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Ensure buyers before launch

THE warning now comes from the Prime Minister himself: developers should ensure ready buyers before they build. Otherwise they might not be able to obtain future development licences. Datuk Seri Dr Mahathir Mohamad does not want a recurrence of past situations during bad times where projects were stalled or abandoned in some instances, leaving hapless housebuyers in the lurch. Completed units in other projects remained unsold, forcing builders into bankruptcy. Rusting cranes in unfinished development sites are not only an eyesore but also bad for everyone. They portend financial nightmares for both buyers and developers. They are the bane of the construction industry and the canker that debilitates the economy.

Remedial measures to revive the housing sector are expensive as manifest in past programmes. House ownership campaigns such as those launched in 1998 and last year have been successful largely due to various concessions such as discounts and waiver of stamp duties. Abandoned projects can only be revived through the injection of public funds. In the mid-1980s, the Government had to establish a RM200 million revolving fund to resuscitate 241 abandoned housing projects. As Dr Mahathir said on Saturday, the Government cannot continually support such housing sales campaigns. Neither can it repeatedly step in to fund completion of unfinished projects.

The choice is simple for developers. They are businessmen and as businessmen they should undertake market studies to gauge the demand for the products they intend to sell. They should not presuppose that any house built in any piece of land in any location will have ready buyers. True, thousands upon thousands do not own homes, live in rented dwellings and are in search of their dream homes. And each year, many thousands more join the queue. But they have varying needs dictated by financial means, location as well as the size of units developers have for sale.

Developers should be aware of the requirements of housebuyers. But the sad fact remains that they chose to ignore market demands. They build at will, creating new townships, 40, 50 or even 60 kilometres away from urban centres, with the promise of public facilities and vast amenities. When buyers move into the initial phases, they discover even the supply of basic utilities such as water, electricity and telephone lines is woefully inadequate. Their complaints, highlighted in the media, deter other potential buyers. As a result, other phases of development, including the provision of schools and shopping centres, remain plans because sales are either too slow or few.

Builders should invest in market research to gauge whether their projects would attract sufficient buyers to enable them to raise bridging loans to finance the launch. Indeed, they should undertake more pre-launch work like liaising with the local authorities and the providers of utilities on their current and future plans. For, housebuyers do not merely buy dwelling units. They demand, and should be provided with, efficient supply of all utilities. The housing estate should be served by commercial centres, with shops, markets, clinics, banks and schools within easy access. All these provisions should not be deemed social or civic obligations best left to present and future local authorities. Rather, they are concomitant obligations of the builder. If these are assured, buyers would search out the housing projects.

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