Malaysia's Urban Renewal Act: Rebuild not only homes but also hope

LETTERS

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THE Urban Renewal Act 2025 (URA) represents one of Malaysia's most ambitious legislative attempts to address the long-standing problem of abandoned housing projects. Across the country, families have been left in limbo as incomplete developments scar neighbourhoods, erode trust in the property market, and shatter the dreams of ordinary buyers.

On paper, the Act is a bold step. It provides a newly created Commissioner of Urban Renewal to identify and gazette abandoned projects, appoint rehabilitation managers, suspend bank foreclosures, and even integrate failed development sites into wider rehabilitation schemes. Financing tools such as rehabilitation funds, escrow accounts, insurance, and potential sukuk-style instruments appear to provide funding.

Nonetheless, further scrutiny reveals several challenges. The Act is strong in creating mechanisms to rescue projects. However, it is less convincing in ensuring justice for the very people who have suffered most: the buyers.

For thousands of families, abandoned housing projects are not simply a financial loss but a profound life tragedy. Many continue to service housing loans for undelivered homes while also paying rent for temporary accommodation. Deposits and savings remain tied up in limbo, with little assurance of recovery.

The human toll is equally severe. Couples delay marriages, families live unsettled lives, and children face disruptions in schooling. Dreams of home ownership collapse, along with the stability and dignity it represents. Buyers also forgo rental income or capital appreciation that they would have gained had their homes been completed on time.

The Act provides a centralised authority and structured rehabilitation of abandoned projects' pathways. However, several shortcomings remain. Most notably, it does not explicitly prevent buyers from being asked to make additional "top up" payments. Without a clear safeguard, families risk paying twice for the same strong.

Ambiguity also persists regarding SPA rights. Without clearer drafting, there is a risk that accrued rights, such as liquidated damages, quality building workmanship, guarantee to unit title, and defect liability, may be diluted if rehabilitation proceeds by novation (the substitution of a new contract in place of an old one) rather than assignment. Similarly, the Act does not expressly override conflicting insolvency and land laws. As a result, secured creditors, insolvency administration, and chargees may still assert rights that can frustrate rehabilitation efforts and leave buyers marginalised.

The Act also places limited emphasis on compensation for past losses. The Act's main objective is to rehabilitate abandoned projects towards completion and protect the rights of buyers. However, it does not spell out remedies for buyers' financial hardships, grievances, or losses. Buyers are acknowledged as beneficiaries, but the Act does not grant them a statutory role in approving rehabilitation plans, monitoring financing arrangements, or overseeing completion milestones.

Accountability mechanisms for developers are also less robust than they could be. While compliance obligations exist, the Act does not provide penalties for developers, including the rehabilitating developers, who default on their abandoned projects. This reduces deterrence. This will also allow irresponsible actors to re-enter the industry with impunity. The Act is also silent on the specific challenges faced by Islamic finance buyers, who would benefit from syriah-compliant moratoriums or restructuring during periods of abandonment and rehabilitation.

If the URA is to achieve its promise, it must put buyers at the centre. A firm "no top up" payment rule should be incorporated into the Act. Buyers must only provide additional contributions on a voluntary basis. The contributions must also be subject to professional certification. A significant majority of purchasers must also approve it.

Rehabilitation provisions should maintain all SPA terms to ensure that buyers' rights remain intact. A supremacy clause should be included to ensure Commissioner-approved rehabilitation plans override conflicting insolvency or land provisions.

Transparency must also be enhanced. Meaningful openness can be achieved in several ways. For example, through financial disclosure, periodic audit checks, and stringent developer selection, the transparency of the rehabilitation process can be further improved.

In addition, the establishment of statutory purchaser committees with decision-making powers can improve transparency. Finally, defaulting developers should be subject to blacklisting and director-level accountability where misconduct is proven.

The rehabilitation must also adopt the full Build-Then-Sell model to prevent any recurrence of abandonment. Likewise, rehabilitating developers must be made subject to the provisions of Act 118 and to all the legal and statutory obligations imposed on developers.

The URA is a commendable effort to address a problem that has plagued Malaysia for decades. Policymakers should be credited for their determination to act. But unless these gaps are closed, the Act risks being seen as a framework that rescues projects rather than one that restores justice to people.

Urban renewal should not only be about bricks and mortar. It must emphasise justice and transparency, and be people's welfare-centric and in the public interest. With such an Act, Malaysia can transform urban renewal through rehabilitation of abandoned projects from a physical exercise into a moral commitment – one that rebuilds not only homes but also hope.

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