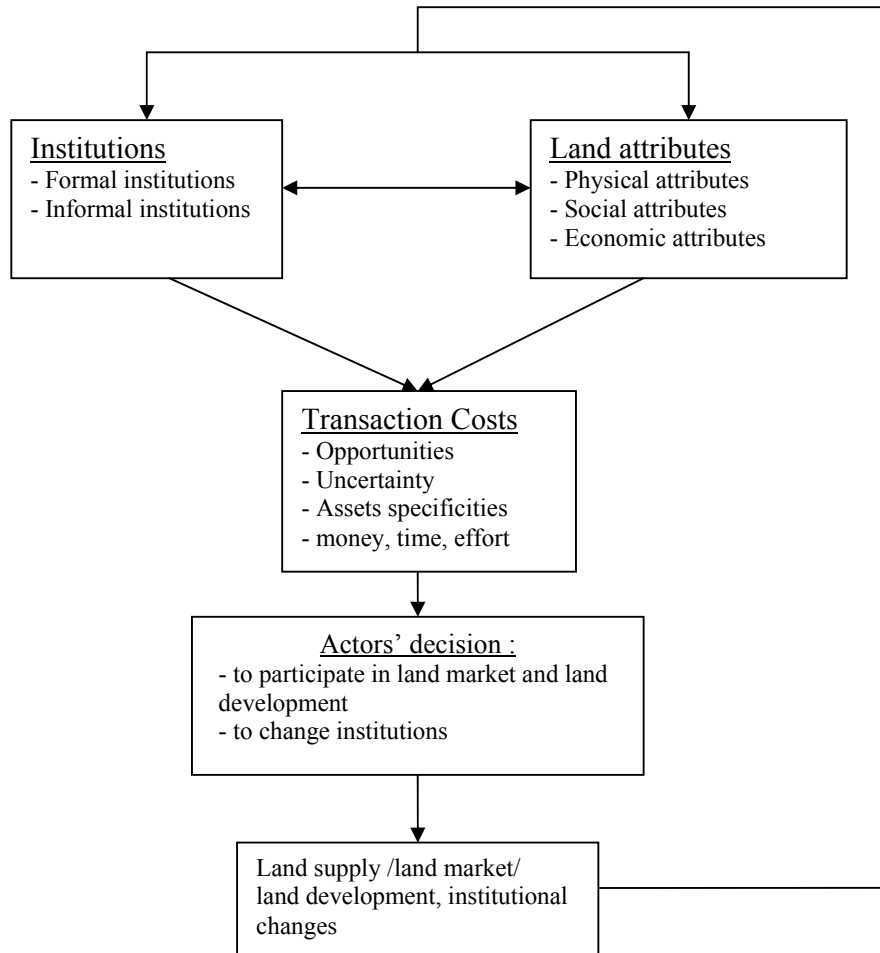


Figure 10.1: The framework of institutions and transaction costs affecting actors' decisions to supply lands

Figure 10.1 shows that institutions and land attributes will dictate the characteristics of transactions such as uncertainty and assets specificity which then produced transaction costs which may be in various types of costs such money, time, effort and opportunities. This transaction costs then influenced landowners' decision based on the cost consideration to bring the land either in the market or in the land development process. In the case that the transaction costs are quite big and the actors can't effort it, to change existing institutions is an alternative way to overcome the obstacle of the development. The actors' decision, to actively or passively participate in the land market and land development as well as to modify the institutions, will influence the output of development, subsequently affect the existing institutions or the current land attributes.

### **10.2.1 Achievements of the Objectives of the Research**

This research has four research objectives. First, To review a theoretical framework based on transaction costs and property rights theory in identifying institutions and the way institutions affect actors' decision in the supply of lands for redevelopment in Kampong Baru Kuala Lumpur. The objective was achieved in Chapter Two and Three. In Chapter two, the common understanding about land market including actors and factors that affected land supply in the land development process was elaborated. In addition, the problems of land supply and how commonly this problem was approached as well as the weakness of the current approach particularly for indigenous land were also discussed. This discussion came up with a need of different approaches that focused not only on the output but also on the process and that considered institutions as indigenous factors. Institutional Economics Analysis incorporates social factors such as individual's preference and places rules within the analysis. Therefore, this approach provides tools to explain the roles of institutions in affecting actors' decision to participate in the land supply for development process.

Chapter Three discusses in more detail about two strands of theories in New Institutional Economics Analysis namely property rights theory and transaction costs theory and also the possible implementation of both theory in the supply constraint of indigenous land. The objective of property rights system in land is to achieve the more efficient use of the land by distributing the land to the individual who are capable to explore the potential of the land. Transaction costs analysis concerns about the cost that are associated with transfer, capture and protection of rights. In relation to the distribution of resources, the higher the transaction costs, the lower possibilities the transaction to be performed.

Second, To study the trend of land market in the MAS area and the way actors affect transaction costs in the supply of land for redevelopment. The objective was achieved in Chapter six. It was identified that internal land transfer, through bequeathing, dominated the transfer of lands in Kampong Baru. Land transfer through market mechanism tended to increase and reached the highest



number of transaction, 13 land transfers, in 2004. In terms of actors participating in land transfers, private companies dominated the transactions which were recorded about 63 per cent of the transactions. The relationship between seller and buyer causes the agreed final price is not the actual price since knowing each other will reduce uncertainty, reduce cost to get information and increase the trust.

Third, To identify and classify the behaviour of landowners in terms of active and passive involvement in the supply of lands for development in the MAS area. The objective was achieved in Chapter Seven. It was recognized that three groups of landowners were identified namely those who intended to release the rights, those who intended to keep part of the rights as well as those who intended to keep all of the rights. In terms of land rights the owners have, commonly they have registered their ownership and have full rights namely rights to occupy, to use and to delineate the land. Although theoretically such secure rights increased transferability of land (Mooya and Cloete, 2005), land transfer through market was low compared to the land transfer through bequeathing mechanism. The main reasons to support this phenomenon are it is inheritance land, it preserves Malay lands, it has good location that have to be secured. Various institutions were considered as factors that affected attitudes such as restriction of interest that reduced the rights to obtain the best buyers and the best prices, the fragmented rights that cause some difficulties to unify owners' interests and valuation in practice that was not standardized and not acceptable for owners. These attitudes have constrained the supply of lands for development. Similar institutions were also identified as the factors that influenced the intention of landowners to propose planning proposal, though the variable rights of the land, physical attributes such as small lots size, was more prominent in influencing the owners' decision. Other attitudes were more related to individual characteristic of owners such as owners' perception about land development, financial difficulties as well as bad experience they have got.

Fourth, To examine the way in which transaction cost affects actors particularly landowners and developer in the supply of land for development in Kampong Baru Kuala Lumpur, subsequently affected actors' decision to supply the land for development. The objective was achieved in chapter Eight. It was identified

that the institutions mentioned in chapter Five and Seven also caused transaction costs that influenced cost benefit consideration of actors to participate in the supply of lands for development. Ownership restriction has caused assets specificity for seller (owners or developer) that subsequently reduced opportunity costs to get the best buyer and the best price. Fragmented rights, due to multiple ownership, have driven owners to spend additional costs such as time and efforts to get consensus among owners. Uncertainty of the transaction was an issue since there is no standardized compensation systems that were acceptable for landowners and buyers. In term of physical attributes of the land, small lots size ignited some additional costs such as money, time and effort to have an economic size of the land for development. This transaction characteristic will affect the amount of transaction costs and finally influenced actors' decision to participate in the supply of lands for development. Based on the discussion above, the objectives of this research have been achieved.

Based on the research finding and discussions, some suggestions to determine the future of Kampong Baru particularly to redevelop this area are given. This suggestion is composed of organizations, steps to be taken including the need to review the existing institutions as well as the objectives of redevelopment.

### **10.2.2 Limitations of the Research**

Sub-section 10.2.1 has discussed the finding of this research particularly the success to achieve the objectives. However, some limitations of the method used also have been identified during the empirical study.

First, to define a certain cost as transaction costs at a certain extent is quite hard. It is due to the homogenous condition that the respondents have or they have internalized transaction costs as production costs. For example, the complex processes to get planning approval from local authority. Since most landowners of developed lands have to pass the same procedures and also they have successfully got approval, they mentioned that was no difficulty to fulfill all requirements. In addition no comprehensive definition about transaction, different researcher may classify similar activity as a different type of cost.

Second, the implementation of institutional economics analysis usually encountered the same difficulties particularly to separate formal and informal institutions. It was due to at a certain extent both types of institutions simultaneously affected actors' decision, for example the hesitation to sell the land is because of preservation purposes (informal institution) or because of low land price (the effect of formal institution).

### **10.3 Further Research**

Based on the research findings and also the limitations of the research, further investigations can be done to improve the methodological approach. The first recommendation is to use comparative method by selecting two or more case study area, including Kampong Baru, with various characteristics of rights embedded upon the lands. By selecting more than one case study area, the roles of institutions and land attributes in providing transaction costs will be more easily differentiated. The second recommendation is to incorporate other approach which covers micro and macro level analysis such as socio-political approach.

### **10.4 Conclusion**

This research has identified institutions and the way existing institutions including property rights together with land attributes produce transaction costs which subsequently affects actors' decision to supply the land for redevelopment in the case study area. Basically, the establishment of MAS area as indigenous lands and ownership restriction attached on the lands are the important formal institutions that affect land supply constraint in the MAS area. Ownership restriction produces asset specificity which subsequently causes limited market since only Malays may occupy the lands. As a result developers and investors are not interested in putting their investment in the MAS area. So the development in MAS area is relatively slower than the development in its vicinity area.

This condition, on one hand, limits the possibility to optimize the potential of the land in the MAS area and subsequently reduce the opportunity for the owner to get optimum return from the lands. Finally, it affects the prosperity of the landowners. On the other hand, residents or landowners in MAS area receive a betterment condition, since they can get benefit from the development of facilities at the surrounding areas. Limited affordability and better condition affect landowners' attitude in managing their lands.

At the same time, the establishment of Kampong Baru as indigenous land has created close relations between landowners and their land. Land is considered as the source of dignity and asset that should be preserved. As a result, instead of releasing the land to other people, they bequeathed the land to their offspring. So, the physical size of the land will be getting smaller and smaller, or the rights on the land are distributed to more and more number of people. This multiple ownership or fragmented rights is one of the physical attributes that produce transaction costs and subsequently affect landowners' decision to bring the land to the market and the development process.

Therefore, the aim of the research, that is to study institutions that affect the land market and the way institutions in which contribute to the transaction costs which subsequently affect actors' decision to participate in the supply of land for redevelopment of Kampong Baru area, has been achieved by the research.

For the future of Kampong Baru area, a comprehensive redevelopment planning that considers the benefit of all societies should be established particularly the Malay settlement in the urban area. In doing so, a powerful body responsible for the redevelopment of MAS area should be founded. This body consists of at least three departments that are responsible to handle financial aspect, land status and land planning aspect as well as legal aspect. Prior to the redevelopment, some formal institutions have to be reviewed such as ownership restrictions and valuation in practice so that asset specificity and uncertainty can be reduced. In relation to the actors' attitude and the affordability of Malay empowerment programs for landowners and private Malays companies should be taken into account.

## REFERENCES

- Abdullah, A.N. (1985). *Melayu dan Tanah*. Selangor: Media Intelek Sdn.Bhd.
- Abdul Razak, N. (1992). Kampung Baru-A new face. *4<sup>th</sup> National Real estate Convention*. 21-22 th April. Hyatt Saujana Reservation Lands. Kuala Lumpur.
- Abdul Rahman. (2007). Interview schedule with Deputy MAS Board, December 10<sup>th</sup>.
- Adams, D. (1994). *Urban Planning and the Development Process*. London: UCL Press.
- Adams, D., Russell, L. and Russell, C.T. (1994). *Land for Industrial Development*. Cambridge :E&FN SPON.
- Adams, D., Disberry, A., Hutchison, N. and Munjoma, T. (1997). "Land ownership constraints within the development process". *Aberdeen Papers in Land Economy*. University Aberdeen. Aberdeen.
- Adams, D., Disberry, A., Hutchison, N. and Munjoma, T. (2000a). "Managing Urban Land: the case for urban partnership zones". *Aberdeen Papers in Land Economy*. University Aberdeen. Aberdeen.
- Adams, D., Disberry, A., Hutchison, N. and Munjoma, T. (2000b). "Urban Development: contextual influences and landowner behavior". *Journal of Property Research*. 18(3). 217-234.
- Alchian, A.A. & Demstsz. (1973). The property right paradigm . *The Journal of Economic History*. 33, 16-27.
- Alexander, E. R. (1992). A transaction cost theory of planning. *Journal of the American Planning Association*. 58, 190–200.
- Alexander, E.R. (2001). Governance and transaction costs in planning systems: a conceptual framework for institutional analysis of land-use planning and development control the case of Israel. *Environment and Planning B: Planning and Design 2001*. Volume 28. 755 -776.
- Ambrose, B.W. (2005). Forced development and Urban land Prices. *The Journal of Real Estate Finance and Economics*, 30(3), 245–265.

- Antwi, A. (1998). On Property Rights: The Case of Urban Land. *Social Science Working paper No.25*. February 1998. Department of Economics Napier University. Edinburgh.
- Aziz, D. (1994). *Masyarakat dan Kebudayaan Malaysia*. (2<sup>nd</sup> ed). Kuala Lumpur: Cahay Pantai Sdn. Bhd.
- Azmah, A.M. (2005). *Sejarah Sosial Masyarakat Malaysia*. Kuala Lumpur: Utusan Publication & Distributors Sdn Bhd.
- Azmir Jaafar. (2006) Interview schedule with KLCH Town Planner. June 26<sup>th</sup>.
- Baharin, S. (2003). Salah faham konsep faraid buntukan Kampong Baru. *Massa*. 22 November-5 Disember.22-23.
- Ball, M., Lizieri C and Bryan D.M. (1998). *The Economics of Commercial Property Markets*. London: Routledge.
- Bardhan, P. and Udry, C.(1999), *Development Economics*, Oxford University Press.
- Barlowe, R. (1986). *Land Resource Economics, The Economics of Real Estate*. New Jersey: Prentice Hall.
- Barzel, Y. (1989). *Economic analysis of property rights*. Cambridge: Cambridge University Press.
- Benham, A. and Benham, L. (1998). Measuring the Cost of Exchange. *Second Annual Meeting of the International Society for New Institutional Economics*, September 17-19. Paris.
- Benham, A. and Benham, L. (2001). The Costs of Exchange. *Ronald Coase institute Working paper*. No.1. July.
- Buitelaar, E. (2002). New institutional economics and planning; a different perspective on the market versus government debate in spatial planning. *GaP working paper series*. Nomor 11. Nijmegen: Nijmegen School of Management.
- Buitelaar, E. (2003b). User rights regimes analysed. *Proceeding of AESOP-ACSP Congress*. Leuven.
- Buitelaar, E. (2004a). Planning as reducing uncertainty: the (possible) role of institutions in land use planning. *Paper presented at the AESOP congress in Grenoble*. 1-4 July 2004. Grenoble.
- Buitelaar, E. (2004b). A Transaction-cost Analysis of Land development Process. *Urban Studies*. Vol.41. No.13. 2539-25553.

- Bush, P.D. (2003). The theory of Institutional Change. In Rick Tillman (Ed.) *The legacy of Thorstein Veblen*. Vol.I. Glos: Edward Edgar Publishing Limited.
- Cadman, D. and Topping, R. (1995). Property Development. 4<sup>th</sup> edition. London: E&FN Spon.
- Chang, H.J. (2004). The Future of the Developmental State, especially Korea. *Research Seminar Series Michaelmas Term 2004*. 10<sup>th</sup> November. DRC & DSI.
- Chang, C.Y. and Ive, G. (2000). A Comparison of Two ways of Applying Transaction Costs Approach(1): Methodological Debates. *Bartlett Research Paper*. UCL. London.
- Cheshire, P. and Sheppard S. (2004). Land markets and land market regulation: progress towards understanding. *Regional Science and Urban Economics* . Vol.,34 (2004) 619– 637.
- Dale, P. (1997). Land Tenure Issues in Economic Development. *Urban Studies*. Vol. 34, No. 10, 1621-1633.
- Dale, P. (2002). *Land policy - towards an integrated approach*. Keynote address - Regional Workshop on Land Issues in Europe and the CIS, April 2002, Budapest, Hungary. 14 pp.
- Dam, K.W. (2006). Land, Law and Economic Development. *Chicago Working Papers in Law & Economics*. No:272. January 2006. Chicago University
- Dato' Rahim. (2006). Interview schedule to the owner of Rah Properties Sdn Bhd. June 28.
- Deddy, M. (2001). *Metodologi Penelitian Kualitatif*, Bandung: PT Remaja Rosdakarya.
- Demsetz, H. (1967). Toward a Theory of Property Rights. *American Economic Review*, 57: 347-595.
- Department of Statistics Malaysia. (2001). *Population Distribution and Basic Demographic Characteristic*. Kuala Lumpur: Department of Statistics Malaysia.
- Department of Statistics Malaysia. (2003). *Year book of Statistics Malaysia 2003*. Kuala Lumpur: Department of Statistics Malaysia.
- Department of Statistics Malaysia. (2005). *Year book of Statistics Malaysia 2005*. Kuala Lumpur: Department of Statistics Malaysia.

- Department of Statistics Malaysia. (2008). *Vital Statistics Malaysia Special Edition (2001-2006)*. Kuala Lumpur: Department of Statistics Malaysia.
- DeSoto, H. (2000) *The Mystery of Capitalism: Why Capitalism Triumphs in the West and Fails Everywhere Else*. Basic Books. New York, NY.
- Ding, C. (2007). Policy and Praxis on Land Acquisition in China. *Land Use Policy*. 24 (2007) 1–13. Elsevier.
- Dowall, D.E. (1993). The Role and Function of Urban Land Market in Market Economies. *Workshop on Privatization of Land in Ukraine*. May 12-14 1993. Ukraine.
- Dowall,D.E. (1995). The Land Market Assessment. *The World Bank Report*.
- Dowall, D.E. and Clarke, G. (1996). A Framework for Reforming Urban Land Policies in Developing Countries. Urban management Program.
- Dowall, D.E. (2003). Land Into Cities: Urban Land Management Issues and Opportunities in developing Countries. In Gareth A. Jones (Ed.) *Urban Land Markets in Transition*. Lincoln Institute of Land Policy, 1-24.
- Dollery, B. (2001). New Institutional Economics and The analysis of the Public sector. *Policy Studies Review Vol.18*.Issue 1.
- Eggertsson, T. (1990). *Economic Behaviour and Institutions*. Cambridge: Cambridge University Press.
- Eggertsson,T. (1995). Economic Perspective on Property Rights and the Economic of Institutions. In Pal Foss (Ed) *Economic Approaches to Organizations and Institutions*. (pp.47-61). Aldershot: Dartmouth.
- Ellickson, R.C. (1993). *Property in Land*. *The Yale law Journal* 102.1315-1400.
- Evans, A.W. (1985). *Urban Economics*. Oxford: Basil Blackwell.
- Evans, A.W. (1994). The Property Market: Ninety Percent Efficient?. *Urban Studies*. 32 (1), 5-29
- Evans, A.W. (2004). *Economics, Real Estate and the Supply of Land*. Oxford: Blackwell Publishing.
- Evers, H-D. (1984), Urban Landownership, Ethnicity and Class in Southeast Asian Cities, *International Journal of Urban and Regional Research*.8 (4). 481-496.
- Evers, H-D. and Korff, R. (2000). *Southeast Asian Urbanism, The Meaning and Power of Social Space*. Singapore: Lit Verlag.



- Faridah. (2006). Interview schedule with valuer from Valuation and Property Service Department. December 22.
- Fisher, P. (2005). The property development process. Case studies from Grainger Town. *Property Management*. Vol. 23 No. 3. 159-175.
- Ghazali, Syamsudin. (2006) Interview schedule with Executive Director Arina Development SDN BHD. June 27<sup>th</sup>.
- Gillen, M. and Fisher, F. (2002). Residential developer behaviour in land price determination. *Journal of Property Research*. 19(1), 39-59.
- Giddens, A. (1995). *The constitution of Society*. Reprinted. London: Polity Press
- Goh, B.L. (1980). A Review of Land Policy and Policy Measures in Malaysia. *Habitat International*. Vol 4 No 4/5/6. 471-483.
- Goh, B.L and Evers, H-D. (1976). Landownership and Urban Development in Butterworth. *Project Paper No.4*. Center for Policy University Sains Malaysia.
- Goodchild, R. and Munton R. (1985). *Development and the Landowner*. Sydney: George Allen&Unwin.
- Government of Malaysia. (2001). *Eighth Malaysia Plan 2001-2005*. Kuala Lumpur: The Government Press.
- Green, J.K. (1987). Evaluating the impact of consolidation of Holdings, Individualization of Tenure, and Registration of Title: Lessons from Kenya. Land Tenure Centre, *LTC paper* No. 129. University of Wisconsin-Madison.
- Greif, A. (2003). The emergence of Institutions to Protect Property Rights. Claude Menard and Mary M. S. (Ed.) *Handbook on New Institutional Economics*. Kluwer Press.
- Grinols, E.L. (1994). *Micro Economics*. Toronto: Houghton Mifflin Company.
- Grover, V. and Maholtra, M.K. (2003). Transaction cost framework in operations and supply chain management research: theory and measurement. *Journal of Operations Management*. No. 21, 457-473.
- Guerin, K. (2003). Property rights and Environmental Policy: A New Zealand Perspective. *New Zealand Treasury Working Paper 03/02*. New Zealand.
- Gullick, J.M. (1969). *Malaysia*. London: London Ernest Benn Limited.

- Hamisah, H. (2005). RAH Properties upbeat on Kg Baru Project. *Business Times*. June 11<sup>th</sup>. Retrieved August 17th, 2005, from <http://skyscrapercity.com/archive/index.php/t-89214.html>
- Han, S.S. and Wang, Y. (2003). The Institutional Structure of Property Market in Inland China : Chongqing. *Urban Studies*, 40 (1), 91-112.
- Harvey, J. and Jowsey, E. (2004). *Urban Land Economics*. (6<sup>th</sup> ed.). New York:Palgrave Macmillan.
- Hodgson, G. M. (1998). The approach of institutional economics. *Journal of Economic Literature*. XXXVI (March 1998), 166-192.
- Hodgson ,G. M. (2004). Reclaiming habit for institutional economics. *Journal of Economic Psychology*, 25, 651–660. Elsevier.
- Hsiung, B. (1999). Sailing Towards the Brave New World of Zero Transaction Cost. *European Journal of Law and Economics*. Vol. 8. No. 2. 153-169.
- Hui, E.C. (2004). An Empirical study of the effects of Land supply and lease condition on the housing market. A case of Hong Kong. *Property Management*. 22 (2); 127. ABI/INFORM Global.
- Hui, E.C. and Ho (2002). Relationship between the land. *The Pacific Rim Real Estate Society Conference*. 21-23 January 2002. Christchurch. New Zealand.
- Hurrelmann, A. (2003). How to Approach a Market: A Theoretical Concept for Defining and Describing Land Markets. *Quarterly Journal of International Agriculture* 42 (4): 403-426.
- Ismail, O. (1999). *Land Supply Constraint of Indigenous Lands in Kuala Lumpur*. PhD Thesis. University of Aberdeen. Scotland.
- Ismail, O. and Aminah, Md. Y. (2002). Indigenous land rights and dynamics of the land market in Kuala Lumpur, Malaysia. *Habitat International*. 26 (2002). 507-521.
- Jali M. N, Ma'rof Redzuan, Asnarulkhadi Abu Samah and Ismail Hj. Mohd Rashid. (2003). *Malaysian Studies Nationhood and Citizenship*. Kuala Lumpur: Prentice Hall.
- Kamarulzaman Mat Shaleh. (2006). Interview schedule with KLCH valuer. May 15<sup>th</sup>.
- Keogh, G. and D'Arcy, E. (1998). Property Market Efficiency: an Institutional. Perspective. *Aberdeen Papers in Land Economy*. University of Aberdeen. Aberdeen.

- Khan, M.H. (2004). State failure in developing countries and institutional reform strategies. *Paper presented at the Annual World Bank Conference on Development Economics—Europe 2003*. World Bank. Washington. DC.
- Kim, A. M. (2002). *Making a Market : The Institutions Supporting Ho Chi Minh City's Urban land Development Market*”, PhD Dissertation. Unpublished. University of California. Berkeley.
- Kim, J. and Mahoney J.T. (2006). How property rights economics furthers the resource-based view: resources, transaction costs and entrepreneurial discovery. *Int. J. Strategic Change Management*. Vol. 1, Nos. 1/2. 40-52.
- KLCH. (1984). *Pelan Struktur Kuala Lumpur 2000*. Kuala Lumpur: Kuala Lumpur City Hall.
- KLCH. (2004). *Pelan Struktur Kuala Lumpur 2020*. Kuala Lumpur: Kuala Lumpur City Hall.
- KLCH. (2006). *Pembangunan Kampong Baru*. Presented to Prime Ministry of Malaysia. Kuala Lumpur: Kuala Lumpur City Hall.
- Knaap, G. and Moore, T. (2000). Land supply and Infrastructure Capacity Monitoring for Smart Growth. *Lincoln Institute of Land Policy Working Paper*. Cambridge
- Landowners lots 1-51, Interview schedule May 13-15, 2006; June 25- July 1, 2006.
- Lai, S. K. (2001). Property Rights, Acquisition and land Development Behavior. *Planning Forum*. 7(2001). pp.21-27.
- Lai, N. and Wang, K. (1999). Land-Supply Restrictions, Developer Strategies and Housing Policies: The Case in Hong Kong. *International Real Estate Review*. Vol. 2 No 1. pp. 143 – 159.
- Lanjouw, J.O. and Philip, I. L. (2002). Untitled : A study of formal and informal Property Rights in Urban Ecuador. *The Economic Journal*, 112 (October), 986–1019.
- Latifah. (2007). Interview schedule with daughter of landowner of lot 398. Sold land. December 14<sup>th</sup>.
- Levainen, K.I. and Altes, W. K. (2002). Land Development Contracts A Comparative Study in Finland and in the Netherlands. *FIG XXII International Congress*. April 19-26. Washington, D.C. USA. 1-12.

- Mahmud, Z. (1970). The period and the nature of 'traditional' settlement in the Malay Peninsula. *Journal of British Malaya Regional Asian Studies*. Vol 43, Part II, pp 81-113.
- Massa. (2003). *Antara Tamak dan Maruah*. 22 November-5 Desember 2003. 20-21.
- Matthew, S. M. (2004). Why native lands are worth less than freehold. *Tenth Annual Conference Pacific RIM Real Estate Society*. 25 – 28 January 2004. Bangkok. Thailand.
- Ministry of Finance Malaysia. (1996). *Economic Report 1996/1997*. Kuala Lumpur: Percetakan Nasional Malaysia Berhad.
- Ministry of Finance Malaysia. (1997). *Economic Report 1997/1998*. Kuala Lumpur: Percetakan Nasional Malaysia Berhad.
- Ministry of Finance Malaysia. (1998). *Economic Report 1998/1999*. Kuala Lumpur: Percetakan Nasional Malaysia Berhad.
- Ministry of Finance Malaysia. (1999). *Economic Report 1999/2000*. Kuala Lumpur: Percetakan Nasional Malaysia Berhad.
- Ministry of Finance Malaysia. (2000). *Economic Report 2000/2001*. Kuala Lumpur: Percetakan Nasional Malaysia Berhad.
- Ministry of Finance Malaysia. (2001). *Economic Report 2001/2002*. Kuala Lumpur: Percetakan Nasional Malaysia Berhad.
- Ministry of Finance Malaysia. (2002). *Economic Report 2002/2003*. Kuala Lumpur: Percetakan Nasional Malaysia Berhad.
- Ministry of Finance Malaysia. (2003). *Economic Report 2003/2004*. Kuala Lumpur: Percetakan Nasional Malaysia Berhad.
- Ministry of Finance Malaysia. (2004). *Economic Report 2004/2005*. Kuala Lumpur: Percetakan Nasional Malaysia Berhad.
- Ministry of Finance Malaysia. (2005). *Economic Report 2005/2006*. Kuala Lumpur: Percetakan Nasional Malaysia Berhad.
- Mohamed, R. (2006). The Psychology of residential Developers, Lessons from Behavioral Economics and Additional Explanation for Satisfying. *Journal of Planning Education and Research*. 26:28-37.
- Mohd Fauzy Hasyim. (2006). Interview Schedule with the committee of Special Unit of Kampong Baru Development. June, 27<sup>th</sup>.
- Molen, P. and Lemmen, C. (2004) Land Administration in Post-Conflict Areas. *3rd FIG Regional Conference Jakarta, Indonesia, October 2004*.

- Mooya, M.M. and Cloete, C.E. (2005). Property Right, Land Markets and Poverty in Namibia's 'Extra legal' Settlements: An Institutional Approach. *Third World Bank/IPEA Urban Research Symposium: Land Development, Urban Policy and Poverty Reduction*. 4-6 April 2005. Brasilia Brazil. Pp.1-28.
- Moss, L.E. (2000). *A Transaction Cost Economics and Property Rights Theory*. PhD Dissertation. University of Illionis.
- Muchunga, V.P.M. (2001). Land market in Maputo and Matola Cities: Problem and Solution for Urban Planning. *SARPN*. Mozambique.
- Needham, B. and Segeren A. (2005). An Institutional Analysis of land markets. *45<sup>th</sup> Congress of European Regional Science Association*. 23-27 August. Vrije Universiteit. Amsterdam.
- National Land Code (1965). 2003. Petaling Jaya: International Law Book Service
- Nik Abdul Majid N A R. (1993). Malay Reservation Land: Concepts. *Seminar Tanah Rezab Melayu - Perspektif Pembangunan*. 28 September, Hotel Pan Pacific, Kuala Lumpur.
- Norlizah Abas. (2006). Harta pusaka gagal dimajukan. *Bernama*. 7 Julai 2006. Retrieved August 18, 2007, from <http://www.bernama.my.com/>.
- Nik Mohd Zain. (2005). Tanah Rezab Melayu: Perspektif Pembangunan. *Kolokium Tanah Rezab Melayu*. Februari 14<sup>th</sup> 2005. Hotel Flamingo Kuala Lumpur. 1-13.
- North, D.C. (1996). *Institution, Institutional Change and Economic Performance*. (Reprinted ). Cambridge: Cambridge University Press.
- North, D. and Thomas, R. (1973). *The Rise of the Western World; A New Economic History*. New York: Cambridge University Press.
- OECD (Organization for Economic Co-operation and Development). (1992). *Urban Land Markets Policies For The 1990s*, Paris: OECD.
- Ogus, A. (2001). Regulatory Institutions and Structures. *Centre on Regulation and Competition Working Papers*. October 2001. University of Manchester
- Onn, L. H. (2006). Interview Schedule with member of Group Executive Naza Properties Sdn Bhd. December 12<sup>th</sup>.
- Ooi, J.B. (1976). *Peninsular Malaysia*. London: Longman.
- Osu bin Haji Sukam. (1997). The Land Policy in Malaysia. *Land Development and Transactions in Malaysia Seminar*. May 13. Nikko Hotel. Kuala Lumpur.

- Parto, S. (2003). Economic Activity and Institutions: Taking Stock. *MERIT-Infonomics Research Memorandum series*. 2003-007. Netherlands.
- Petersen, T. (1995). Transaction cost economics. Pal Foss (Ed.) *Economics approach to organizations and institutions: an introduction*. Aldershot: Dartmouth.
- Peng, P. and Wheaton, W. C. (1998). "Effects of restrictive land supply on housing in Hongkong: An econometric Analysis", *Journal of Housing research*, Vol. 5. Issue .2. pp. 263-292.
- Picot, A., C. Bortenlanger and Rohrl, H. (1997). Organization of Electronic Markets: Contributions from the New Institutional Economics. *The Information Society*. 13,107-123.
- Plant, R. and Hvalkof, S. (2001). Land Titling and Indigenous people. *Technical papers series*. Inter-American Development Bank. Washington.
- Platteau, J.P. (1999). Allocating and Enforcing Property Rights in Land: Informal versus Formal Mechanisms in Sub-Saharan Africa. *CRED*, University of Namur, Belgium.
- Poel, P.E.F. (2005). *Informal Institutions, Transaction Costs and Trust*. Master thesis. University of Amsterdam. Amsterdam.
- Prime Minister's Department. (2006). *Ninth Malaysia Plan 2006-2010*. Putra Jaya: The Economic Planning Unit Prime Minister's Department.
- Rakodi, C. (1999). Urban Governance, Partnership and Poverty: A Preliminary Exploration of the Research Issues. University of Birmingham, *Urban Governance, Partnership and Poverty Working Paper 8*. Birmingham.
- Rivkin, M.D. (1983). Intervention through Direct Participation. In Harold B.D.(Ed.) *Urban Land Policy, Issue and Opportunities*. New York: Oxford University Press.
- Roderburg, C. A. and Vreeker R. (2002). The land market with multifunctional land use: how to deal with infrastructure?. *European Regional Science Association (ERSA)*. Dortmund.
- Saleh, J. (2004). Property rights institution and investment. *World bank Policy Research Working paper 3311*, May.
- Saleh Buang. (2005). Tanah Rizab Melayu: Perspektif Undang Undang. *Kolokium Tanah Rezab Melayu*. Februari 14<sup>th</sup> 2005. Hotel Flamingo Kuala Lumpur.

- Samsudin Abdul Kadir. (2006). Interview schedule with KLCH Town Planner. June 30<sup>th</sup>.
- Schneider, A. (2005). Wholesale versus Within Institution Change: Pacting Governance Reform in Brazil for Fiscal Responsibility and Tax. *Research Seminar Series Lent Term 2005*. 23rd February 2005. DRC & DSI.
- Serra, M.V., Dowall D.E., Motta D. and Donovan M. (2004). Urban Land Markets and Urban Land Development: An Examination of Three Brazilian Cities: Bras'ilia, Curitiba and Recife. *IURD Working Paper Series 2004-03*. University of California. Berkeley
- Set Up Corporation To Develop Kampung Baru, Says Syed Ali. (2007, August 9). *Bernama*. Retrieved August 18, 2007, from <http://www.bernama.my.com/>.
- Sheehan, J. (2002). Toward Compensation to the Compulsory Acquisition of the Native Title Rights and Interests-Lessons from Australia. *FAO/URP/RICS Foundation Pacific Land Tenure Conflict Symposium*. 10-12 April 2002. USP Suva. Fiji.
- Shoup, D.C. (1983). Intervention through Property Taxation and Public Ownership. In Dunkerly H.B.(Ed.) *Urban Land Policy, Issue and Opportunities*. New York: Oxford University Press.
- Silverman, D. (2005). *Doing Qualitative Research*. Second edition. London:SAGE Publication Ltd.
- Singh, G. (1994). Land laws, Land policies and Planning in Malaysia. *UMP-Asia Occasional Paper No.8*.
- Sulaiman, M. (2000). *Sejarah Kampung Bahru*. Selangor: Institut Alam dan Tamadun Melayu.
- Swedberg, R. (1994). Markets as Structures, in: Smelser, N., Swedberg, R. (eds.). *The Handbook of Economic Sociology*. Princeton: Princeton University Press. P. 255-267.
- Syamsul. (2006). Interview schedule with son of landowner of lot 444. Sold land. December 18<sup>th</sup>.
- Syamsuri Suradi. (2006). Interview schedule with Head of Kampung Hujung Pasir and Secretary of MAS Board. June 26<sup>th</sup>.
- Syamsuri Suradi. (2007). Interview schedule with Head of Kampung Hujung Pasir and Secretary of MAS Board. December 10<sup>th</sup>.

- Thrall, I.G. (1987). *Land Use and Urban Form: The Consumption Theory of Land Rent*. London: Methuen.
- Tse, R.Y.C. (1998). Housing Price, land supply and revenue from land sales. *Urban Studies*. 35(8), 1377- 1392.
- Usilappan, M. (2006). *Real Estate in Malaysia*. Kuala Lumpur: University of Malaya Press.
- Van der Krabben. (1995). Urban dynamic: A Real estate Perspective: An institutional Analysis of the production of build environment. *Center for Economic Research*, Tilburg University
- VPSDFTKL (Valuation and Property Services Department, Federal Territory of Kuala Lumpur) . (2006). Listed of Land Transaction in Kampong Baru 1996-2006. *VPSD Database*. Kuala Lumpur: Valuation and Property Service Department.
- Wapingi. (2007). Interview schedule with son of landowner lot 557 A. Sold land. December 17<sup>th</sup>.
- Zamani, A. (2002). *The Malay Ideals*. Kuala Lumpur: Golden Books Centre Sdn. Bhd.
- Zhu, J.M and Ismail, O. (2005). Property Market Structure. Personal Communication.





JABATAN PENTADBIRAN TANAH  
FAKULTI KEJURUTERAAN DAN SAINS GEOINFORMASI  
UNIVERSITI TEKNOLOGI MALAYSIA  
JOHOR DARUL TA'ZIM

**SOAL SELIDIK (A)**  
**PEMILIK TANAH**

Pembangunan Semula Tanah MAS Kampong Baru  
Analisis Penawaran Tanah Untuk Maksud Pembangunan

Kajian kes tanah MAS Kampong Baru di Kuala Lumpur akan dikaji agar dapat memberikan suatu analisis yang jelas tentang penyelesaian masalah pembangunan semula yang ada, iaitu :

- Mengenal pasti perkembangan penawaran dan permintaan tanah bagi tujuan pembangunan di Kuala Lumpur.
- Menilai pembangunan semula tanah di kawasan MAS Kampong Baru dan mengkaji potensinya bagi penawaran tanah untuk maksud pembangunan.
- Mengkaji peranan pemilik tanah, sektor swasta dan pihak kerajaan dalam pelaksanaan program pembangunan semula tanah MAS Kampong Baru.

Pihak pengkaji berharap semoga semua pihak yang dilibatkan dalam kajian ini dapat memberikan kerjasama yang sewajarnya. Untuk makluman, hasil kajian ini akan dirumus dalam bentuk kajian yang berbentuk akademik dan segala data yang diperolehi adalah rahsia.

Sekian, terima kasih.

**Bahagian A: Latar belakang pemilik tanah**

Isikan dan tandakan [] pada pilihan anda

Alamat : \_\_\_\_\_  
\_\_\_\_\_

No. dihubungi : \_\_\_\_\_

1. Pekerjaan  
 kerajaan  kerja sendiri  
 syarikat swasta  pesara  
 peniaga
2. Pendapatan  
 kurang daripada RM1000  RM1251-RM1500  
 RM1001-RM1251  RM1501-RM1750  
 lebih RM1750
3. Bilangan anak / jumlah tanggungan  orang
4. Tahap pendidikan  
 tidak bersekolah  pendidikan menengah  
 pendidikan rendah  pendidikan tinggi
5. Umur  
 bawah 25 tahun  41-55 tahun  
 25-40 tahun  55 tahun ke atas

**Bahagian B: Ciri-ciri pemilikan tanah**

Isikan dan tandakan [] pada pilihan anda

(Sila sediakan salinan foto geran tanah, jika ada)

6. Bagaimana harta tanah diperoleh?  
 pemberian keluarga/warisan/pusaka  
 pemberimilikan oleh kerajaan negeri  
 pembelian  
 Lain-lain, nyatakan:  
\_\_\_\_\_
7. Tempoh menduduki / memperoleh:  /  tahun
8. Status pemilikan tanah  
 persendirian  syarikat sendirian berhad

- pemilik tanah bersama
- syarikat keluarga
- syarikat awam berhad
- syarikat milik kerajaan negeri

9. Jenis pemilikan tanah
- pegangan kekal/bebas
  - pegangan pajakan, baki tempoh? \_\_\_\_\_ tahun

10. Bebanan tanah
- tidak
  - \_\_\_\_\_ ] \_\_\_\_\_ ada, \_\_\_\_\_ nyatakan:
- 

**Bahagian C: Sikap pemilik tanah yang mempengaruhi pasaran harta tanah**  
*Isikan dan tandakan [✓] pada pilihan anda*

11. Apakah tujuan anda memiliki harta tanah ini?
- kegunaan sendiri
  - pelbagaikan pendapatan
  - pelaburan
  - potensi pembangunan
  - warisan keluarga

12. Pernahkah anda cuba untuk menjual harta tanah ini? berikan alasan anda.
- ya, tetapi gagal
  - belum

---



---



---

13. Adakah anda akan menjual harta tanah ini? Berikan alasan.
- ya
  - tidak

---



---

14. Berapakah harga yang diharap? [RM \_\_\_\_\_] / ekar / feet-2 / m-2

**Bahagian D: Sikap pemilik tanah dalam pembangunan harta tanah**

*Isikan dan tandakan [√] pada pilihan anda*

15. Adakah anda berpendapat harta tanah sedia ada perlu dibangunkan? mengapa?  
 ya, nyatakan  tidak, nyatakan

---



---

16. Pernahkah anda cuba membangunkan harta tanah ini? nyatakan komen anda.  
 ya, berjaya / gagal  belum

---



---

17. Adakah anda bercadang membangunkan harta tanah anda? nyatakan alasan anda.  
 ya  tidak

---



---

18. Jikalau ada, apakah jenis pembangunan yang sedang dipertimbangkan?  
 mengapa?

---



---

19. Analisis pembangunan kawasan MAS Kampong Baru sediada

(1)	(2)	(3)	(4)	(5)
Amat sangat memuaskan	Sangat memuaskan	Memuaskan	Kurang memuaskan	Tidak memuaskan

Bil	Analisis pembangunan kawasan MAS Kampong Baru sediada	Penilaian (1)(2)(3)(4)(5)
1	Pembangunan sediada kawasan anda	( ) ( ) ( ) ( ) ( )
2	Keseimbangan pembangunan dengan kawasan sekitar	( ) ( ) ( ) ( ) ( )
3	Infrastruktur	( ) ( ) ( ) ( ) ( )
4	Sistem perparitan dan jalan raya	( ) ( ) ( ) ( ) ( )
5	Perancangan pembangunan kawasan pada masa hadapan	( ) ( ) ( ) ( ) ( )

**Bahagian E: Halangan dan masalah pembangunan tanah MAS Kampong Baru**

Isikan dan tandakan [] pada pilihan anda

20. Sejauh mana pertumbuhan pesat pembangunan sekitar Bandaraya Kuala Lumpur mempengaruhi keputusan anda memajukan tanah anda? mengapa?

---



---

21. Analisis halangan dan masalah pembangunan kawasan MAS Kampong Baru

(1)	(2)	(3)	(4)	(5)
Amat sangat setuju	Sangat setuju	Setuju	Kurang setuju	Tidak setuju

Bil	Analisis halangan dan masalah pembangunan kawasan MAS Kampong Baru	Penilaian (1)(2)(3)(4)(5)
1	Kerajaan tidak memberi insentif kepada pemilik	( ) ( ) ( ) ( ) ( )
2	Ketiadaan dasar oleh kerajaan	( ) ( ) ( ) ( ) ( )
3	Sukar untuk membuat urus niaga	( ) ( ) ( ) ( ) ( )
4	Sukar melakukan pinjaman bank/institusi kewangan	( ) ( ) ( ) ( ) ( )
5	Pemilik kekurangan sumber kewangan	( ) ( ) ( ) ( ) ( )
6	Pembangunan yang tidak sekata	( ) ( ) ( ) ( ) ( )
7	Sikap pemilik yang malas untuk mengusahakannya	( ) ( ) ( ) ( ) ( )
8	Kurang kesedaran	( ) ( ) ( ) ( ) ( )
9	Sekatan MAS	( ) ( ) ( ) ( ) ( )
10	Ramai pemilik pada sesuatu tanah	( ) ( ) ( ) ( ) ( )
11	Saiz tanah yang kecil	( ) ( ) ( ) ( ) ( )
12	Pengambilan balik tanah	( ) ( ) ( ) ( ) ( )
13	Lain-lain, nyatakan:	( ) ( ) ( ) ( ) ( )

**Bahagian F: Cara membangunkan semula Kampong Baru**

22. Apabila kawasan Kampong Baru akan dibangunkan semula, perlukah pemilik tanah dilibatkan di dalam perancangan? beri alasan.

[  ] ya [  ] tidak

---

23. Bagaimanakah pelaksanaan pembangunan semula kawasan MAS Kampong Baru ini sebaiknya dijalankan?

- |   |   |
|---|---|
| <input type="checkbox"/> Kerajaan sahaja      | <input type="checkbox"/> Kerajaan dan pemilik tanah       |
| <input type="checkbox"/> Pemilik tanah sahaja | <input type="checkbox"/> Pemaju dan pemilik tanah         |
| <input type="checkbox"/> Pemaju sahaja        | <input type="checkbox"/> Kerajaan, pemaju & pemilik tanah |

24. Apakah bentuk pembangunan semula yang sebaiknya diwujudkan?

- rumah kediaman sahaja
  - rumah kediaman dan bangunan pejabat
  - rumah kediaman, bangunan pejabat dan pusat perniagaan
  - rumah kediaman dan pusat perniagaan
  - kawasan pelancongan sahaja
  - Lain-lain, nyatakan
- 

25. Jikalau pembangunan semula akan dijalankan, dimanakah anda akan tinggal? Kenapa?

- tetap di Kampong Baru dengan mengambil unit rumah kediaman yang dibangunkan
  - pindah ke lokasi lain
- 
- 

26. Adakah anda setuju jika kerajaan mengambil balik dan dibatalkan status MAS untuk dimajukan? Berikan alasan.

- ya
  - tidak
- 
- 

27. Komen akhir:

---

---

---

---

Sekian, terima kasih



JABATAN PENTADBIRAN TANAH  
FAKULTI KEJURUTERAAN DAN SAINS GEOINFORMASI  
UNIVERSITI TEKNOLOGI MALAYSIA  
JOHOR DARUL TA'ZIM

**SOAL SELIDIK (B)**  
**PROFESIONAL DBKL**

Pembangunan Semula Tanah MAS Kampong Baru  
Analisis Penawaran Tanah Untuk Maksud Pembangunan

Kajian kes tanah MAS Kampong Baru di Kuala Lumpur akan dikaji agar dapat memberikan suatu analisis yang jelas tentang penyelesaian masalah pembangunan semula yang ada, iaitu :

- Mengenal pasti perkembangan penawaran dan permintaan tanah bagi tujuan pembangunan di Kuala Lumpur.
- Menilai pembangunan semula tanah di kawasan MAS Kampong Baru dan mengkaji potensinya bagi penawaran tanah untuk maksud pembangunan.
- Mengkaji peranan pemilik tanah, sektor swasta dan pihak kerajaan dalam pelaksanaan program pembangunan semula tanah MAS Kampong Baru.

Pihak pengkaji berharap semoga semua pihak yang dilibatkan dalam kajian ini dapat memberikan kerjasama yang sewajarnya. Untuk makluman, hasil kajian ini akan dirumus dalam bentuk kajian yang berbentuk akademik dan segala data yang diperoleh adalah rahsia.

Sekian, terima kasih.

**Nama** : \_\_\_\_\_

**Profesion** :

Arkitek

Penilai

Perancang

\_\_\_\_\_

Lain-lain, nyatakan

**Alamat** : \_\_\_\_\_

\_\_\_\_\_

**Bahagian A:**

**Pandangan anda mengenai perlunya pembangunan semula tanah kawasan MAS Kampong Baru**

*Isikan dan tandakan [] pada pilihan anda*

1. Perlukah kawasan MAS Kampong Baru sedia ada dibangunkan semula?

ya, mengapa?

tidak, nyatakan alasan

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. Apakah masalah untuk membangunkan Kampong Baru?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. Adakah pelan pembangunan Kuala Lumpur sudah mengarahkan kepada memajukan tanah MAS Kampong Baru?

ya, nyatakan alasan anda.

tidak, nyatakan alasan anda.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



4. Apakah bentuk pembangunan yang sebaiknya dirancang?, mengapa?

---

---

---

5. Menurut pandangan anda, apakah faktor-faktor yang perlu dititikberatkan untuk memajukan kawasan ini? (*Tandakan 1 hingga 7 berdasarkan keutamaan*)

- |  |   |
|--|---|
| <input type="checkbox"/> lokasi              | <input type="checkbox"/> pembangunan masa hadapan |
| <input type="checkbox"/> kemudahan laluan    | <input type="checkbox"/> sumber kewangan          |
| <input type="checkbox"/> gunatanah sekitar   | <input type="checkbox"/> lain-lain, nyatakan      |
| <input type="checkbox"/> saiz/keluasan tanah |   |

---

6. Siapakah yang perlu dilibatkan di dalam perancangan pembangunan semula kawasan tanah MAS Kampong Baru? (*Boleh tandakan lebih dari satu*)

- |   |  |
|---|--|
| <input type="checkbox"/> Dewan Bandaraya Kuala Lumpur | <input type="checkbox"/> Perancang / arkitek |
| <input type="checkbox"/> MAS Board                    | <input type="checkbox"/> Penilai             |
| <input type="checkbox"/> Pemaju                       | <input type="checkbox"/> Pelabur             |
| <input type="checkbox"/> Pemilik tanah                | <input type="checkbox"/> lain-lain, nyatakan |

---

7. Siapakah pelaksana pembangunan semula kawasan tanah MAS Kampong Baru ini sebaiknya dijalankan?

- |   |   |
|---|---|
| <input type="checkbox"/> Kerajaan sahaja                  | <input type="checkbox"/> Pemaju sahaja              |
| <input type="checkbox"/> Pemilik tanah sahaja             | <input type="checkbox"/> Kerajaan dan pemilik tanah |
| <input type="checkbox"/> Pemaju dan pemilik tanah         | <input type="checkbox"/> lain-lain, nyatakan        |
| <input type="checkbox"/> Kerajaan, pemaju & pemilik tanah |   |

---

### **Bahagian B:**

#### **Pandangan tentang pasaran harta tanah kawasan MAS Kampong Baru**

*Isikan dan tandakan [✓] pada pilihan anda*

8. Apakah pemilik tanah perlu menjual harta tanah mereka demi pembangunan?  
Berikan alasan.

- ya  tidak

---

---

9. Siapakah pembeli yang akan diberi keutamaan? Berikan alasan.

---

---

---

10. Nilai semasa tanah MAS Kampong Baru di lokasi laluan utama (RM/skp)  
(Jl. Raja Muda Abdul Aziz dan Jl. Raja Abdullah)

- kurang RM200                       RM301-RM400  
 RM200-RM250                       RM401-RM500  
 RM251-RM300                       lebih RM500                      nyatakan RM

---

11. Nilai semasa tanah MAS Kampong Baru di lokasi laluan sekunder (RM/skp)

- kurang RM150                       RM251-RM300  
 RM150-RM200                       RM301-RM350  
 RM201-RM250                       lebih RM350                      nyatakan RM

---

12. Nilai semasa tanah MAS Kampong Baru di lokasi belakang (RM/skp)

- kurang RM100                       RM151-RM200  
 RM100-RM125                       RM201-RM250  
 RM126-RM150                       lebih RM250                      nyatakan RM

---

13. Adakah anda setuju jika kerajaan mengambil balik tanah? Berikan alasan.

- ya     tidak

---

---

14. Adakah anda setuju kerajaan batalkan status MAS? Berikan alasan.

- ya     tidak

---

---

15. Bagaimanakah sebaiknya kerajaan menilai tanah mereka? berikan alasan.

- harga ditetapkan kerajaan                       harga sesuai harapan pemilik tanah  
 mengikuti harga pasaran                       lain-lain, nyatakan

---

---

**Bahagian C:**

**Isu-isu dan masalah-masalah pembangunan semula tanah MAS Kampong Baru**

Isikan dan tandakan [] pada pilihan anda

16. Isu-isu dan masalah-masalah pembangunan harta tanah MAS Kampong Baru. Nyatakan pandangan anda.

(1)	(2)	(3)	(4)	(5)
Amat sangat setuju	Sangat setuju	Setuju	Kurang setuju	Tidak setuju

Bil	Isu-isu dan masalah-masalah	Penilaian (1)(2)(3)(4)(5)
1	Kelemahan pentadbiran pejabat tanah	( ) ( ) ( ) ( ) ( )
2	Penglibatan pihak berkuasa tempatan	( ) ( ) ( ) ( ) ( )
3	Sekatan pada dokumen hak milik	( ) ( ) ( ) ( ) ( )
4	Penilaian harta tanah yang rendah	( ) ( ) ( ) ( ) ( )
5	Pembayaran pampasan harta tanah	( ) ( ) ( ) ( ) ( )
6	Faktor fizikal harta tanah yang tidak ekonomik	( ) ( ) ( ) ( ) ( )
7	Tanah dimiliki lebih daripada seorang pemilik	( ) ( ) ( ) ( ) ( )
8	Ketersediaan sumber kewangan	( ) ( ) ( ) ( ) ( )
9	Sekatan pada MAS	( ) ( ) ( ) ( ) ( )
10	Pemilik tidak mahu membangunkan tanah	( ) ( ) ( ) ( ) ( )
11	Pemilik ketiadaan kemahiran dan pengetahuan yang diperlukan dalam pembangunan	( ) ( ) ( ) ( ) ( )
12	Kekurangan kemudahan infrastruktur	( ) ( ) ( ) ( ) ( )
13	Tumpuan hanya ke atas tanah berstatus selain MAS	( ) ( ) ( ) ( ) ( )
14	Kesukaran melaksanakan urusanniaga harta tanah	( ) ( ) ( ) ( ) ( )

17. Implikasi yang timbul apabila wujud pelbagai isu dan masalah pembangunan berkenaan

(1)	(2)	(3)	(4)	(5)
Amat sangat setuju	Sangat setuju	Setuju	Kurang setuju	Tidak setuju

<b>Bil</b>	<b>Implikasi isu-isu pembangunan</b>	<b>Penilaian (1)(2)(3)(4)(5)</b>
1	Pembangunan tidak dapat dilaksanakan	( ) ( ) ( ) ( ) ( )
2	Wujud status tanah terbiar	( ) ( ) ( ) ( ) ( )
3	Kemudahan infrastruktur tidak dapat disediakan	( ) ( ) ( ) ( ) ( )
4	Kualiti hidup dan tahap sosio ekonomi penduduk ketinggalan	( ) ( ) ( ) ( ) ( )
5	Ketidaktentuan nilai harta tanah di pasaran	( ) ( ) ( ) ( ) ( )

18. Cadangan penyelesaian ke atas isu-isu dan permasalahan yang wujud

---



---



---



---



---



---

19. Komen akhir

---



---



---



---



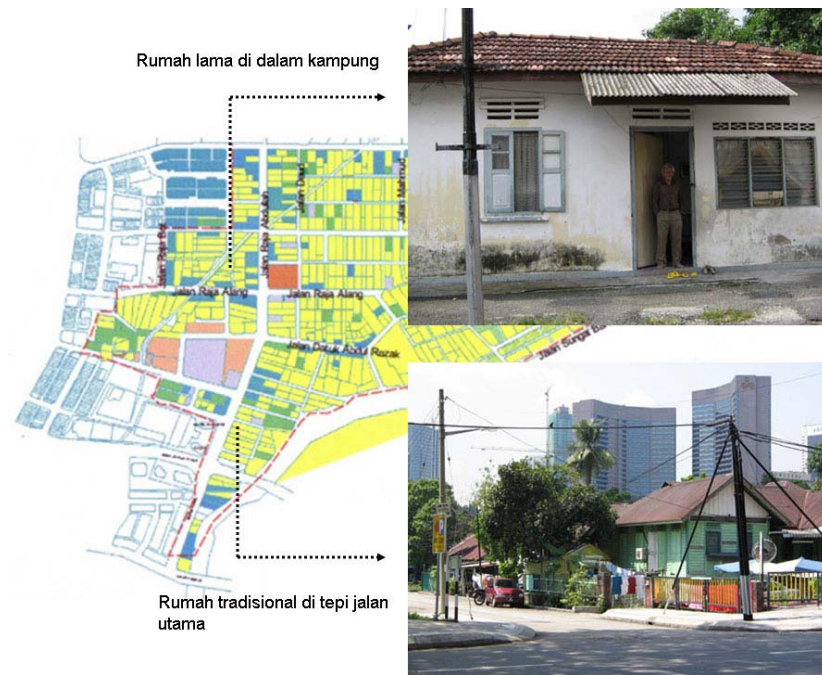
---



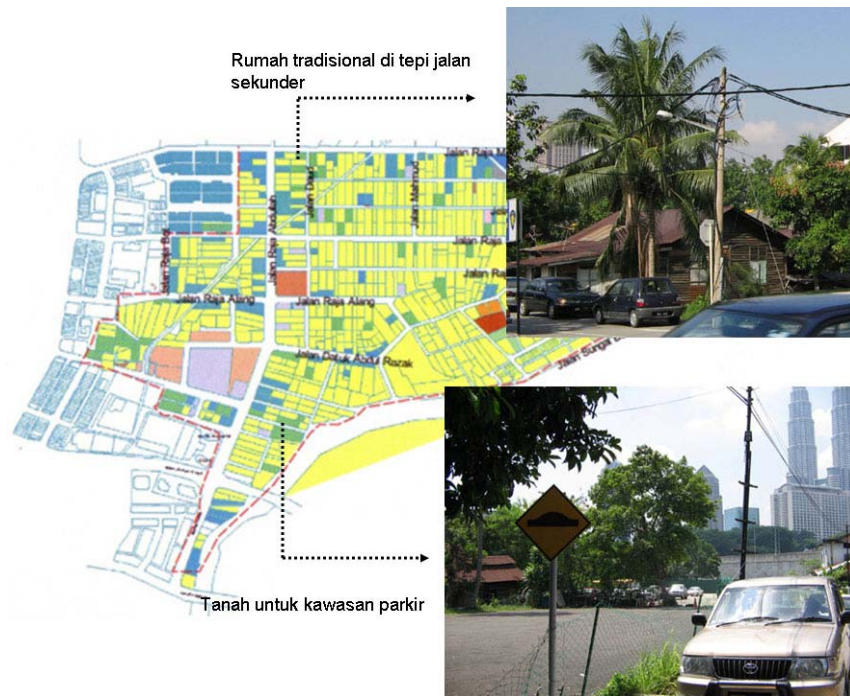
---

Sekian, terima kasih

## Lampiran B.1. Rumah tradisional di kawasan MAS Kampong Bharu



Rajah B.1a. Rumah lama dan tanah parkir

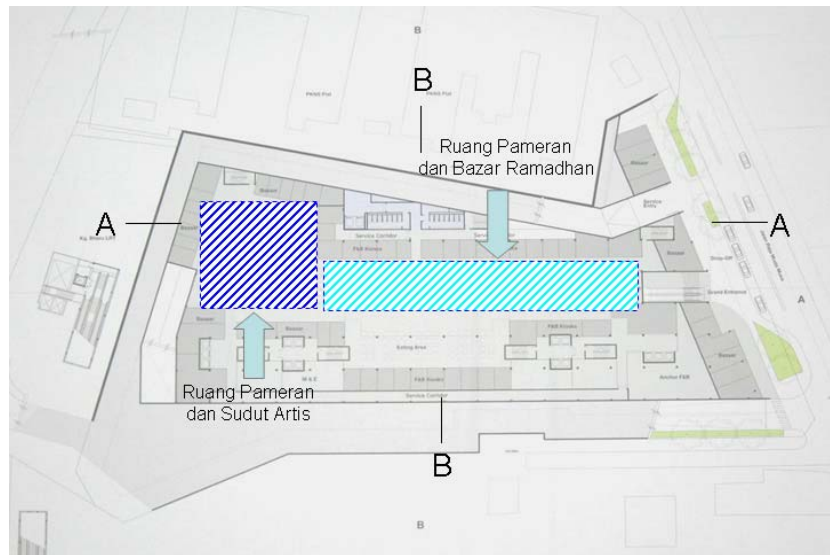


Rajah B.1b. Rumah lama dan tanah parkir

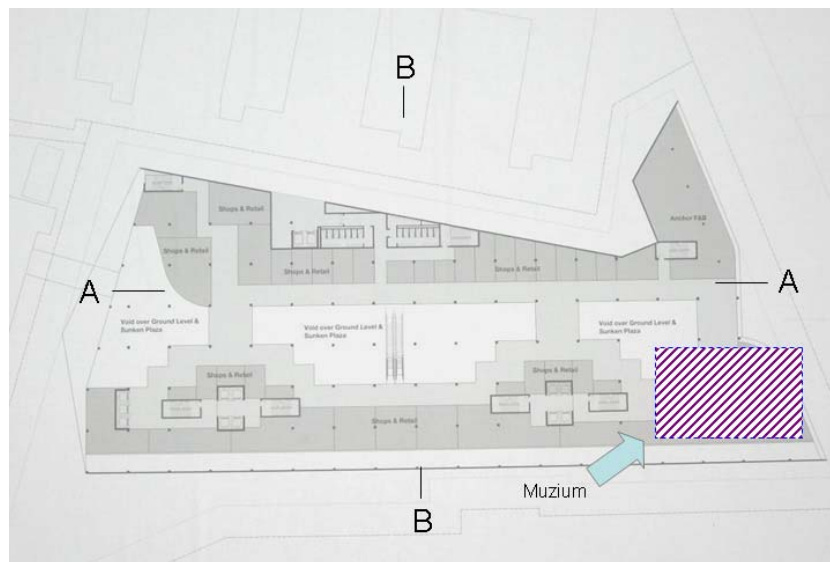


Rajah B.1c. Rumah lama difungsikan untuk kedai

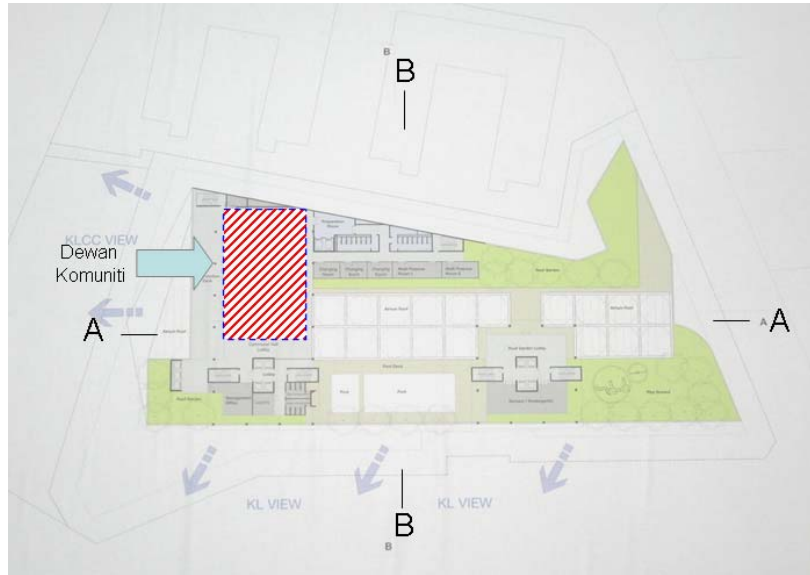
## Lampiran B.2. Perancangan pembangunan tapak Pasar Minggu



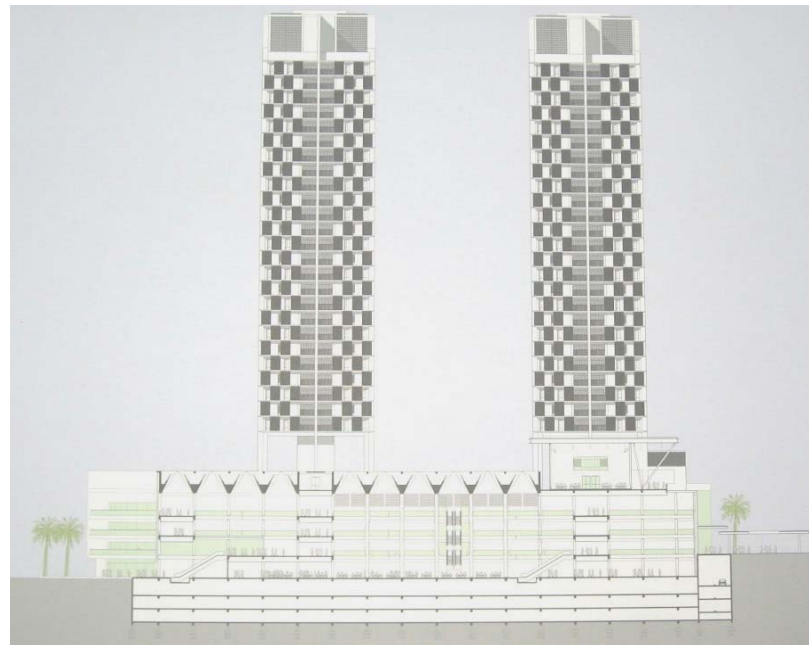
Rajah B.2a. Pelan pembangunan tapak Pasar Minggu



Rajah B.2b. Pelan pembangunan tapak Pasar Minggu



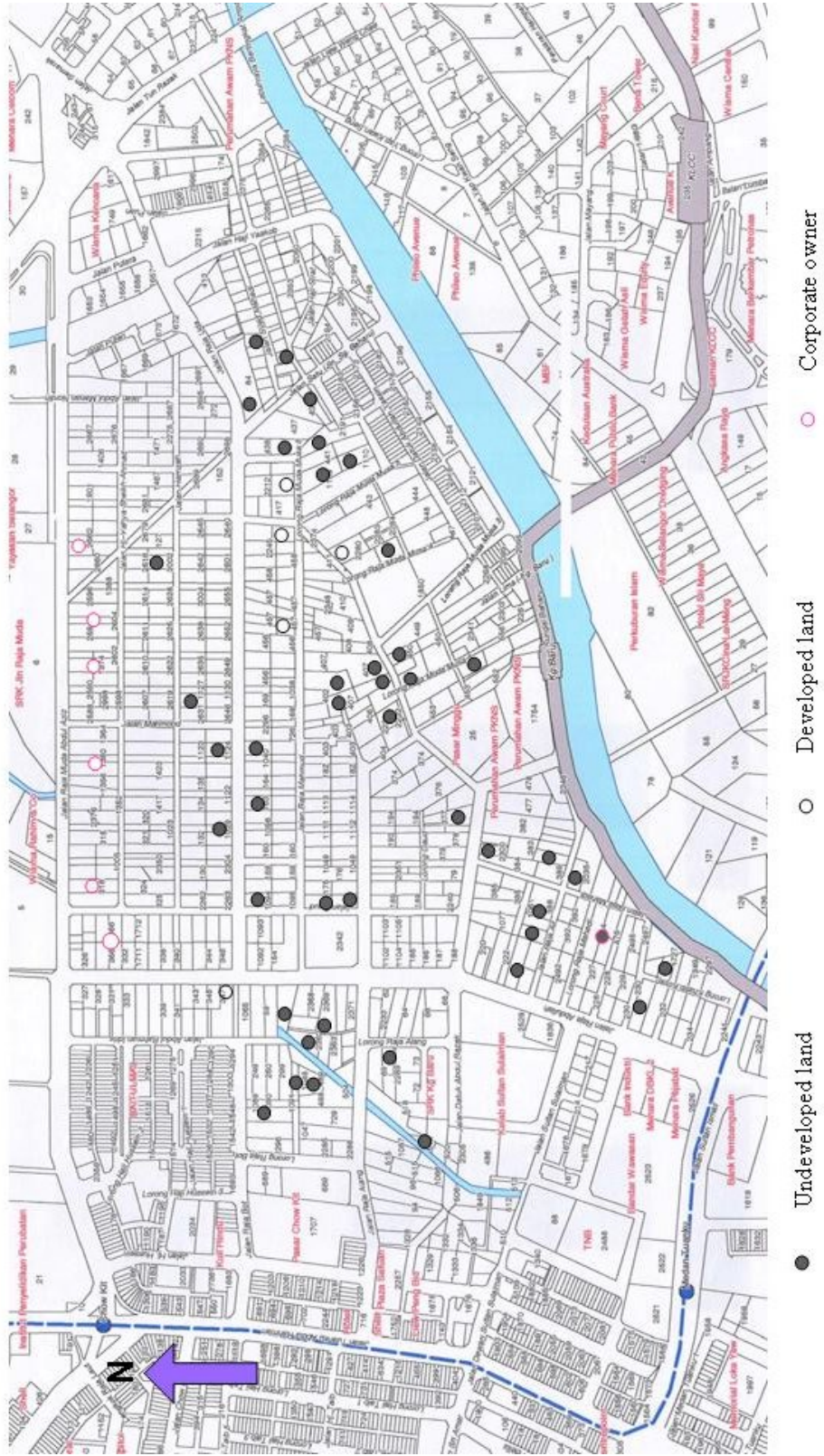
Rajah B.2c. Pelan pembangunan tapak Pasar Minggu



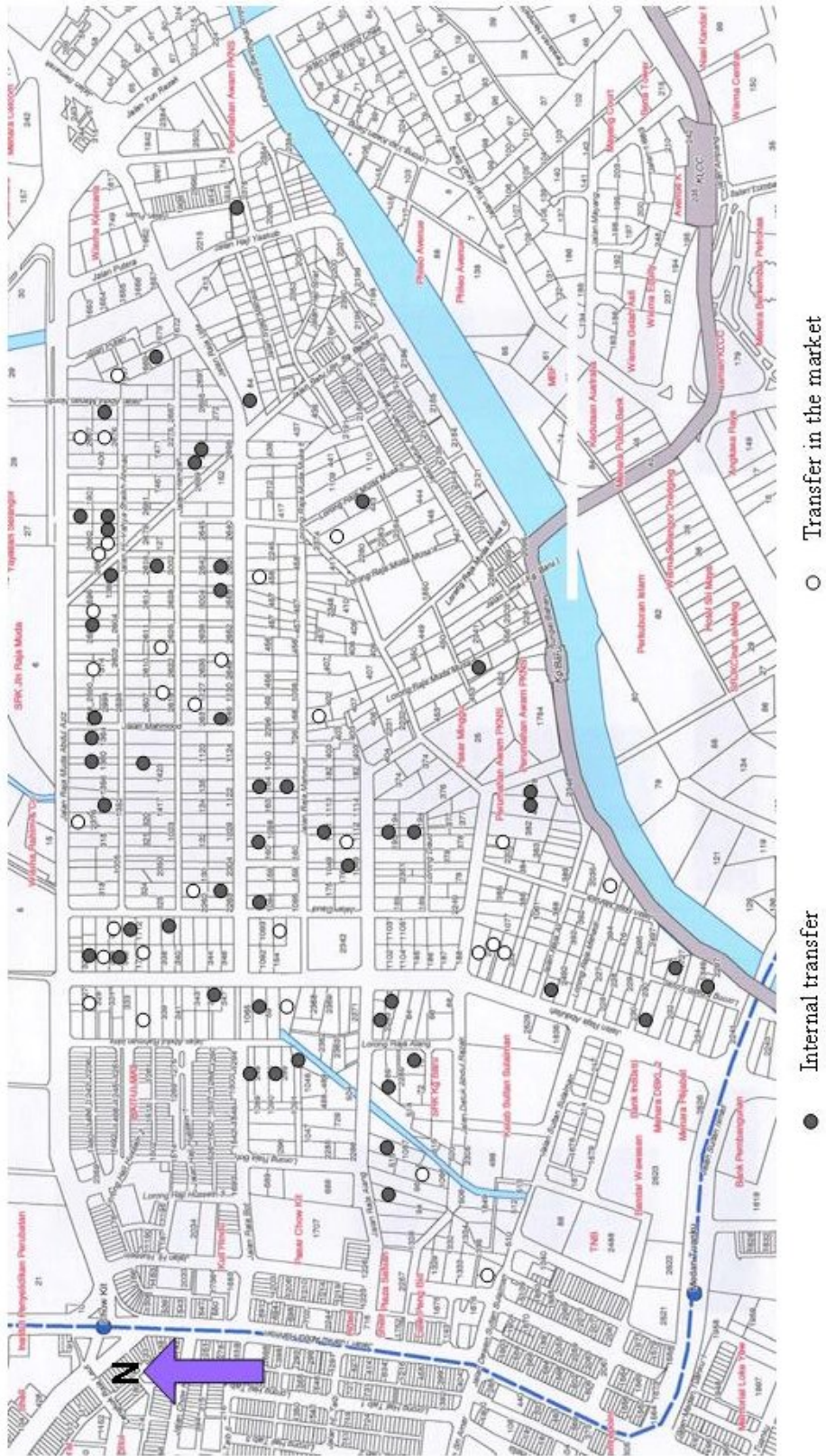
Rajah B.2d. Pelan pembangunan tapak Pasar Minggu



APPENDIX B: Distribution of respondents



Appendix C: The distribution of transferred lots (1996-2006)



**APPENDIX D**  
**PHOTOGRAPHS**



An underutilized lot located at Kampong Paya



An underutilized lot located at Jalan Raja Muda Musa

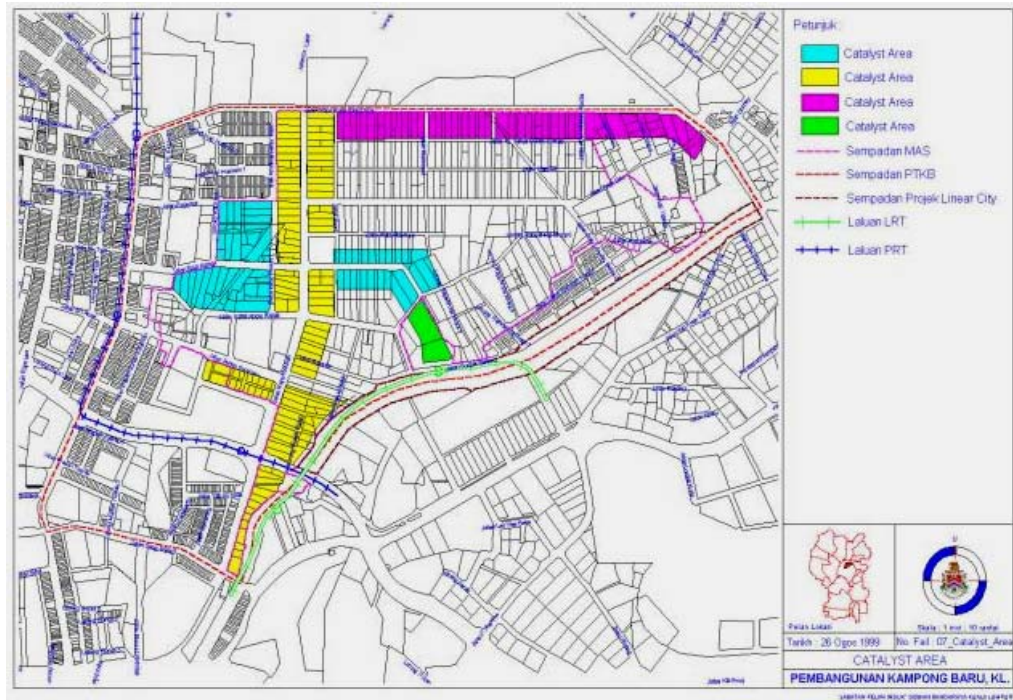


A developed lot (Plaza Rah) located at Jalan Raja Abdullah

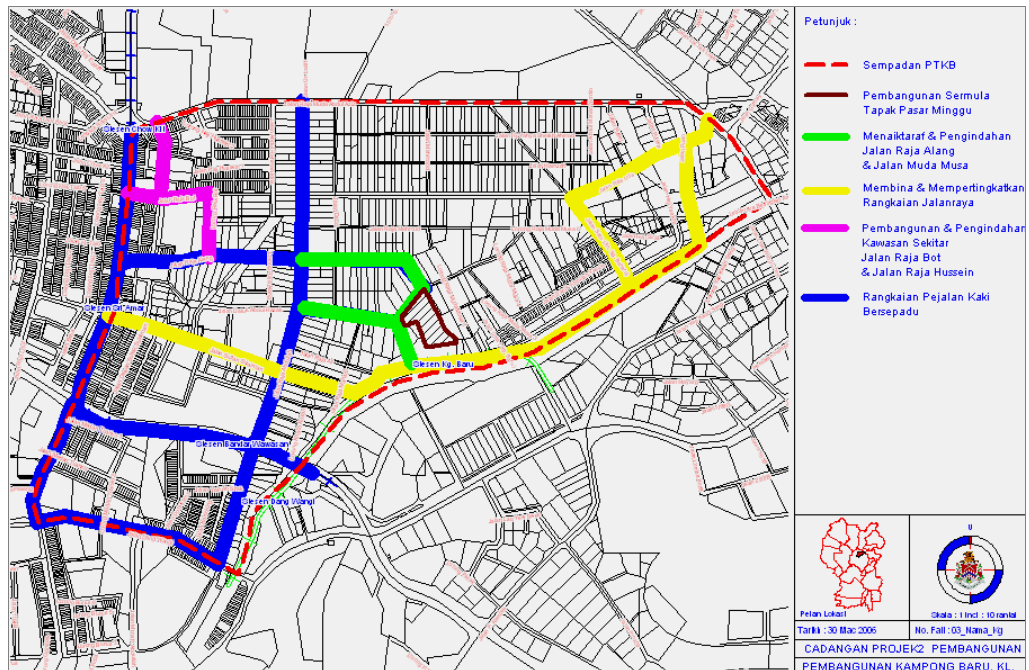


A developed lot located at Jalan Raja Muda Musa

## APPENDIX E - MAPS



High potential of commercial area (Source: Kuala Lumpur City Hall (2006))



Main development project plan (Source: Kuala Lumpur City Hall (2006))