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A CONCEPTUAL PAPER ON STIGMATISED DIMENSION TOWARDS RESIDENTIAL OVERHANG

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Abstract

Property stigma refers to some characteristics, features, social values, or an event relating to land and buildings that can create a negative perception of a building, land, project, or neighbourhood area. It was identified as a significant factor contributing to the number of overhang residential units in Malaysia. This paper aims to develop a Conceptual Framework of a stigmatized dimension model for residential overhang properties that can assist the decision-making of the property market players (developers, planners, and property consultants). This study utilizes a desktop analysis that reviews previous scholars' conceptual frameworks. The conceptual paper develops four (4) stigma-related variables: Environmental stigma, phenomena stigma, neighbourhood stigma, and structural stigma. However, it is not an empirical investigation of property overhang since this paper needs to review in detail all the factors that influence the property overhang. The proposed conceptual framework will provide valuable insights into the stigmatized dimension of property overhang from the buyer's perspective. This paper provides an essential conceptual framework that will assist the property market players enhance their housing development and sales strategy, thereby increasing the bottom line. Subsequently, this will improve the property market efficiency and meet the demand and supply requirements.

Keywords: Property Stigma, Property Overhang, Residential

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INTRODUCTION

A good housing development project should be designed to help households develop a safe and secure neighbourhood (Osman et al., 2017; Teck-Hong, 2011). The environmental condition that reduces the value and marketability of the property and sometimes those adjacent to it is known as stigmatization (Ogban & Akujuru, 2016). Stigmatized property is real estate burdened with an external negative effect (Hajnal, 2017). Furthermore, stigma is also known as a phenomenon when there are physiological impacts by bad circumstances, and the value or reputation of the property is affected. For example, the existence of high-voltage power transmission lines (HVPL) and contaminated land might expose the neighbourhood to health risks (Ibrahim & Maimun, 2022; Ogban & Akujuru, 2016). Notably, this perception will influence the decision of the homebuyers when purchasing the property (Said et al., 2016). They might refuse to buy a house close to the area. According to Leiss (2013), stigma refers to some mark that could be placed on a person to signify shame, disgrace, and disapproval. Stigma is also defined as fearful behaviour that cannot be quantified and may or may not be substantiated (Callanan & Eves, 2015). In real estate, the stigmatized property can cause the buyer or tenant to be shunned for reasons unrelated to its tangible conditions or features. A property may be deemed stigmatized based on the occurrence of certain events. This term is sometimes used to describe a property affected by negative events. However, it does not impact the property's appearance or function, such as murder, crime, or harassment (Nallathiga et al., 2018). Hence, it can be concluded that variables related to stigma cannot be quantified or measured. It does not relate to the physical property, yet it tends to relate to external factors like environmentally friendly and events that have happened before. In addition, stigma does not necessarily refer to the whole area. In some cases, it might refer to the individual unit of property. For example, while the region has no record of environmental issues, the individual unit has a haunted house history. That stigma is difficult to eradicate and may be temporary or permanent. Stigma was identified by Rahim et al. (2019), causing property overhang in Johor Bahru. However, before this paper, no previous research had been conducted on the stigmatized aspect of property overhang. Hence, this study attempts to form a framework demonstrating their relationship to identify the stigmatized dimensions in the case study area.

PROBLEM STATEMENT

Failing to match consumers' dynamic requirements will eventually result in accumulating unsold properties labelled as overhang properties (Sivadasan et al., 2020). Property overhang and oversupply are terms used to describe a gap between supply and demand in the property market. The definition of property overhang includes the completed housing units that obtained the Certificate of Completion and Compliance (CCC) from local authorities and remained unsold

for more than nine months after it was launched on or after 1st January 1997 (NAPIC, 2022). Table 1 defines overhang and unsold property by the National Property Information Center (NAPIC). Any remaining units left unsold after the issuance of a Certificate of Completion and Compliance (CCC) will be deemed as overhang (NAPIC, 2022).

Table 1: Definition of Property Overhang

Sales Status	Development Stage	Units	Period in The Market	Start Date
Overhang	Completed with CCC	Unsold	More than 9 months from the launch date	Launch date at or after 1 st January 1997
Unsold Under Construction	Under Construction	more than 5 units		
Unsold Not Constructed	Not Constructed			

Source: NAPIC (2023)

According to the NAPIC, up to the third quarter of 2023, there will be 25,311 residential units classified into overhang buckets. Selangor was the main contributor of the central region state with the highest number of overhangs with 4,995 unit. Note that Selangor was the state with the most active industrial activity and the highest population among the states in Malaysia.

Table 2: Percentage of Residential Overhang in Selangor as of 2023

Segment	First 3 years	%	More than 3 years	%	Total Overhang
Total number of Unit	3,393	67.9	1,602	32	4,995
Total number of Housing Scheme	49	48	53	51.9	102
Total value of overhang (RM/ bil)	2.93	65.5	1.54	34.4	4.47

Source: NAPIC (2023)

Table 2 exhibits the percentage period of residential overhangs in Selangor as of Q3 2023. The data revealed, that about 32% of residential overhang units in Selangor have not been sold even after 3 years of obtaining the CCC. It indicates the slow performance of sales by developers will lead to the property overhang. There are many actions taken by responsible agencies to mitigate the issue, but the effort is focusing on reducing the number of overhangs but not the property stigma. Despite the number of property overhangs trend reducing, the stigma remains (Rahim et al., 219). Therefore, it is an issue that should be resolved as to why the buyer refuses to buy the house in Selangor. According to Said et al. (2016), property that has been determined to have a stigma will affect housing prices. Housing prices will reduce by 10% to 20% from similar comparable properties. Thus, properties with a stigma are not the choice of investors or potential buyers. This indicates that any property with a stigma

will have a lower take-up rate since the value is different from a property without a stigma. This aligns with the definition of property overhang. Once the house has been completed and not taken up by potential buyers or investors, it will be counted in the property overhang statistics released by NAPIC nine months after the launch date (NAPIC, 2023). According to Hajnal (2017) and Ogban and Akujuru (2016), stigma is significant to house prices. Does this stigma have a direct effect on the occurrence of property overhang?

Table 3 provides several conceptual frameworks that have been developed by previous scholars.

Table 3: Conceptual Framework

Author	Independent Variable	Dependent Variable
Hajnal (2017)	Nearby Airport Groundwater contaminations High Voltage Power Line Cables Waste Dump Haunted house	Property Value
Said et al. (2016)	Type of stigma Implication of stigma	Housing Price
Rahim et al (2019)	Unattractive location Price Imbalance property market Unethical speculation End financing and unreleased Bumiputra units Design consideration Mismatch supply and demand Accessibility Poor Integrated Planning Provision Social stigma Feasibility Study Affordability Economic activities Neighbourhood Connectivity	Property Overhang
Kassim & Tey (2022)	Price Location Housing loan Building condition Feasibility Study	Property Overhang

Source: Author (2024)

There is a lack of previous research specifically addressing the issue of stigma associated with the property overhang. The latest study of the property overhang was conducted by Kassim and Tey (2022) and Rahim et al. (2019), which discovered that they only focused on the overall factor that may affect the property overhang in the selected case study. Consequently, Kasim and Tey

(2022) examined the factors contributing to the property overhang towards a double-story semi-detached residential. However, the scope of their research was limited to a specific type of property, and it considered general aspects that could influence the overhang issue without explicitly addressing studies related to social stigma. Moreover, their study did not touch on the stigma element, which may be why the number of overhang units keeps increasing. In their finding, the factors that caused the overhang scenario were also one of the stigmas. However, they have yet to be studied in depth, such as the physical condition of the building. The conceptual framework highlighted by Kassim and Tey (2022) and Rahim et al. (2019) was trying to solve the property overhang issue within the region of their case study. They were using the general factors that may potentially affect the property overhang as their independent variable without any specific focusing element. In contrast to Hajnal (2017), he examined stigma but was more concerned with determining the market value of properties in Central Europe. It is similar to the findings of Said et al. (2016), whose study has focused on all types of property stigma in-depth and the implications of stigma towards housing prices. Whereas, according to Rahim et al. (2019), property stigma is also one of the factors that may affect the property overhang. The conceptual framework developed by Said et al. (2016), is more focused and concentrated on specific elements like property stigma and limited to other factors that may affect the property value, however, the focus is on housing prices and determining the market value of the stigmatized property. Said et al. (2016), revealed that the property attached to stigma would influence house price, yet it did not impact the implications of stigma variable towards housing price. However, the conceptual framework was applicable towards the housing price and not to property overhang. Therefore, the recent research relating to property stigma and property overhang has not yet been studied. Housing is a basic need for humans, which involves a procedure of transactions and, of course, a large amount of money. Therefore, deciding to acquire a house is something crucial that needs to be determined since they need to study the history of the property and the area in which the property is located prior to proceeding with the transaction (Said et al., 2016). This is attributed to the fact that investors will put abundant money into properties in good locations; however, if the property is discovered to have a bad reputation, its value will be affected.

RESEARCH AIM

This paper aims to develop a conceptual framework of stigmatised dimension towards residential property overhang from buyers' perspective. Thus, this study aims to identify all types of stigmas associated with the properties.

METHODOLOGY

This paper was a desktop research analysis. It is secondary research that analyses available data sources. The desktop study was an analysis involved in collecting data from existing resources. Hence, it is often a low-cost technique (Gandhi et al., 2018). This research relies on data from the previous literature and conceptual framework. The data was then collected and organized into a literature matrix to represent the components and structure of the variables visually. Subsequently, a conceptual framework was constructed based on the literature matrix. The layout of the concept matrix is straightforward. The references to be reviewed are listed in abbreviated APA style. The head of each column displays concepts that have been derived from the problem statement of the research project (refer Table 4). If a concept is discussed in a particular reference a tick is placed in the appropriate cell. This approach enables the researcher to conduct a critical comparative literature review of all references listed under each concept (Klopper et., 2007).

CONCEPTUAL FRAMEWORK

Property values are affected by "location, location, location," which is an old and oversimplified saying, however, it might be more true to say that "perception, perception, perception" determines the value of a property." (Bell, 2016). According to his statement, other significant factors need to be closely examined rather than location. Said et al. (2016) said that properties that have been found to have a stigma are not the choice of investors or potential buyers. Therefore, it might take a long period to sell. This situation will lead to a property overhang scenario, once the units are not able to sell within 9 months it being launched, it will be categorised as property overhang. Does this stigma have a direct effect on the occurrence of property overhang? The conceptual framework is focused on external stigma. External stigma is a negative connotation that may exist outside of the property (Horgan, 2020). Meanwhile, external stigma categories refer to attributes distinct from individual properties. It consists of several subcategories, namely environmental stigma, neighbourhood stigma, phenomenon stigma, and structural stigma.

Environmental Stigma

Environmental stigma is assumed to be attached to contaminated places or sites. Its connotations include a high perception of risk, inequitable risk distribution, and consequences from the damage to severe and long-lasting areas for the local communities near such places (Leiss, 2013). This recognition is seen in the adverse effect of environmental pollution on the worth of properties (Mccluskey & Rausser, 2003). For example, the neighbourhood property adjacent to the dumping site (Ogban & Akujuru, 2016), groundwater contaminated by chemicals (Zhuang et al., 2016; Hajnal, 2017), nuclear power stations (Leiss, 2013), high voltage power lines cables (Bell, 2016), airport and railway lines (Hajnal, 2017).

These stigmas are thought to contribute to scent pollution, noise pollution, and health concerns. Apart from that, neighbourhood stigma also harms property value. It is the negative public perception of living in a community that has experienced a degraded quality of life.

Neighbourhood Stigma

Neighbourhood stigma pertains to social matters and distance from one area to another (Ibrahim & Maimun, 2022). It is related to the residential location, whether urban, suburban, or rural. Therefore, it is vital since it impacts those who rely heavily on public transport services and travelling periods, thus involving high costs if the travel distance is far (Lin & Long, 2008). Several scholars mentioned that people refuse to buy a house due to the distance and location. This includes access to public transport (Cheng & Ling, 2023) and distance to public healthcare and educational facilities (Olanrewaju & Woon, 2017). According to the previous scholar, this type of stigma is a highly significant sign as it has been identified that if a stigma is associated with a property or community, it would be less attractive to investors or potential buyers, for example, the housing scheme is located within the crime area (Ibrahim & Maimun, 2022). Hence, many students are rented in the family neighbourhood (Horgan, 2020) as it tends to create a moral issue, and the housing scheme makes no sense of security (Teck-Hong, 2010). All of these factors pose a potential risk to personal and familial safety. Naturally, if potential buyers know these issues, they will decide not to purchase a property in such an area. Regarding the distance, it is determined to have higher significance from the previous scholars as it will be more costly if they decide to house far from the working area, especially government or private departments (Olanrewaju & Woon, 2017), hospitals (Rahim et al., 2019) and retail area (Kasim, & Tey 2022). All of these factors are priorities when deciding on buying a property. Accordingly, it can be concluded that if the distance variables are far from their housing scheme, it becomes a property that gets less attention due to negative connotations and, therefore, can cause the property to overhang.

Phenomena Stigma

Phenomena or hunting stigma is associated with a residence believed to be haunted or similar phenomena, such as an extant ghost, death experience (Nallathiga et al., 2018), and former abandoned housing projects (Ibrahim & Maimun, 2022). They also defined phenomena stigma as psychological stigma due to the property having an awful history. According to Nallathiga et al. (2018), this stigma will mainly impact the property value. Hence, this will affect the demand in certain areas, too. It is supported by Said et al. (2016) that property involved in a murder or suicide case will reduce the value of the property by about 10 to 20% from the comparable properties. Meanwhile, Chang and Li (2018)

discovered that, in Hong Kong, the property value that has experienced unnatural death will drop by about 25%, and the nearby property will drop by about 4.5%. The drop in value will affect not only the individual property but also the neighbourhood and surrounding area. Therefore, if the prospective buyer becomes aware of such stigmas, they will certainly decline to purchase a property in the residential area.

Structural Stigma

Institutional stigma is more systemic, involving policies of government and private organizations. There are two institutions involved that are responsible for the existence of stigma on a residential scheme. Firstly, developer reputations play a vital role in attracting buyers (Rahim et al., 2019), and local authorities are responsible for the planning permission approval on an area of development (Said et al., 2017). According to Mohammad et al. (2022), people refuse to buy houses at a higher price. With the high cost of living nowadays, the higher commitment will burden the buyer. Kassim and Tey (2022) supported the idea that price is the main factor contributing to Johor Bahru's property overhang. Usually, branding developer will have their marketing strategy to portray their business. Indirectly, they are using the high cost for marketing strategy, which leads to the high price due to the selling quality. In addition, the local authority also plays a vital role in approving planning permission. If planning approval is granted to a development zoned as a flood zone, it will put potential buyers at risk. Thus, it can cause a negative perspective on the property due to the potential risk that may be faced towards potential homebuyers (Bell, 2016). This situation relates to the town and country planning department, which permits the development of housing schemes in flood zones. This kind of stigma will give a negative perception and bad reputation towards housing development due to the lack of policies implementation by specific agencies. When the property's value drops and it becomes challenging to sell, it becomes more difficult to attract buyers. Apart from that, the housing site also increases the probability of property stigma, whereby the housing site is near an area affected by landslides (Said et al., 2016). The uncertain condition will make potential homebuyers uneasy about buying a property in the affected area. Meanwhile, according to research by Zhuang et al. (2016), housing development adjacent to an industrial zoning area is believed to experience rapid building obsolescence and, after that, will cause physical defects, amongst others. This stigma will result from the approval of planning permission.

Table 4 displays the stigma factors associated with properties. The factors will be used to ascertain the relationship with the property overhang.

Table 4: Stigma Variables

STIGMA VARIABLES	SOURCES
ENVIRONMENTAL STIGMA	
1	Nearby airport (Hajnal, 2017; Ibrahim & Maimun, 2022)
2	nearby railway (Hajnal, 2017; Ibrahim & Maimun, 2022)
3	HPVL (Elliot & Wadley, 2022; Callanan & Eves, 2015; Bell, 2016;Hajnal, 2017; Ibrahim & Maimun, 2022)
4	Waste dump (Leiss, 2013; Ogban & Akujuru, 2016; Hajnal, 2017; Ishak et al., 2019; Ibrahim & Maimun, 2022)
5	Water contaminated (Ogban & Akujuru, 2016; Zhunag et al, 2016; Hajnal, 2017; Ibrahim & Maimun, 2022)
6	Odour Nuisance (Ogban & Akujuru, 2016)
NEIGHBOURHOOD STIGMA	
7	Crime (Zhuang et al, 2016; Said et al., 2016; Olanrewaju & Woon et al., 2017; Brian, 2018; Hew et al., 2019; Ishak et al., 2019; Ibrahim & Maimun, 2022)
8	Students rental (Horgan, 2020; Nallathiga et al., 2017)
9	Morally loaded (Horgan et al., 2020)
10	Retail area/ Shopping (Mc Cluskey & Rausser, 2003; Teck-Hong, 2020; Olanrewaju & woon, 2017; Rahim et al. 2019; Ishak et al, 2019; Cheng & Ling, 2023; Kassim & Tey, 2023)
11	Hospital (Tech-Hong, 2010; Olanrewaju & Woon, 2017; Rahim et al., 2019; Ishak et al., 2019;Cheng & Ling, 2023)
12	Sport Centre (Teck-Hong, 2010; Olanrewaju & Woon, 2017; Rahim et al., 2019; Cheng & Ling, 2023)
13	Airport (Mc Cluskey & Rausser, 2003)
14	CBD (Mc Cluskey & Rausser, 2003; Rahim et al. 2019; Cradduck & Warren,2019; Cheng & Ling, 2023; Mohammad, 2022)
15	Public Transport (Olanrewaju & Woon, 2017; Cheng & Ling, 2023)
16	Government Office (Olanrewaju & Woon, 2017)
STRUCTURAL STIGMA	
17	Reputation (Rahim et al., 2019)
18	Price (Mc Cluskey & Rausser, 2003; Teck-Hong, 2020; Olanrewaju & woon, 2017;Mohammad, 2022; Kassim & Tey, 2023)
19	Landslide (Said et al., 2016)
20	Mining land (Bell, 2016)
21	Flood prone (Bell, 2016)
22	Industrial zoning (Zhuang et al, 2016)
PHENOMENA STIGMA	
23	Hunting (Alias et al., 2014; Zhuang et al., 2016; Said et al., 2016: Chang et al., 2018; Nallathiga et al., 2017; Ibrahim & Maimun, 2022)
24	Abondend project (Ibrahim & Maimun, 2022)
25	Death/ murder (Alias et al., 2014; Said et al., 2016: Chang et al., 2018; Nallathiga et al., 2017; Ibrahim & Maimun, 2022)

Source: Author (2024)

Impact From Property Overhang

Poor sales performance will impact developers' ability to cover their bridging loans, which may raise the possibility of project abandonment. This situation usually results in a price reduction or more rebates will be provided. Furthermore, an overhang scenario causes purchasers to expect more price decreases and hold off on buying the property later (Utusan Malaysia, 2023). From financial institutions' perspectives, when the economy, particularly the housing industry, is hurting, lenders will be more cautious in approving loans, resulting in the

tightening of consumer credit. All these will further exacerbate the drop in housing demand. This may lead to severe consequences on housing prices and develop into a housing bubble that unavoidably leads to the collapse of the financial system (Yip et al., 2021; Yiu et al., 2013). Not only that, property overhang is also related to property transactions. If there is no transaction, it will affect the primary source of government revenue, which is involved in tax collection for stamp duty, real property gain tax, and rating and assessment tax (Utusan Malaysia, 2023). Apart from that, it also impacts most professional firms involved in real estate transactions, whereas each transaction brings income opportunities to the lawyer, valuers, estate agents, and contractors. Consequently, this cycle contributes to economic growth (Utusan Malaysia, 2023). It will also lead to other side effects, such as pre-occupancy obsolescence, high maintenance costs, high energy costs, the abandonment of properties and houses, and others (Liew, 2023). Most people viewed the high overhang data as a negative indicator for the real estate industry. Sheldon Fernandez, country manager (Malaysia) of Property Guru, stated that the overhang units in the high-end segment took up the largest market share, and targeting wealthy foreign purchasers could further help decrease the volume of unsold units in Malaysia (Sharen Kaur, 2022). If the country allows it to happen, there will be more foreign purchasers than locals owning property in this country.

Implication of Stigmatized Property

When a property is labeled as stigmatized, the demand for the property decreases, leading to a decline in its market value. Potential homebuyers typically hesitate to acquire the property, especially when additional remedial costs are necessary due to phenomena such as stigma or environmental concerns. They feel insecure when they do not understand the defects and are afraid they have no adequate control over the property (Muldowney & Harrisons, 1995). Therefore, it is crucial to understand that the effect of stigma arose from the risk perception which concerned the homebuyer. Every risk encountered or perceived by them will influence their decision, whether it is from the environmental, safety, or financial. However, when homebuyers react negatively toward the risk or stigma, the demand for the stigmatized property will reduce (Said et al., 2016). The impact of the stigmatized dimension would vary according to the beliefs of homebuyers and their needs. According to Said et al. (2016), stigmatized properties significantly impact property prices. However, it was discovered that the implications of these stigmas do not have a significant impact on property prices. Some people might think that having a property attached to stigma will create a chance to generate profit in the future otherwise since they can have it below market value. Nevertheless, the earlier statement by the previous scholar mostly agreed that stigmatized property can lower the demand for the property. According to Callanan and Eves (2015), their preliminary studies suggested that when HVPL cables are in place, the value

of residential property in the surrounding area will decrease. Nevertheless, 60% of the property owners in New Zealand believe that if the HVPL is removed, the whole neighbourhood will improve by 10%, with the stigma remaining for three to four years. This is because some potential buyers may believe in the health effects of the electromagnetic field, and the valuers have to expect the buyer's attitude to value the impact (Ibrahim & Maimun, 2022). Moreover, most residential properties located close to the dump sites will also face a diminution of market value. In addition, it will affect the demand for residential property. The dump site will cause air pollution, odour nuisance, and groundwater contamination in the proximity area (Ogban & Akujuru, 2016). In conclusion, properties close to environmental problems will likely affect people's decisions about whether or not to buy them since an unsettling environmental issue will risk the buyer's health (Hajnal, 2017). This implies that any property associated with a stigma will receive less favour from investors or potential buyers due to its diminished value than a property without a stigma. This is consistent with the definition of property overhang. Nine months after the launch date (NAPIC, 2023), if the house has been completed but not taken up by potential buyers or investors, it will be included in the property overhang data reported by NAPIC. Hence, stigma is significant in house prices, as indicated by Hajnal (2017) and Ogban and Akujuru (2016). Therefore, this study aims whether the same variables have a direct impact on the occurrence of property overhang. Some conceptual frameworks propose a blueprint for this research (Said et al., 2016), which uses the same variables by previous scholars toward the market value price of the property. Consequently, this study will adopt the variables toward property overhang to fill the gap.

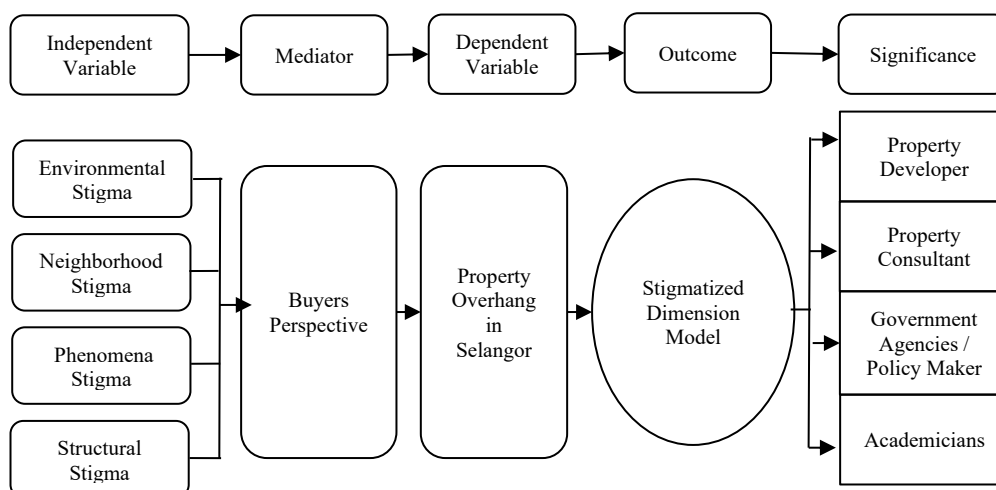


Figure 1: Conceptual Framework
Source: Author (2024)

Figure 1 proposes the conceptual framework which will use external stigma as an independent variable and property overhang as the dependent variable, with the buyer's perspective as a mediator variable.

SIGNIFICANCE OF THE STUDY

This paper provides an essential conceptual framework that will assist the property market players in enhancing their housing development and sales strategy, thereby increasing the bottom line. Subsequently, this will perfect the property market efficiency and meet the demand and supply requirements. The property developer will consider all the stigma categories to tackle potential buyers to get the best sales performance once they launch the product. Note that it is also necessary for them to examine several issues from the buyers' perspective when making such a development.

CONCLUSION

This paper concludes that the stigma towards property can affect the value of property involved. Once the property's market value is concerned, the property will have less demand compared to similar properties, leading to property overhang. Therefore, the proposed conceptual model fills the gap from the previous study by adopting all the variables toward the property overhang. Since the property overhang is related to the property with no demand, using the variables will demonstrate the relationship between the stigmatized dimension and property overhang. As the property overhang has continued to persist and increase over the past two decades, it is pertinent to examine the overhang issue from other perspectives. Researchers have neglected stigmas as a contributory factor towards residential property overhang. Moreover, stigmas are expected to negatively influence the decision-making of house buyers in house purchases in terms of location, neighborhood, housing scheme features, floor design, and unit characteristics. Therefore, the developer, government agencies, or any other relevant entities can be guided to reduce stigmas associated with property overhang by considering this stigmatized aspect from the beginning of the design phase.

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