

## Research Article

### Identifying Critical Factors of Sale Failure on Commercial Property Types, Shop Houses by Using Multi Attribute Variable Technique

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**Abstract:** The focus of this research is to identify the critical factors of shop houses sale failure in Bandar Baru Nilai and further up to discover the critical factors of sale failure of commercial property types, shop houses in new township as report by valuation and Property services department (JPPH) showed 5,931 units of shop houses in Malaysia is currently completed but remained unsold where Johor was recorded as the highest with unsold units followed by Negeri Sembilan. Bandar Baru Nilai (a district of Negeri Sembilan) is chosen as research sample for unsold shop houses units due to its strategic location which is near to KLIA, International Sepang Circuit, educational institutions and surrounded by housing scheme but yet still has numbers of unsold units. Data of the research is obtained from literature review and survey question between developers, local authority, purchasers/tenant and local residents. Relative Importance Index (RII) method is applied in identifying the critical factor of shop houses sale failure. Generally, the factors of sale failure are economy, demography, politic, location and access, public and basic facilities, financial loan, physical of product, current stock of shop houses upon completion, future potential of subsale and rental, developer's background, promotion and marketing, speculation and time.

**Keywords:** Sale failure factor of shop houses, sale of shop houses, shop houses

## INTRODUCTION

Oversupply of building may happen everywhere but with different degree of seriousness like Ramabodu *et al.* (2007) reported in some cities and urban development in South Africa, developments focus strongly on converting offices and even industrial buildings into residential spaces as well as the upgrading of existing stock. While in UK, Swallow (1997) stated that buildings may become unoccupied for a variety of reasons and that some will be physically or functionally obsolete and may be beyond economic repair or adaptation.

In Malaysia, JPPH from its report, showed the scenario of shop houses oversupply in peninsula Malaysia. JPPH report on quarter II, 2011 showed 5,931 units at the value of RM 1.690 billion of completed shop houses remained unsold (Fig. 1). Negeri Sembilan with 622 units unsold shop houses is recorded as the second highest after Johor and this number contribute to 10.5% of overall amount unsold units in Malaysia. Most of the completed and unsold units of shoplots in Negeri Sembilan is situated at the district of Seremban.

In relation to this, this study is intended to examine the critical factor of shop houses sale failure in Bandar

Baru Nilai (BBN). Even situated near KLIA, International Sepang Circuit, educational institutions and surrounded by housing schemes but BBN still has numbers of completed units which remained unsold at Bandar Baru Nilai.

BBN is a well planned new township with specific area marked for each development types which are commercial area, housing scheme and educational institution (Fig. 2). Commercial area consist of hotel, shop houses and hypermarket (Fig. 3). There are about 26 numbers of housing scheme in BBN which supposedly to support the development of shop houses here but the current scenario is in contrary (Fig. 4).

Generally, the aim of this research is to achieve a few objective that is to identify and review the pattern of shop houses construction in new township and further up to determine the critical factor of shop houses sale failure in new township.

It is hoped to benefit the construction industry players particularly the developers in guiding them for the best investment return, local authority in assisting them to permit only sound application that meet the need of the area for shop houses development and researcher in providing the input for future research. Moreover, this research may decrease the risk of shop houses oversupply in the market.

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State	Units (Nos)	Percentage (%)
Johor	3081	51.9%
Negeri Sembilan	622	10.5%
Selangor	539	9.1%
Melaka	437	7.4%
Perak	317	5.3%
Sabah	250	4.2%
Sarawak	230	3.9%
Pahang	127	2.1%
Kedah	120	2.0%
Kelantan	76	1.3%
WP Kuala Lumpur	72	1.2%
Pulau Pinang	60	1.0%
WP Putrajaya	0	0.0%
WP Labuan	0	0.0%
Terengganu	0	0.0%
Perlis	0	0.0%
Total	5931	100%

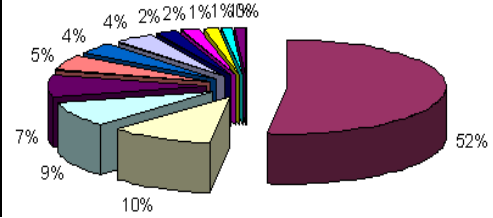


Fig. 1: Overhang shoplots in Malaysia

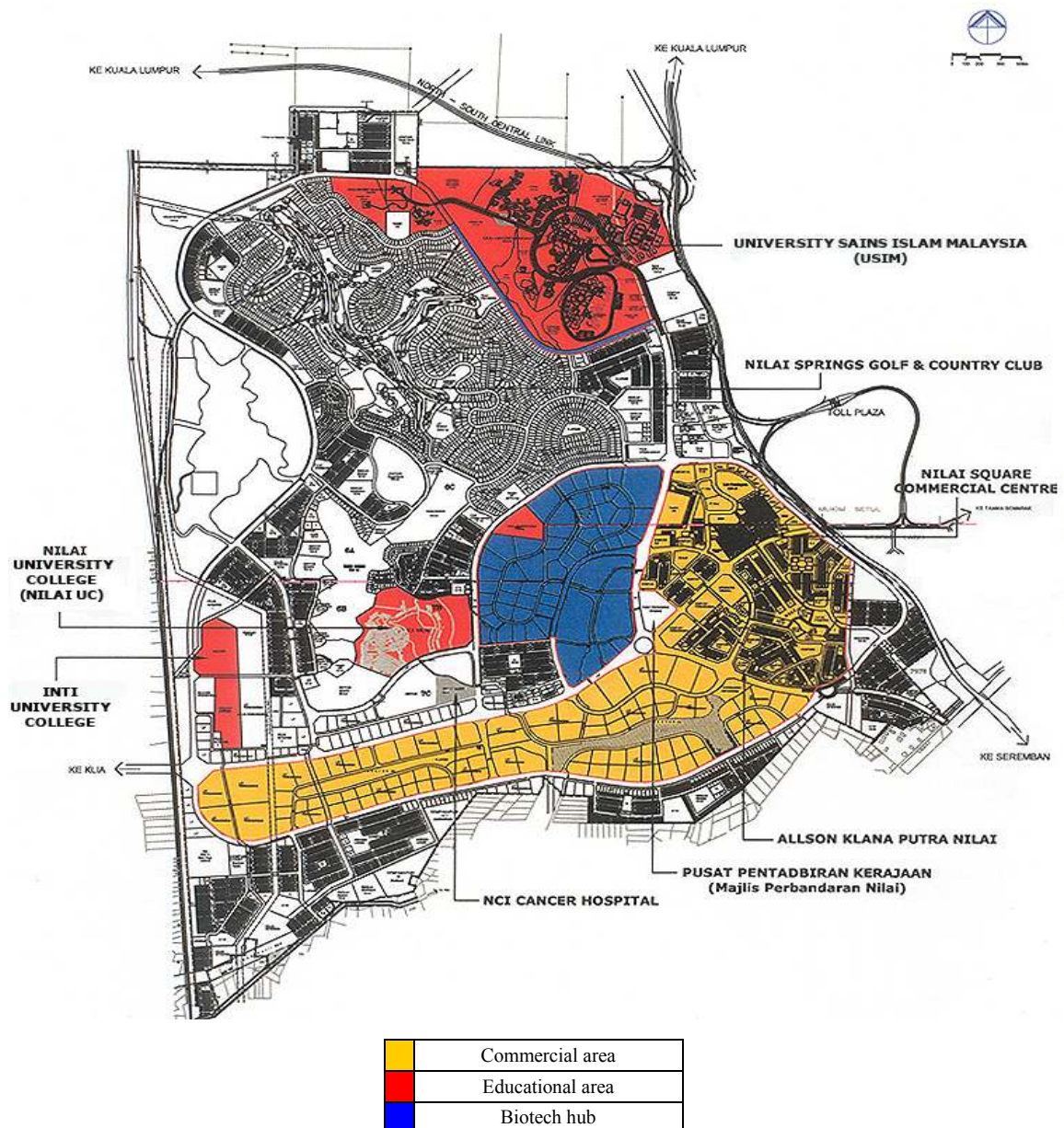


Fig. 2: Bandar Baru Nilai master plan

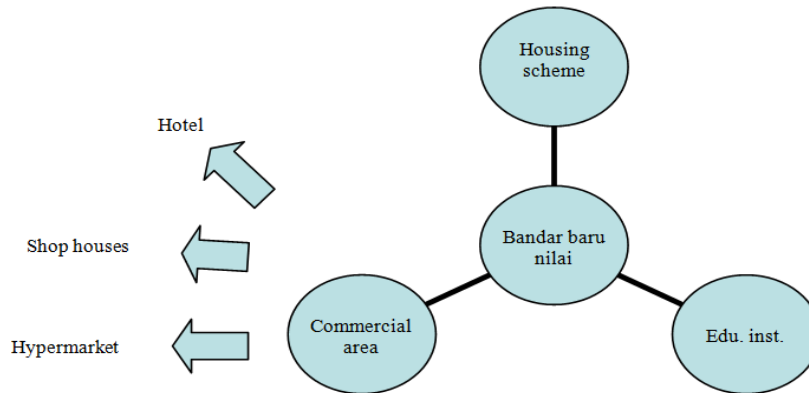


Fig. 3: Development component in Bandar Baru Nilai

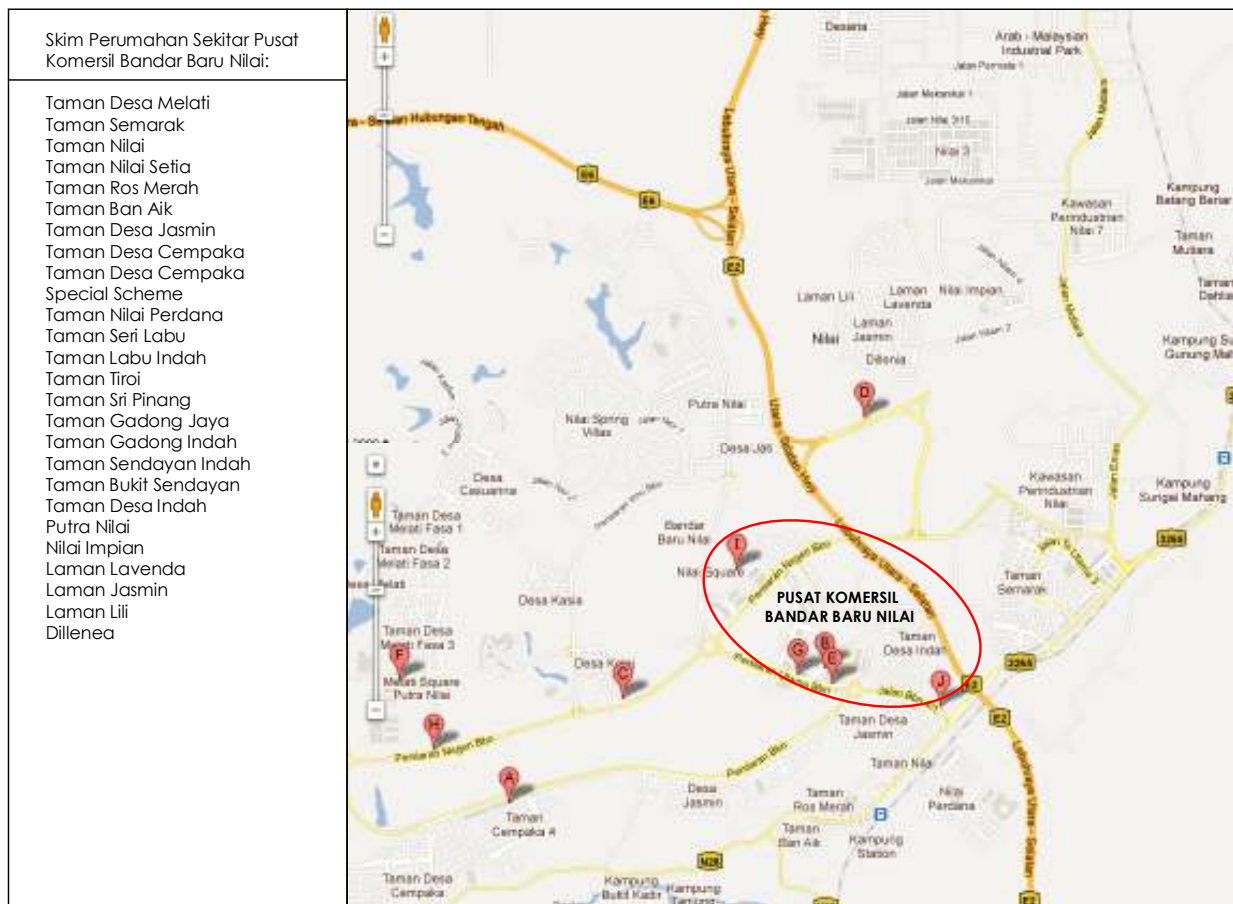


Fig. 4: Housing scheme in Bandar Baru Nilai

**MATERIALS AND METHODS**

Basicly, a successful sale factor is influenced by macro and micro factor. Macro factor includes economy, demography and politic (Fig. 5), while micro factors are location and access, public and basic facility, financial loan, physical features, current stock, future potential, developer’s background, promotion and marketing, speculation and time (Fig. 6).

**Macro factors of sale failure:** Economic performance is affected by economic activities such as construction, agriculture, education, public administration and defence (Ruddock, 2000). So economic and construction industry is inter related and this can be seen during the global recession period where hardly much activity in constnction industry following the mortgage crisis while macroeconomic fluctuation has influenced the demand and supply in construction industry (Dikmen *et al.*, 2010).

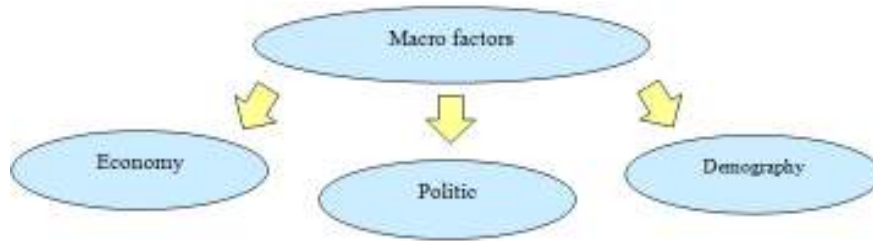


Fig. 5: Macro factors (Ruddock, 2000; Dikmen *et al.*, 2010; Mohd Ali *et al.*, 1998; Bujang *et al.*, 2010; Ramabodu *et al.*, 2007)

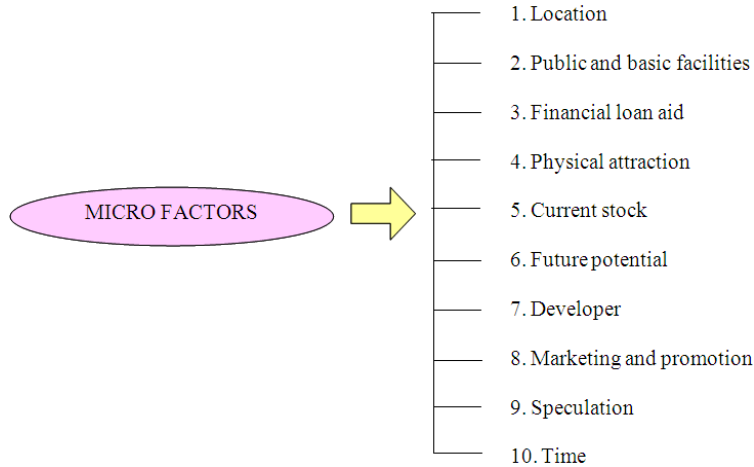


Fig. 6: Micro factors (Wyman *et al.*, 2011; Tuner, 1997; Dobson and Goddard, 1996; Abdullah, 2006; Pagliara and Papa, 2011; Raskin, 2010; Crosby and Hughes, 2011; Aminah and Ismail, 2007; Bullen and Love, 2009; Mohd Ali *et al.*, 1998; Connellan and James, 1998; Bjorklund *et al.*, 2006)

Demography like population size and feature, household size and preference, affect the public tendencies in certain property at specific area (Mohd Ali *et al.*, 1998). Clara (2006) as cited in Ahmad *et al.* (2010) define demographic as a study of human population with emphasis on the statistical analysis of the quantities and characteristic of the people who live in the particular area.

Other than that, political also made part of sale failure factor as it can affect demand and supply of property through determining national policies, setting broad national delivery goal, setting norms and standard, publishing national building code, assisting provincial and local government and establishing a funding framework (Ramabodu *et al.*, 2007). Strict policy in financial loan and increase in tax will limit the construction demand (Aminah and Ismail, 2007). However the degree of government participation in property varies according to the chosen political ideology of a country (Ramabodu *et al.*, 2007).

**Micro factors of sale failure:** Kinnard (1968) as cited by Wyman *et al.* (2011) stated that there are four types of risk in real estate investment and these includes time and location risk which need to be managed for product succeed. Turner (1997) stated that location, location and location is the main successful indicator for a

property product. This is also mentioned by Dobson and Goddard (1996), that location factor is among a considerations in investment decision. Other than that, time factor is also important as it indicate the situation at the time a property is launched (Abdullah, 2006).

Public urban transport like light rail, metro and other urban rail transit systems can play a significant role in improving the attractiveness and quality of property. Therefore the introduction of a new station has a positive impact on property values of all types (Pagliara and Papa, 2011). Raskin (2010) in his research in the area of Columbia, found that on the average, annual property value increase at the area of bus rapid transit especially places within walking distance from the system.

Crosby and Hughes (2011) stated that one-third of lending by UK bank worldwide is to real estate sector which means common form of property financing is through bank loan. Again this may relate to current policy and financial loan as stated by Aminah and Ismail (2007).

Moreover, physical attraction of a building also play an important role in building selling point as there is perception that a building need replacement simply because it is old and inefficient (Bullen and Love, 2009).



Other than that, Mohd Ali *et al.* (1998), stated that it is important for the developer to do a study on the current stock of property to estimate the future's need in avoiding oversupply and further more reduce their risk of loss in investment.

Future potential of a commercial property like rental value expectation is one of criteria that investor look into when considering to buy commercial property (Connellan and James, 1998). Dobson and Goddard (1996), also believed that the supply of properties to let or sell in each area depends on the area's rent and price.

Promotion and marketing strategy is a way to increase sale and this is proved by Björklund *et al.* (2006) in his findings where the results indicate that a high offer price is more likely to result in a high ratio of transaction price to expected price compared to a low offer price.

Speculation manipulate demand over real estate investment which creates speculative bubble. Speculative bubble drives further demand and stimulate sale but somehow at some point the demand decreases or stagnates where at the same time supply continue increases and this will result in oversupply (Wyman *et al.*, 2011).

**Analysis method:** Analysis that had been conducted in this research is relative importance index or RII to identify the highest factor as well as to rank the other factors as did by (Tawil, 2008):

$$RII = \frac{1n^1 + 2n^2 + 3n^3 + 4n^4 + 5n^5}{5(n_1 + n_2 + n_3 + n_4 + n_5)} = (\sum_{i=1}^5 w_i \times f_{xi})$$

where,

$n^1$  = Strongly disagree

$n^2$  = Disagree

$n^3$  = Slightly agree

$n^4$  = Agree

$n^5$  = Strongly agree

$RII = (\sum_{i=1}^5 w_i \times f_{xi}) \times 100/N$

where,

$w_i$  = Weightage given by the respondent

$i$  = 1, 2, 3, 4 and 5

$f_{xi}$  = Frequency of each respondent

$N$  = Total respondent

## RESULTS AND DISCUSSION

Analysis from the questionnaire survey is shown in Table 1, listing the factor of sale failure. Data reliability test by Cronbach's Alpha suggest that 0.709 and above is the cutt of value for being acceptable.

Referring to the RII result from the questionnaire survey in Table 1, all cause factor index is over 0.709 which indicate the data is reliable except for the

Table 1: RII ranking

Cause factor	RII
Location and access	0.964
Public and basic facility	0.912
Demography	0.900
Promotion and marketing	0.896
Future potential	0.840
Speculation	0.840
Economy	0.824
Financial loan	0.796
Physical attraction	0.792
Time	0.784
Current stock	0.744
Politic	0.656
Developer's background	0.640

developer's background factor. The RII ranking from the highest factor to the lowest factor that influence sale failure. The cause factors with RII more than 0.800 is considered critical cause factor.

Result shows that the critical factors of sale failure on commercial property types, shop houses, are location and access, public and basic facility, promotion and marketing, future potential and speculation.

The most critical factor with the highest RII was location and access. So the result from this survey support and in line with Turner (1997) and Mohd Ali *et al.* (1998) who state that location is the most crucial factor in chosen a property.

## CONCLUSION

In conclusion, the development of commercial property cannot stand alone and need to be supported by its surrounding and it is better if the area is a center of attraction. This will make it more valuable and interesting for investment. That explained the reason location and access be a main factor of successful sale of shop houses and followed by public and basic facility factor and demography which is all related to a good condition and environment of a location.

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