

The Factors Influence Residential Auction Market Trend in Gombak, Selangor

Nooraisyah Omar¹, Masfaliza Mohsen¹, Zarina Shamsudin¹ & Ismail Omar^{1*}

¹Department of Real Estate Management, Faculty of Technology Management & Business, Universiti Tun Hussein Onn Malaysia, 86400 Parit Raja, Batu Pahat, Johor, MALAYSIA

*Corresponding Author

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Abstract: In the recent growth of property market in Selangor, auction has become a popular sales mechanism when there is increasing exposures of this market sector towards society. The rationale behind why residential properties are being put up for auction is various yet heterogeneous. The unavailability of published data on the number of auctioned residential property makes it questionable for property players to know the status of residential sub-sector in auction market. The overall purposes of this study are to analyse the trend of residential auction market in Gombak from 2015 to 2019 and to identify the factors that influenced the trend. In achieving the objectives, reviewing transaction data for auctioned residential properties will be carried out as well as interview with professionals relevant to the sector (Licensed Auctioneer, Valuation Officer and Land Office officer in-charge for public auction) to identify the factors influence the auction market trend in Gombak District. The outcome data will be presented by using graphical medium to provide a clear data visualisation. This study focused on auctioned residential data in Gombak district from year 2015 until 2019. This study able to provide structured information on transaction data of auctioned residential properties in Gombak as well as factors that influenced the market trend.

Keywords: Residential auction, Transaction trend, Auction risks, Auction trend

1. Introduction

The word auction prompts lead to speculation about opportunities to purchase properties at tremendous low prices. Seemingly, it has always been assumed that property under auction sale have to be sold quickly due to some urgency reasons on behalf of the owner. Other than that, auction is associated with bankruptcies where property owners are under pressure to transfer the title to a third party (Amidu, Tajudeen Aluko, & Bamidele Oyedele, 2008). However, as the property market evolves over the years, real estate auction has become widely known and promoted by property experts as well as property players. This is because the experts acknowledged auction as a desirable and viable alternative to sell property. This study is conducted to explore the prospects of residential auction in the

*Corresponding author: masfaliza@uthm.edu.my

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country. The idea of this research is gained from the present issues in the property auction sector in the country which is the unavailability of auction market data.

1.1 Research Background

The first Malaysian auction law has existed in 1906 which it was enacted in the states of Melaka and Pulau Pinang. Auction is defined as a public sale in which things or properties are sold to the person who offers the most money. In other words, auction is one of the ways to dispose property in an open market, to the highest bidder. Auctions of residential are most frequently resulted by the failure of owners to pay mortgages, tax foreclosure as well as divorce settlement (Frino, Peat, & Wright, 2012). In a report by Tan in *The Edge Prop* in 2018, prominent cities that comprise Selangor, Federal Territories of Kuala Lumpur and Putrajaya have accumulated 17,712 auction cases with a reserve value of about RM9.7 billion. This number is inclusive for all types of property. The highest numbers of properties that being put up for auction in 2018 were landed houses which contributed to 51% of the total cases. Auction mechanism allows seller and buyer to be in a win-win situation throughout the sale and purchase process. This is because buyers have the opportunity to buy a sub-sale property with price lower than current market value meanwhile seller can dispose his property quickly with a higher price due to the bidding approach (Abdullah, Ramly, & Ikhsan, 2017).

However, Low Chee Hian the Business Director of Ng Chan Mau & Co Sdn Bhd, the largest auction company in the country correspondingly divulges that there are many cases where properties that were put up for auction were sold with a price that is higher than their market value. Hence, it can be clarified that auction properties can be sold at a lower or higher price in which depends on the condition of the property as well as the demand of it. In property market report, graphical analysis is always helpful because it conveys an insightful data for market trend where textual information alone is not competent to offer. The use of graphical visualisation gives advantages to readers to grasp the information clearly while giving better representation compared to the traditional plain text (Jeon, Khosiawan and Hong, 2013). This study focused on the residential auction market, specifically in Gombak district. The underlying idea is to provide information and analysis on the trend of transacted residential property from 2015 to 2019. This is because auction market must be accommodative in accomplishing people's needs in buying a house depending on their preferences with such different approach.

1.2 Problem Statements

In the recent growth of property market, auction has become a way of disposing property that is interesting to be explored. The unavailability of published data on the number of auctioned residential property makes it questionable for property players to know what is going on in residential sector in auction market. In a study conducted by Wong, Lee, Daud, & Ng, (2017), they stated that empirical studies on auctioned property are lacking because of the absence of detailed auction data. Thus, there is a need to conduct a data collection to perceive the market trend for auctioned residential property. Identifying factors that influence the performance of residential auction market is important due to the following reasons. First, auction is an alternative way in selling properties with negotiation approach. A well-developed auction market goes hand in hand with primary market in creating a dynamic property market (Wong *et al.*, 2017). Second, in country such Malaysia, Australia and United States where auction market sector is active and redominantly used to sell foreclosure properties, a matured auction market is important to ensure the distress owners get a fair market price for their auctioned properties. Ong, Lusht, & Mak (2005) investigated that the sales of residential properties are more likely to improve when it is not a distress sale.

The real estate market, by its very nature, is plagued by asymmetric information. The notion of information asymmetry finds its place in much of the research on real estate trading (Volatility and Liquidity in the Real Estate Market n.d). In Malaysia, the data, information and news regarding property auction are gathered from Land Office and Valuation and Property Services Department. However, there is no centred data unit of information or a specific system to collect and record all the property

auction data. Unlike the primary market, there is no data specifically for auctioned properties published by the National Property Information Centre or any other government portals. The objective of this study is to analyse the trend of auctioned residential property in Gombak. Working on the residential auction data, the factors influenced the market trend in these recent years will be identified as well. The underlying idea is to provide information for public to understand the factors that influence residential auction market.

1.3 Research Questions

This study was conducted to answer the following research questions:

- (i) What is the trend of residential auction market in Gombak from 2015 until 2019?
- (ii) What are the factors that contributed to the trend of residential auction market in Gombak from 2015 until 2019?

1.4 Research Objectives

Following that, the main objectives of this study are as follows:

- (i) To analyse the trend of residential auction market in Gombak from 2015 until 2019.
- (ii) To identify the factors that influenced the trend of residential auction market in Gombak from 2015 until 2019.

1.5 Scope of the Study

The scope of this study is focused solely based on the auctioned residential properties that were put up for auction sale from 2015 until 2019 on Gombak district only. The findings of this study does not represent the residential auction market in the whole part of Selangor as the area of study and data collected are considered small scale. This study will discuss on the factors that influence the residential auction market in Gombak.

1.6 Significance of the Study

This study will add information to the residential auction scene in Selangor in terms of what factors could influence the market of residential auction. In the long run, it will benefit property market players especially potential buyers because an informed decision can be made before buying auction properties. Besides, the data trend of auctioned residential property in Gombak data can be beneficial to estimate the condition of residential auction market in the next few years in that particular district. The output of this study also can be useful as references for other researchers who study the local market issues on residential auction in Gombak.

2. Literature Review

2.1 Property Auction Market in Malaysia

Auction is an attractive tool to dispose real estate property mainly sub-sale property because it offers an immediate and unconditional sale contract on the auction date. The auctioneer's hammer price is irrevocable as a successful bidder has to pay off the down payment for the auctioned property (Wong, Lee, Daud, Ng & Chan, 2014). Other than that, from buyer's perspective, they have the advantage to make informed decisions because prospective buyers are allowed to do an inspection on the property that they are interested to buy and they can obtain copies of valuation reports of the subject property (Daud, 2014). This is because valuation report conveys a clear understanding of the valuer's opinion towards the property (Razali, 2010).

Based on Strategic Development of Property Auctions Market in Malaysia research by Wong, Lee, Daud, Ng and Chan (2014), the researchers state that the ongoing performance and condition of auction market in this country can provide a new alternative barometer in the real estate industry. Auction sale has a vital role in the real estate sector because in New Zealand and Australia, their real estate sectors make use of auction success rate to forecast the demand for the real estate markets (Hurst and Reed, 2010).

According to TheEdgeProperty.com’s 2018 Auction Property Market Report, a total of 32,611 properties with a reserve value of RM15.56 billion went under the hammer in that year. The data involved all types of property. This makes the average number of properties being put up for auction in 2018 was 2,717 units monthly.

The overall number of property foreclosures in 2018 has increased by 13.3% than in the previous year where only 28,262 properties that worth RM9.46 billion were auctioned. In 2016, a lower reserve value of auctioned properties is shown in the statistical report by AuctionData.com.my due to the low number of properties being auctioned in that particular year. In sum, 26,101 auction cases with a total reserve value of RM8.80 billion were recorded in all states in Malaysia in 2016. Almost RM 1 billion differences in value between year 2016 and 2017 are due to the significant increase for commercial and industrial properties (Loh, 2017). While in 2015, a total value of RM7.63 billion which worth 28,750 properties were put up for auction where 89% of them were residential properties. Figure 1 below shows the graphical information for all the statistics mentioned above.

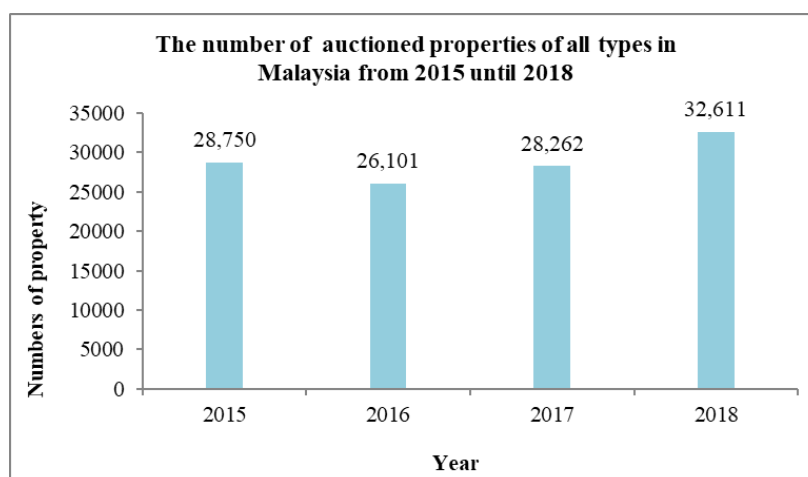


Figure 1: The number of auctioned properties in Malaysia from 2015 until 2018

2.2 Property Auction Market in Selangor

Based on Property Auction House’s data, the number of residential properties being put up for auction is rising every single year. Johor, Kuala Lumpur and Selangor have recorded the highest cases of foreclosure residential properties from 2017 until 2019. Danny Loh (2019) explains that residential properties that are being listed for auction market will generally have a reserve price that is 10% to 20% lower than their market values but high-end condominiums and serviced apartments in Selangor still show a decline in the numbers of bidder mainly due to cautious sentiment and subdued property values (Chia, 2018).

An analysis has been made from a statistical data published by AuctionGuru.com in April 2018 and it is found that the number of auction cases for residential properties in Selangor had dramatically dropped in 2016 where 9,027 cases were reported in 2015 but in 2016, there were only 8,201 cases recorded for the state’s residential auction. However, the numbers have skyrocketed in 2017 where there was 28% increase in terms of the volume of properties and 72.6% increase for the value of

auctioned properties. Meanwhile, a total of 10,800 houses that comprise RM 8.12 billion reserve value were auctioned in 2018. The numbers slightly rose by only 16% as compare to 2017.

The fluctuation occurs when many high-rise residential developments that were completed in 2017 resulted for over-supply of high rise residential properties in Selangor (Chia, 2018). Since the numbers of taker is less than the available units, some new units were put up for auction sale to ensure the units are sold. Gary Chia, AuctionGuru.com's Executive Manager stated the non-landed houses are mainly apartments which accounted to 57%, 25% of flats and 12% of condominium. On a side note, 5% to 7% of the houses are new launched units and the percentage will continue to grow in the next few years as a consequence of abundant supply of high-rise and high-end units in the market (Hoon, 2018). The graph of residential properties that were put up for auction in Selangor from 2016 until 2018 as Figure 2.

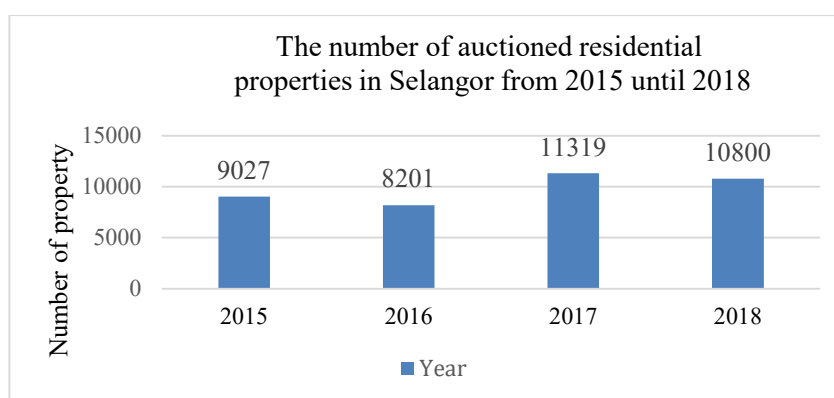


Figure 2: The number of auctioned residential properties in Selangor from 2015 until 2018

2.3 Property Auction Procedure

Under Section 301 of National Land Code 1965, it is stated that the consent of State Authority is not required for the transaction of auction properties by High Court or Land Office. In this chapter, the procedure on the exercise of public auction by Land Office will be explained. Hence, the procedure will only valid for property that has been issued with registry title. Firstly, when a Chargor fails in his loan repayment to the Chargee (which in Malaysia the Chargee is normally financial institution such as bank), the Chargee will apply for an order to sell the charged property by auction mechanism. An application for an order to sell a property shall be made to the Land Administrator by filling Form 16G.

Secondly, Form 16G must be submitted together with relevant documents of the property. The documents that need to be prepared include proof of posting, Affidavit of Service of Form 16D, official land title, quit rent assessment bill as well as application fee for Form 16G.

According to Section 261(1) of National Land Code 1965, as soon as the Land Office receives the application for an order to sell (Form 16G) by the Chargee, the Land Administrator will set an appointment with the Chargee to hold an enquiry on the charged property.

After the enquiry, Land Administrator may at his discretion, grant an order for sale in respect of the charged property. The order for sale is granted in Form 16H and the date of sale is mentioned in it. Next, a licensed auctioneer will be appointed by the Land Office to perform the auction sale. The licensed auctioneer is responsible for the advertisement of the charged property. Proclamation of sale will be distributed and advertised in the local newspaper, at the charged property and Land Office itself.

Then, the auction sale will be held by the Land Administrator together with the appointed licensed auctioneer. After the auctioneer's hammer falls, the property is considered sold. The successful bidder

is the one with the highest offer during the bidding process. The purchaser is required to deposit 10% from the reserve price of the property. Afterwards, the purchaser needs to make a full price payment for the property in the next 120 days from the date of auction sale. Chargee (financial institution) must inform and prepare Form 161 to Land Office when the purchaser has made a complete payment for the property for the change of ownership of the property.

2.4 Types of Auction

In Malaysia, there are two types of auction which is public and private auction. Public auction consists of judicial and non-judicial auction. Judicial auction happens when the property is registered with Land Office registry title or High Court registry title while non-judicial auction happens when the property does not have an individual title yet. This case is typical in high-rise buildings (apartment and condominiums) where the property is held under the property master title. A mind map on types of auction is prepared in Figure 3 below.

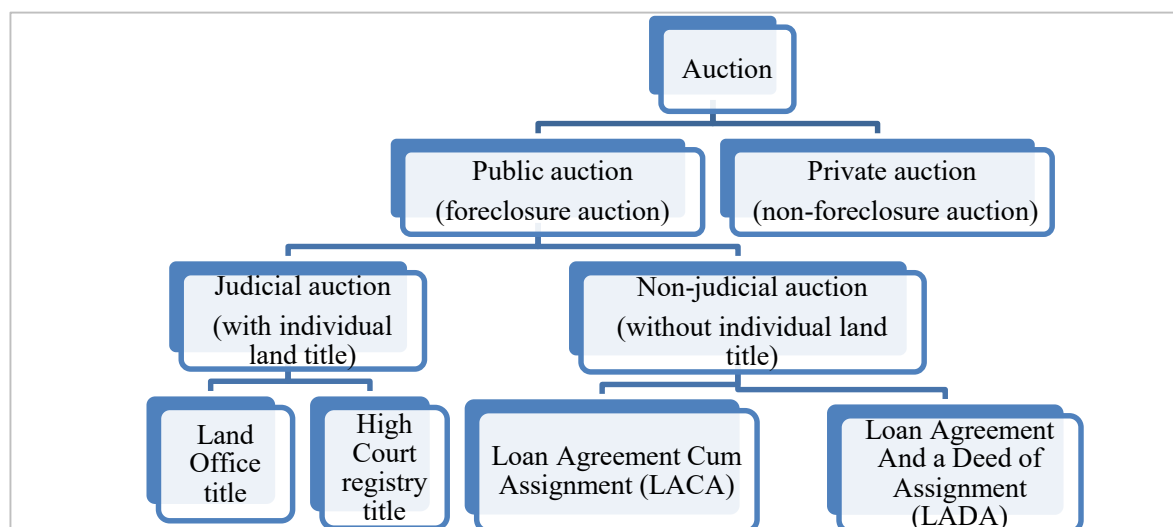


Figure 3: Types of auction

3. Research Methodology

This chapter is one of the most important chapters in a research. This chapter will explain thoroughly the research process of this study by developing a research framework in solving the research problem. Research methodology is a systematic and scheduled process where it involves the process plan for research method, data collection, data analysis and presentation of research findings and data. Furthermore, the importance of research methodology is it will facilitate researchers in finding the most appropriate ways to collect data as well as to analyse the data in order to achieve results that accordance to the objectives of research. Moreover, this chapter will inform the readers on how this research is being conducted, starting from problem identification to data collection and analysis process. Other than that, it is also to make sure that the list of research activities is doable within the duration proposed. According to Figure 4 this research consists of five stages and each stage is devoted to different description of methodology.

3.1 Research Stage Flow Chart

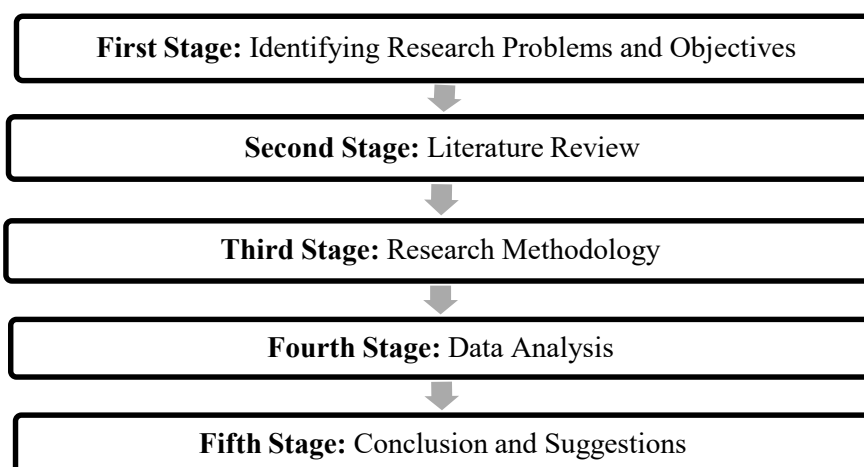


Figure 4: Research Stage Flow Chart

3.2 First Stage: Problem Identification and Objectives

In the first stage of this research, all problems and issues regarding this topic are identified. Identifying and understanding the research problems is a crucial stage where it initiates a progress direction for a research. Research problem is defined as arising issues that caused researcher to study about that particular topic (Chua, 2006). Therefore, for this study, researcher is persistent to study issues regarding residential auction market in Selangor, specifically in Gombak district. Countless researches on previous studies have been done to find any relevant problems that related to residential auction market. Then, in this problem identification stage, it is found that auction market in Malaysia does not have a published data on the numbers of auction property transacted through auction sale. Moreover, research objectives are also taken from arising issues based on previous related studies. Extended reading through real estate journals, property market reports, newspaper, articles and many more are needed. From that, brainstorming process for ideas is done to give supporting elements in the research.

The structure of research objectives was identified from the issues that have been studied in problem identification stage. In this research, there are two objectives to be achieved which are to analyse the trend of residential auction market in Gombak and to identify factors that influence the trend. The scope of this study focused on Gombak district in Selangor.

3.3 Second Stage : Literature Review

The second stage of this research is literature review. This stage is aimed to explain the proposed topic in a detailed manner to enable a better understanding to relevant and related issues. Literature review is done by doing countless critical and systematic references on property market reports, news, books, articles, journals, thesis, property websites and many more. For this chapter, there are four keywords that will be focused along all stages of this research, which are property auction, residential property, trend and foreclosure risk. On top of that, an in-depth understanding towards residential auction market in Malaysia is achieved by doing a detail revision on residential auction market concept, process and regulations. Previous researched have been us as references for this study. The type of data that is needed for this stage is secondary data. Secondary data is collected from numerous existing academic researches, real estate market reports, newspaper, real estate portals and websites, seminar papers and all kind of published sources.

3.4 Third Stage: Data Collection

The third stage of this study focuses on the implementation of research methodology in order to achieve both of the objectives of this study. The methodology used in this research is qualitative method. There are two instruments used which are data analysis for the first objective and interview for the second objective. In achieving the first objective, reviewing transaction data for auctioned residential properties from auction property websites and portals, reviewing property market reports and analysing related previous studies by other researchers are being carried out. In specific, data on the number of residential auction market in Gombak is gathered from two main resources which are Gombak Valuation and Property Services Department and Gombak Land and District Office. Meanwhile for the second objective, interview instrument is being practiced as an effective method to acquire professionals' perspective and viewpoint regarding residential auction market in Gombak. This is because professionals know the local market issues and the prospects of investment in the district.

Both interview sessions and document reviews from secondary data are conducted to gather information on the trend of residential auction market in Gombak as well as factors influencing the respective trend. Besides, a complete documentation on the auction procedure is referred from National Land Code 1965. Other than that, the auction law in Selangor is obtained from Auction Sales Rules (Section 12).

3.5 Fourth Stage: Data Analysis

The fourth stage in this research is data analysis. Data analysis is an important process to analyse the results to make sure both of the research objectives are achieved. Qualitative method is used to conduct a data analysis process for data collected through the interview sessions with the professionals. Data analysis process is carried out to get the answers out of the research questions. In this research, the collected data comes in two forms and the methods to analyse those data are different. To achieve the first objective, graphical form is used to display the data. While for the second objective, data is extracted and analysed from the interview transcripts. Additionally, secondary data in regards of residential auction market is fully reviewed in order to establish a comprehensive research results.

4. Results and Discussion

This chapter elaborates the analysis of data that were acquired through the research methodology that has been described previously. The explanations and discussion for the research results and findings will be done in details and comprehensively in order to achieve the both of the research objectives. The first objective of this research is to analyse the trend of residential auction market in Gombak from 2015 until 2019. In order to achieve this objective, the data was requested and collected from Gombak Land and District Office, Gombak Valuation and Property Services Department, property websites and portals and National Property Information Centre (NAPIC). The second objective is to identify the factors that have influenced the trend. In fulfilling this objective, interview sessions with Licensed Auctioneer, Land Office officer in charge of public auction and Valuation Officer are conducted to obtain primary data on the overview and experts' opinions for residential auction scene in Selangor, specifically in Gombak district.

4.1 Data Collection

In order to gather all the data needed for this research, the data collection process is conducted firstly through data and document reviews at National Property Information Centre (NAPIC) and then Gombak Valuation and Property Services Department to obtain the number of residential properties that were put up for auction in Gombak district since year 2015 to 2019. Then, a set of data was requested from Gombak Land and District Office to capture the statistic for residential auction cases handled by Gombak Land and District Office from 2015 to 2019. Data and insights of residential auction sector are searched as well from property websites such as The Edge Property, iProperty.com and market reports by real estate corporations. Other than secondary data, this research is also strongly

supported by primary data, specifically achieved from the interview sessions with professional associated with residential auction scene in Selangor.

4.2 List of Respondent

The types of interview that were conducted were semi-structured and unstructured interview. There are five (5) respondents which consist of professionals and experts in real estate sector were interviewed. All the interview sessions were held face-to-face. Table 1 shows the details of respondents that were approached during the data collection process of this research.

Table 1: List of respondents

Code	Respondent	Position
R1	Mrs. Intan Fazilah Binti Abdul Ghani	Valuation Officer
R2	Mr. Ahmad Firdaus Bin Mustafa	Officer in charge of public auction
R3	Mr. Hylmee Azram Bin Md Nordin	Officer in charge of public auction
R4	Mr. Low Chee Hian	Business Director cum Licensed Auctioneer
R5	Mrs. Rosemaini Binti Ahmad Radzi	Licensed Auctioneer

4.3 The Profile of Gombak District

Gombak is one of the districts in Selangor and it was established on the 1st of February 1974, the same day where Kuala Lumpur was announced as the Federal Territory of Kuala Lumpur. Gombak has a population of 687,226 people as at 2019 and it is assumed to keep increasing year by year. The total land area of Gombak district is 65,008 hectares and it comprises of five sub-districts or *mukim* which is Rawang, Setapak, Batu, Ampang and Hulu Kelang. On the other hand, Gombak is governed by two separate local governments which are Ampang Jaya Municipal Council and Selayang Municipal Council that fall under the state of jurisdiction. The heart of this district, Bandar Baru Selayang acts as a district in Selangor that borders Kuala Lumpur with the shortest distance, makes it known as The Metropolitan City.

The property prospect in Gombak is gradually changing, parallel with the increasing demand for middle to high end homes. In the past years, the preferences for residential property have always been from single or double-storey terraced houses as the affordability rate for high end property is low. However, the consumer desires, behaviours and purchasing power of residents in Gombak have improved positively stronger. This can be noticed through the demand for mid to high end residential properties in several locations in Gombak. Newly completed projects of high rise properties in Gombak and its surrounding area received a high interest from city dwellers to own the properties here and also due to the improvement of lifestyle of the locals (The Edge Prop, 2019). On the other hand, a variety of semi-detached projects were developed in these recent years and have been warmly received by the community there as well. According to chairman of JLL99 Group Sdn Bhd, Datu Seri Jeff Lee said the buyers are usually those who already staying in the neighbourhood due to strong purchase power from the locals. Moreover, according to Household Income and Basic Amenities Survey conducted by Department of Statistics Malaysia in 2017, it is recorded that the top ranks of household income by district level from the 140 administrative districts were superheaded by Sepang (RM8,174) and followed by Petaling (RM7,904), Gombak (RM7,903), Hulu Langat (RM7,851), Klang (RM6,724) and Johor Bahru (RM6,518).

With its strategic locality and surrounding, Gombak has created a mature market for residential property scene. In consequence to that, property developers that plan to venture into new housing projects in Gombak will enjoy the advantage of good infrastructure and a strong population base which will create a blooming demand for new properties. This is because it is obscure and difficult to start

high-end projects in an area without a steady market readily available. The secondary market in Gombak is at a growing pace as there are buyers opt for second hand homes due to their location, surrounding, facilities provided and attractive market values. With that being the matter, Gombak is one of the districts in Selangor that has the highest number of homes being put up for auction same as other bigger districts such as Klang and Hulu Selangor. This information is sourced from Klang Land and District Office, Gombak Land and District Office and Selangor Land and Mines Office.

4.4 Data Analysis for Objective 1

For objective 1, document reviews on transaction data of residential auction is carried out from various sources such as Gombak Valuation and Property Services Department, Gombak Land and District Office and NAPIC as these sources are official and bona fide. The collected data for the number of residential properties that were put up for auction in Gombak from the year 2015 until 2019 are illustrated in a graphical form to provide a clear presentation of data as Figure 5 below:

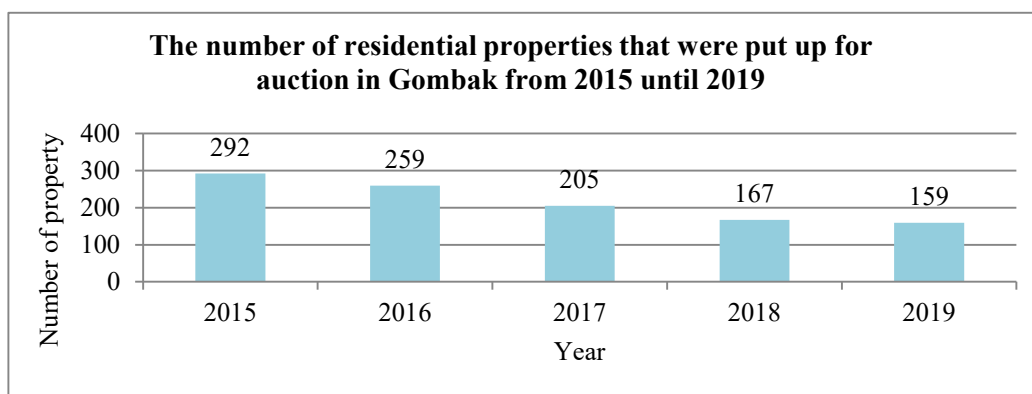


Figure 5: The number of residential properties that were put up for auction in Gombak from 2015 to 2019 (Gombak Valuation and Property Services Department, 2020)

As it can be seen from Figure 5, the number of houses that were being put up for foreclosure sale varies from one year to another. In 2015, there were 292 residential properties which comprise strata and landed homes listed in the auction list. The number of properties markedly dropped in 2016 where 259 houses were put up for auction. Then, the trend continues to noticeably decline when there were only 205 cases recorded by Gombak Valuation and Property Services Department for auction of residential sector in the year of 2017. This signifies that the practice of auction as a way of selling real estate is active in 2016. This is because 2016 saw a higher number of residential being auctioned with 54 units more than in 2017.

For 2018 cases, the graph shows a gradual fall in the number of homes that were declared for auction sale, where the decrease is approximately 20% from the previous year. As evidence, only 167 houses were auctioned in that particular year. At this point, the trend for residential auction in Gombak is declining for three conservative years. Then, in the most recent year which is 2019, the total number of residential properties being put up for auction is 159 where there are 8 units difference as compared to 2018. In other words, 2019 recorded the lowest units of houses that were auctioned in the past five years. Thus, it can be concluded that the trend for residential auction market in Gombak district from 2015 to 2019 is declining in these past five respective years. To summarise, the drop in residential auction sale in Gombak is around 46% since 2015 until 2019.

(a) The Number of Residential Auction Cases Handled by Gombak Land and District Office

The data that has been analysed is obtained from Gombak Valuation and Property Services Department which it indicates the whole count of residential auction in Gombak District in every year from 2015 to 2019. Apart from that, another set of data is collected from Gombak Land and District Office to know the public auction matter that is handled by government organisation. This is because not all residential auction cases are performed (bidding) at Land and District Office. Some of the cases are being carried out at private auction companies. The data for the number of residential auction cases being carried out at Gombak Land and District Office are presented in Figure 6.

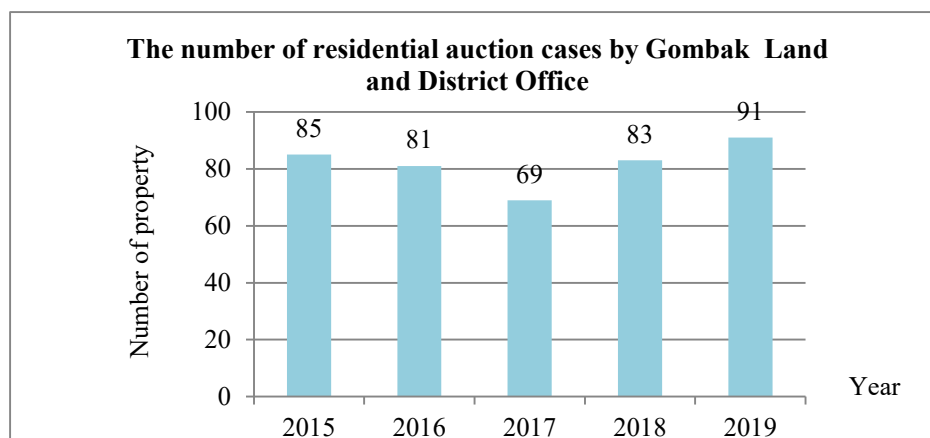


Figure 6: The Number of Residential Auction Cases by Gombak Land and District Office (Source: Gombak Land and District Office, 2020)

As presented in Figure 6 above, the bar graph represents the total number of auctioned residential properties that were conducted at Gombak Land and District Office for these past five particular years. In 2015, almost 30% of the total houses that were auction in Gombak were coordinated by Gombak Land and District Office. It comprises a number of 85 unit homes. Then, in 2016, Gombak Land and District Office managed to auction 81 residential properties at which this takes up 31% of the total residential auction cases in that corresponding year. The year 2017 recorded the lowest number of residential auction cases being held at Gombak Land and District Office in the past five year which is 69 properties only.

An approximate of 50% of residential auction cases in Gombak was conducted by Gombak Land and District Office in 2018. This percentage takes into account of 83 auction cases and it shows a noticeable rise from year 2017 to 2018. Then, in 2019, the trend shows a positive growth where 57% of total auctioned house in Gombak were carried out at Gombak Land and District Office which is 91 units. In total, 2019 recorded the highest number for residential auction case held at the respective Land and District Office.

(b) Conclusion for Objective 1

As conclusion, the number of residential properties being put up for auction shows a decrease in the trend starting from 2015 to 2019 in Gombak district. In total, the drop in the number of residential auction in that particular district is 46% over the past five years. Meanwhile the number of residential auction cases handled by Gombak Land and District Office shows a decline from 2015 to 2017 and rose year 2018 and 2019 at which 2019 recorded the highest number of cases handled in the five respective years which is 91 cases.

4.5 Data Analysis for Objective 2

There are two research approaches that were carried out to gather data for this second objective. The first approach which is also the primer method is the interview sessions done with experts and professionals in real estate industry based in Selangor. Then, the second approach is document reviews of property market reports, Bank Negara Malaysia reports, Malaysia Real Estate Market Outlook reports, Department of Statistics Malaysia website and numerous other resources to extend relevant supporting information for respondents' answers.

(a) Borrowers' Failure to Pay Mortgage

More often than not, property buyers will apply for financing loan to be able to afford their dream homes. In Malaysia, there are abundant of banks and financial institutions that offer financial aid for the purpose of purchasing a property. Some of the home loans that are widely known are Maybank Housing Loan, HSBC HomeSmart, Standard Chartered Mortgage One Zero Cost and CIMB HomeFlexi Smart. Additionally, the term of the mortgage is being decided by the overall loan amount as well as the monthly repayment amount, which typically runs around 20 to 30 years. After some time of being committed in repaying the mortgage, some borrowers might experience difficulties to remain firm to do so. The justifications behind the difficulties are dissimilar for borrowers. However, the consequence from that action is equal where Bank Negara Malaysia (BNM) will declare it as Non-Performing Loan (NPL) when the repayments of principal and interest are due longer than 90 days or depending on the terms stated in loan agreement between the two parties.

The graph of NPL loan in Malaysia for the past ten years is attached in the Figure 7 to show how the graph rise and fall within the time frame. In practice, properties which are held as collateral for housing loan will be impacted for foreclosure. By the way of explanation, higher NPL indicates higher number of properties being put up for auction sale.

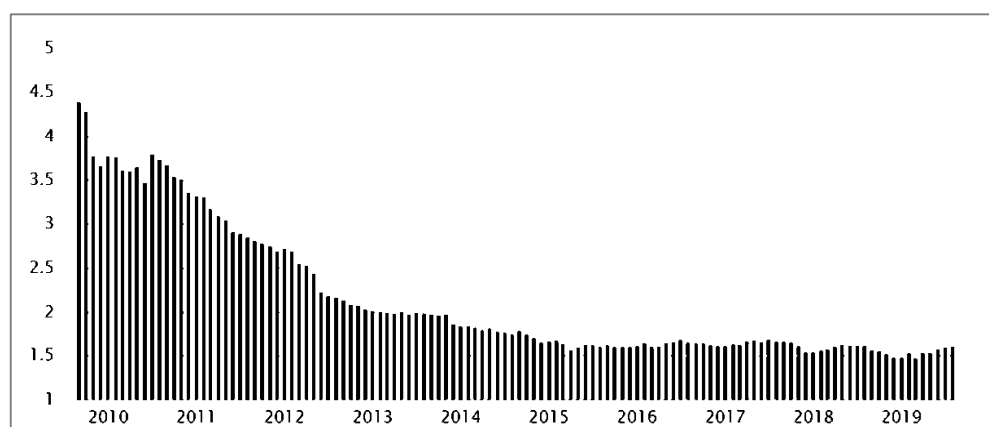


Figure 7: Malaysia's Non Performing Loan Rate (Malaysian National Bank, 2020)

Taken from the graph, the NPL in Malaysia is at 1.5% during 2015 and 2016 and 1.6% in 2017, 2018 and 2019 respectively. With the NPLs that are at a constant level for these past five years, it shows that the proportion of borrowers fail to reimburse the overdue amount for their housing loan is undeviating. As at December 2019, the total of NPL had increased from RM25.33 billion in January 2019 to RM27.6 billion. R4 elaborated that since Bank Negara Malaysia has set up new guidelines to financial institutions for the disposal of NPL in 2005, many banks disposed the NPL to third parties which are public asset management companies. In report produced by Maybank Investment Bank Research in September 2019, it states that household assets quality is likely to see mild deterioration

amid higher living costs now. On the grounds of this, R5 clarified that the household assets quality is not expected to deteriorate because the economy does not seem to slow down significantly this year.

(b) Bankruptcy

Bankruptcy is no longer a taboo in our society (Sousa, 2014). Latterly, being declared as bankrupt before the age of 40 years old is not surprising anymore. This is due to the “pressure” of living and keeping up with a luxurious lifestyle that then forced them into debts. This can be evident by statistics generated by Malaysian Department of Insolvency (MDI) at which 60.41% of the bankruptcy cases reported from 2015 until 2019 are involving Malaysians aged between 25 to 40 years old. Based on the findings of this study, the number of residential properties that were auctioned off has a significant relationship with bankruptcy. In view of the fact that in Selangor, cases of bankruptcy caused by housing loan is decreasing from year 2015 until 2019, parallel with the number of residential properties foreclosure in these respective years. The correlation between bankruptcy and residential auction trend is presented into a graphical form to enable a straightforward insight.

Based on Figure 8, data on the number of bankruptcy cases due to housing loan is perceived from MDI from year 2015 until 2019 in Selangor state. At average, the graph shows a depletion on the number of bankruptcy cases from one year to another, except in 2017 where the recorded cases increase substantially. The increase was approximately 11% from 2016’s cases which were only 2,359 cases. However, in the following year, the number of bankruptcy cases had steeply dropped from 2,675 cases to 1,982 cases where it took into account a decrease of 693 cases. Moving forward, there is another dramatic decline recorded in 2019. This is caused by a 43% difference between the number of bankruptcy cases resulted from housing loan in year 2018 and 2019. This trend shows a positive and excellent improvement among the community in Selangor.

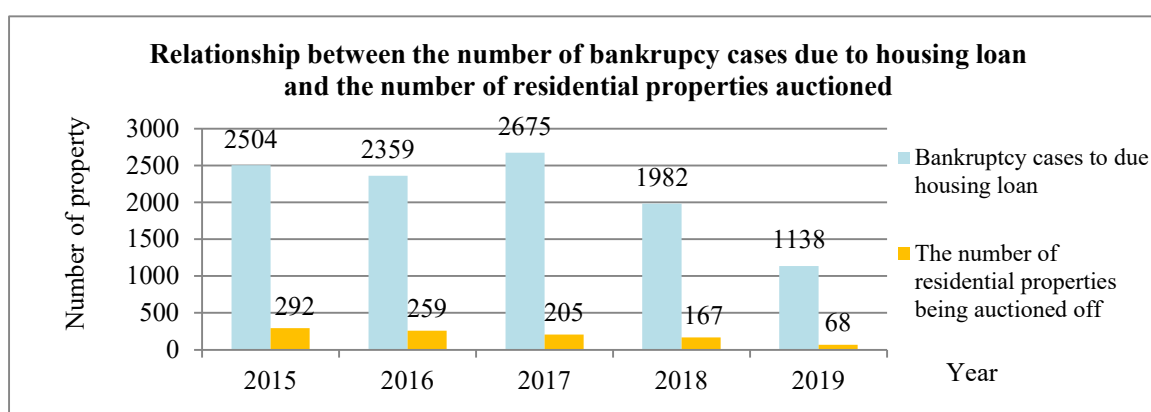


Figure 8: The relationship between the number of bankruptcy cases due to housing loan and the number of residential properties being auctioned off in Gombak

Both R2 and R3 agreed that the trend of residential auction in the whole state has a direct effect from the bankruptcy level. It can be viewed from Figure 8 the number of bankruptcy cases and the number of houses being put up for auction are decreasing simultaneously from 2015 to 2016 and 2017 to 2019. MDI aims to control and facilitate the bankruptcy problem and it seems like the government agency has effectively succeed in curbing the problem.

R4 suggested that for any homeowners who feel like they are unable to sustain their monthly home installment, then the best way out is to sell off the property even if they are high likely to end up making a loss. For instance, if a homeowner managed to sell his house below than the purchase price, he might

still owe the bank the difference between the selling price and his outstanding loan amount. On the flip side of such case, the homeowner could possibly negotiate with the bank to convert the difference amount into personal that is payable over 10 or 15 years. This is passably a fair formula to avoid people from defaulting their home loans. Apart from that, from R5's point of view, she believed that auction is one of the helpful ways to get an individual out of bankruptcy. By the way of explanation, it is better to let the property being auctioned because there are likely to attract a number of bidders especially if the location of the property is considered as "hot" spot.

(c) New Residential Development Projects at Gombak and Surrounding

The housing market can essentially be categorised in two segments namely primary market and secondary market. In primary market, new units of residential properties from newly developed projects. R1 discussed that the new housing stocks are only viewed as competitors to the existing houses once they are physically completed and in practice, the new developments will definitely have a positive contagion effect on the prices of existing home.

Gombak's property industry is catching up to the capital and many infrastructure projects especially roads, highways and transportation because they are said to be the catalyst of development growth in that District. According to R5, property developers have been showing interest in building high-rise properties in Gombak as they see potential and capital appreciation. Batu Caves is one the potential areas identified to be the centre of attention for developers because of its location that is only 15 kilometers away from Kuala Lumpur City Centre. In addition, Batu Caves is well known as Malaysia's top tourist spots. The CEO of Zerine Properties Sdn Bhd said the property prices in Batu Caves are lower than Jalan Ipoh, Setapak and Selayang. Thus, this has made the residential market in that area attractive to buyers from low to middle income groups.

Since the last five years, these newly developed residential properties have drawn high demand from buyers. The majority buyers are Malaysians and not foreigners who live in the vicinity of Gombak and Kuala Lumpur. A report written by Focus Malaysia in 2020 expressed that most property developers focused on residential projects in Gombak and its neighbourhood because many property buyers could not afford to settle down in Kuala Lumpur which the house prices exceed one million for high rise properties. With the availability of public transportations such as Light Rapid Transit (LRT) and Keretapi Tanah Melayu (KTM), it makes the market even more interesting.

As proof, Batu Caves witnessed a spurt in residential development with developers like Hua Yang Bhd building its first high rise project names Symphony Heights, Impiana Land & Development Sdn Bhd with Taman Raintree and Jaya Megah Development Sdn Bhd offering Amara Boulevard and Serviced Apartment. Other than that, integrated developments by JLL99 Group Sdn Bhd, Eco World Development Group Bhd and MahSing Group Bhd in the future will have a spillover effect on Batu Caves as well. In total, there are about 50 housing projects to be developed in Gombak (PropSocial, 2019).

As a result of all these new housings in Gombak's residential market, people will probably opt to buy them as it is in the primary market regardless the prices that may be slightly higher than the houses offered in auction market. Buying primary residential property enables selection flexibility for buyers to choose their preferred view or unit numbers, has high finance margin and latest house design. Meanwhile buyer has to bear all maintenance and repair costs when purchasing a foreclosure property as it is a "second hand" which may come with damages. Thus, it can be concluded the new residential developments affected the trend of residential auction market in Gombak.

(d) Conclusion for Objective 2

The purchase of property typically demands for external financing aid due to its high price. The term of mortgage loan for residential property takes up to two to three decades and it holds a huge proportion in one's income. Thus, borrowers are exposed to high non-voluntary foreclosure risks depending on the terms and conditions of sale of contract upon buying the property. This second objective has identified and discussed the factors that influence the trend of residential auction market in Gombak. The factors that have significant relationship to the rise and fall of residential auction are borrower's failure to repay mortgage, bankruptcy, economic situations and new residential developments at Gombak and its neighbourhood. As conclusion, the loan term for residential mortgage should be relatively short as it will enable a more rapid equity build-up for borrower. Consequently, this would reduce the risk of auction for their property.

5. Conclusion

This research has been successfully carried out and achieved both of its objectives even though there are some limitations were encountered throughout the whole process. Research regarding residential auction sector is beneficial to secondary property market buyers and property investors who utilise auction mechanism as their modus operandi to take a stake in real estate investment. Due to the issue of societies living in abundance, with problems like overproduction and plenty of products, the auction sale presents an attractive possibility to counteract towards this. In order to achieve the first objective, review of transaction data and document review on the matter of residential auction properties being put up for auction are carried out simultaneously. As for the second objective, five respondents which were determined to provide opinion and viewpoint in regards to auction market in Gombak as they understand the market prospect better. Lastly, it is hoped that this research will be beneficial and contributor to any stakeholder parties in residential auction market sector and to other researcher who is attracted to continue this study in the future.

5.1 Summary of Objective 1

After analysing all the collected data on the number of residential properties being put up for auction in Gombak district from 2015 to 2019, it is noticed that the trend experienced a declination for five consecutive years which is from 2015 to 2019. This trend sows a deterioration especially in 2017 where it recorded the largest drop in the number of residential property being auctioned in Gombak. However, from the overall trend, the decrease from each year is not significant and moderate. Furthermore, findings from the number of residential auction cases handled by Gombak Land and District Office are analysed as well in this research. The number of residential auction cases that were handled by Gombak Land and District Office decreased from the year 2015 to 2017 and rose back in year 2018 and 2019 respectively. At average, the number of properties being put up for auction in that particular district is 80 units per year. On the other side, the procedure of public auction at Land Office is reviewed, starting from the process of receiving auction order from financial institutions, investigation session, an advertisement of property will be auction, bidding session and to the following procedure where successful bidder signs the sale and purchase agreement right after bid the property.

5.2 Summary of Objective 2

The second objective of this research is to identify the factors that influence trend of residential auction market in Gombak. The outcome from five interview sessions that have been held with five respondents which are real estate professionals such as Licensed Auctioneer, Valuation Officer and Land Office officer in charge of public auction made the second objective accomplished. Besides, extended reading and document reviews from secondary data consist of real estate journals, property market reports, statistic by Department of Statistics, newspapers and previous academic researches facilitates the data analysis process to answer the question for this objective.

According to the data collection and analysis process, it is identified that the factors influencing the trend of residential auction market in Gombak are borrower's failure to pay mortgage, economic condition, bankruptcy and new residential developments in Gombak. Failure to repay mortgage is the most common factor behind the rationale of residential properties being auction. By the way of explanation, all respondents agree that NPL for housing loan is the biggest influencing factor for residential auction not only in Selangor but nationwide. From data analysis part in chapter 4, it shows that the rate of NPL in Malaysia over the five recent years fluctuated slightly from each year, while the number of residential properties put up for auction is decreasing consistently in each year. The macro-economic elements which are unemployment rate and GDP affect the trend as well. Additionally, bankruptcy and new residential developments in Gombak also indicate a direct relationship with the trend of residential auction market in Gombak from 2015 to 2019. As conclusion, all the gathered information on the factors influencing the trend of residential auction market in Gombak is relevant and useful as the second objective is successfully achieved.

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