Legal and Policy Blueprint to Prevent Abandoned Housing Projects: A Malaysian Model

Submitted By: School of Law, Universiti Utara Malaysia

Organization Profile

Organization Name: Ministry of Housing and Local Government Malaysia (KPKT)

Organization Type: National government

Website: https://www.kpkt.gov.my/

Practice Details

Country(ies): Malaysia

City(ies): All cities in Malaysia

Start Year: 2025 **Ongoing:** Yes **End Year:** N/A

Main Adequate Housing Components:

- Security of tenure
- Habitability
- Location
- Cultural adequacy

Housing Thematic Areas:

- Housing Rights & Social Inclusion
- Housing Policy, Legislation & Governance
- Housing Data & Monitoring

Relevant SDGs:

- 11 SUSTAINABLE CITIES AND COMMUNITIES
- 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Problem & Context

Since the 1970s, Malaysia has struggled with waves of abandoned housing schemes, hurting millions of buyers and distorting urban growth. Root causes include weak legal safeguards, failure to adopt a full build-then-sell (BTS) regime, the absence of housing-development insurance, the lack of a dedicated rehabilitation framework, and fragmented enforcement. Key statutes—the Housing Development (Control and Licensing) Act 1966 (Act 118), the National Land Code (Revised 2020) (Act 828), and insolvency rules—operate in silos, offering no integrated shield when developers default. Significant issues exist: no single national housing-developer provider, insufficient financial due diligence, partial BTS implementation, and coordination issues across federal, state, and local bodies. These weaknesses expose homebuyers to financial loss, legal uncertainty, and protracted emotional harm, undermining the right to adequate housing recognised in international human-rights instruments.

Solution Developed

The housing practice advances a comprehensive legal blueprint to prevent project abandonment and safeguard purchasers, anchored in a mandatory Build-Then-Sell (BTS) model that shifts financing risk from buyers to developers. It prioritises low- and middle-income households—the group most harmed by failures—to rebuild trust in the market. Core measures: tighter enforcement under the Housing Development (Control and Licensing) Act 1966 (Act 118); rigorous financial due diligence; reforms to land, planning, building and insolvency laws; Islamic home finance (e.g., Musharakah Mutanaqisah). Innovations: a Unified Housing Development Provider; compulsory housing-development insurance; stronger enforcement by the Ministry of Housing and Local Government; digital, real-time project tracking; enhanced buyer protections and independent audits; alignment with international human rights norms. By integrating legal, institutional and financing reforms, the practice offers a multidimensional, scalable model for resilient, consumer-first housing.

Implementation

Malaysia's housing practice advanced via coordinated legal and institutional reforms. Core steps: (1) amend the Housing Development Act 1966 (Act 118) to tighten responsibilities and enforcement; (2) scale Build-Then-Sell (BTS) with tax incentives and mandates; (3) align land, planning, building and corporate-insolvency laws to prevent delays and protect purchasers; (4) mobilise Islamic finance—Sukuk Perumahan and improved home finance—for ethical delivery. KPKT led legislation and coordination. States and local councils handled approvals, plan changes, permits and CCC. Insolvency authorities ensured fair distribution and buyer remedies. Bank Negara and Islamic FIs provided instruments. The process began in early 2026 (12 months' engagement); pilots launched mid-2026, with refinement and capacity building into 2027. Funding came from federal grants and UN-Habitat/IsDB partnerships; UUM delivered policy research. Sukuk Perumahan Ihya' revives abandoned projects under BTS. An Istisna'–

Ijarah hybrid, it grants investors interests in incomplete units, land and post-revival rental rights. Returns from real sales/rentals (riba-free) are ring-fenced. Beneficiaries: stranded buyers, low-income families and marginalised groups. Goals: revive projects, protect buyers via a housing insurance fund, and ensure timely delivery with Basel-aligned risk controls. Its mix of Shariah ethics and asset-backed issuance makes it replicable worldwide.

Enablers & Obstacles

Malaysia's housing reform depends on decisive political will from the Ministry of Housing and Local Government (KPKT), backed by Cabinet resolve on legal reform and consumer protection. Momentum rose from data on abandoned projects, public pressure, and advocacy by legal scholars, consumer groups, and housing experts. Under the 13th Malaysia Plan, Disaster Risk Management Plans (DRMP) will be embedded in State Structure and Local Plans to avoid high-risk land—flood zones, landslide-prone slopes, soil settlement/erosion, and unstable ground. The Plan also commits to a build-then-sell (BTS) model to curb abandonment. Main challenges are developer/investor resistance to BTS and federal–state administrative non-coordination. These are addressed via stakeholder dialogues, pilot projects, legal amendments, stronger district-level enforcement, and public campaigns, aligning authorities and restoring buyer confidence.

Results & Impact

By June 2025, KPKT's Task Force for Sick and Abandoned Private Housing Projects succeeded in reviving some abandoned housing projects. About 244 projects were revived and 27,101 units were completed, bringing the cumulative total since 2023 to 1,171 projects and 139,848 units. The Build-Then-Sell (10:90) model is widely advanced in policy and academic circles as a structural fix for chronic abandonment. Yet publicly verifiable data have not confirmed rising BTS approvals or measurable state-level declines in failure rates. Malaysian studies also show that homebuyer satisfaction depends less on contract form alone than on robust warranties, consistently high construction workmanship, and credible security. Despite tighter vigilance on defects, many purchasers remain under-informed about their statutory rights during the defect-liability period. Meanwhile, sukuk—Shariah-compliant, asset-linked instruments—have gained traction as ethical and accountable financing that aligns with ESG aims. The ASEAN Social SRI Sukuk Wakalah by LBS Bina illustrates how such instruments can fund socially responsible housing while preserving Shariah integrity. Scholars increasingly regard BTS as a fairer alternative to STB and one capable of embedding sustainability principles. Nevertheless, evidence of its impact on investor confidence, urban resilience, sustainable development, and Malaysia's progress toward SDG 11 remains limited and should be a priority for future evaluation.

UN-HABITAT

Replication & Scale Up

Malaysia's shift from Sell-Then-Build to Build-Then-Sell (BTS) flips risk to protect buyers: pay 10% at contract, the rest on completion. In the 13th Malaysia Plan, BTS is to be mandated via Housing Development Act changes and stronger statutory SPAs (Schedules G/H/I/J) with a 24-month defect-liability period. MNKT will align the federal–state rollout. Coupled with SRI/green/social sukuk, financing is steadier. Through ASUS/ASCN and with Malaysia presiding over the UN-Habitat Assembly (2025–27), this flexible, exportable blueprint can lift housing safety across the Global South.

Policy Uptake

This housing practice has informed or been partially integrated into policy discussions, strategies, or pilot-level policy instruments.

Malaysia's BTS-based housing blueprint has moved from practice to policy. Since 2007, pilots (10:90), it has shaped 13MP deliberations to mandate BTS, informed HDA/SPA revisions (Schedules G/H/I/J; 24-month DLP), and guided MNKT's federal–state coordination notes. Financing lessons fed into SRI/green/social sukuk structures. Regionally, the approach features in ASUS/ASCN exchanges and UN-Habitat dialogues, where states test BTS elements via fast-track approvals, escrow, and defect-remedy protocols.

Lessons & Takeaways

Accelerate full BTS; mandate day-one escrow and ring-fenced SRI/green sukuk. Strengthen KPKT by opening district branches. Upgrade SPAs with added buyer protections and independent building audits. Build a real-time project dashboard, early-warning metrics, and buyer education. Enact a federal–state coordinating law for land development. Require Housing Development Insurance; pilot performance bonds and builder warranties; link fast-track approvals to on-time delivery and transparent cost reporting.