STAKEHOLDERS’ PERCEPTION TOWARDS SUSTAINABLE BUSINESS LOCATIONS OF PURPOSE-BUILT OFFICE IN KUALA LUMPUR, MALAYSIA

HENG JIA YUN

A thesis submitted in fulfilment of the requirement for the award of the Degree of Master of Real Estate and Facilities Management.

Faculty of Technology Management and Business
Universiti Tun Hussein Onn Malaysia

JULY 2019
ACKNOWLEDGEMENT

I wish to express my greatest gratitude to the kindness of my all-time supervisor, Dr. Edic Ezwan bin Mohd Safian in my Master journey. Without his guidance and encouragement, this thesis may never complete on time. Dr. Edic have enabled me to complete my study through his professionalism, his guidance and detailed comments.

My sincere appreciation also goes to my co-supervisor, Assoc. Prof. Dr. Ahmad Kaseri bin Ramin for his invaluable help in providing ideas, insights and comments with his in-depth knowledge throughout my Master study.

I wish to special thanks to the Universiti Tun Hussein Onn Malaysia (UTHM) for financial support throughout the study. My deepest thanks must go to those expert panels and occupants of purpose-built office that provided their contributions to the study.

I wish to also convey my appreciation to my beloved family for their support and love. My family, especially my parent, Mr. Heng Koy Hing and Mdm. Yaw Siew Lin, who supported either in financially or mentally throughout the completion of this study. With their unbiased support and love, I am able to concentrate in completing my study all the time.

Last but not least, I would also like to thank my friends that always support and care towards the completion of this study. I would like to show my sincere gratitude to my best friend, Ms. Cindy Wong Shu Wen who has always support and encourage me. Thank you.
ABSTRACT

Purpose-built office (PBO) market in Malaysia has become more challenging in coming years since the sustainability has added new dimensions to the complexity in the location evaluation of PBO. Nevertheless, there is a lack of research in this country that studied the sustainable business locations of PBO based on the stakeholders’ perceptions. Therefore, this thesis aimed to develop a sustainable business location model to match the stakeholders’ perceptions on location of PBO in Golden Triangle Kuala Lumpur, Malaysia. For this purpose, ten main sustainable business location characteristics of PBO were identified. In developing the sustainable business location model of PBO, 8 out of 10 selected local expert panels who are property clients, valuers, property managers, estate agents and property consultants were involved in the content validation. For investigating the stakeholders’ perceptions towards sustainable business location characteristics of PBO, 190 pairwise comparison questionnaire sets were distributed and 157 questionnaires (82.63% response rate) were responded by the occupants of 19 selected PBOs. Analytic Network Process (ANP) technique was used to analyse the weight of dependence for sustainable business location characteristics of PBO based on the perceptions of PBO’s occupants. Hence, supermatrix approach was used to develop the location factor matrix for sustainable business locations of PBO. The research was successful in developing an ANP model and location factor matrix for sustainable business locations of PBO. The results has showed that the availability of transport options (C2), efficiency of property market (C5), access to public transportation and terminal (C8), and access to market (C9) characteristics have high limiting values for all the selected streets. Therefore, the results obtained in this research can provide new academic attainment for Malaysia in improving the development of purpose-built office market in Malaysia.
ABSTRAK

Pasaran pejabat binaan khas (PBO) di Malaysia menjadi lebih mencabar pada tahun-tahun akan datang kerana kemampuan telah menambah dimensi baru kepada kerumitan di penilaian lokasi PBO. Walau bagaimanapun, terdapat kekurangan penyelidikan di negara ini yang telah mengkaji lokasi perniagaan PBO yang mampan berdasarkan persepsi pihak berkepentingan. Oleh itu, tesis ini bertujuan untuk membangunkan model lokasi perniagaan yang mampan untuk memadankan persepsi pihak berkepentingan mengenai lokasi PBO di Golden Triangle Kuala Lumpur, Malaysia. Untuk tujuan ini, sepuluh ciri utama lokasi perniagaan PBO yang mampan telah dikenalpasti. Dalam membangunkan model lokasi perniagaan PBO yang mampan, 8 dari 10 panel pakar tempatan yang terpilih seperti pelanggan hartanah, penilik, pengurus hartanah, ejen dan perunding hartanah telah terlibat dalam pengesahan kandungan. Untuk menyiapkan persepsi pihak berkepentingan terhadap ciri lokasi perniagaan PBO yang mampan, 190 soal selidik perbandingan berpasangan telah diedarkan dan 157 soal selidik (82.63% kadar tindak balas) telah dijawab oleh penghuni di dalam 19 PBO yang dipilih. Teknik Proses Rangkaian Analitik (ANP) telah digunakan untuk menganalisis pemberat pergantungan bagi setiap ciri lokasi perniagaan PBO yang mampan berdasarkan persepsi penghuni PBO. Oleh itu, pendekatan supermatrix telah digunakan untuk membangunkan matriks faktor lokasi untuk lokasi perniagaan PBO yang mampan. Penyelidikan berjaya membangunkan ANP model dan faktor lokasi matriks untuk lokasi perniagaan PBO yang mampan. Hasilnya telah menunjukkan bahawa ketersediaan pilihan pengangkutan (C2), kecekapan pasaran harta tanah (C5), akses kepada pengangkutan awam dan terminal (C8), dan akses kepada pasaran (C9) mempunyai nilai yang tinggi untuk semua jalan yang dipilih. Oleh itu, hasil yang diperoleh dalam penyelidikan ini dapat memberikan pencapaian akademik baru bagi Malaysia dalam meningkatkan pembangunan pasaran pejabat binaan khas di Malaysia.
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PBOs - Purpose-Built Offices 1
PBO - Purpose-Built Office 1
REDHA - Real Estate and Housing Developers’ Association Malaysia 3
MRT - Mass Rapid Transit 4
ANP - Analytic Network Process 9
NGO - Non-Governmental Organization 10
PMR - Property Market Report 17
JPPH - Department of Valuation and Property Services 17
LRT - Light-Rail Transit 18
MSC - Multimedia Super Corridor 24
GBI - Green Building Index 24
TRX - Tun Razak Exchange 26
BMUB - Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety 26
BOMA - Building Owners and Managers Association 30
PCA - Property Council of Australia 30
CBD - Central Business District 30
PBO-RI - Rental Index for PBO 33
MCDM - Multi-Criteria Decision Making 39
MODM - Multi-Objective Decision Making 40
MADM - Multi-Attribute Decision Making 40
GP - Goal Programming 41
MAUT - Multi-Attribute Utility Theory 41
AHP - Analytic Hierarchy Process 41
TOPSIS - Technique for Order Preferences by Similarity to Idea Solutions 41
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<td>Purpose Built Office Rental Index Wilayah</td>
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CHAPTER 1

INTRODUCTION

1.1 Chapter Overview

In this chapter, a briefing on understanding of this research is provided in order to attain the research aim. It covers the background of the research and identifies the issues from the findings of previous studies. The discussion on these issues provides the outlines of research aim and objectives. The scope and significance of research are highlighted in this chapter. This chapter also includes the organisation of this research.

1.2 Research Background

The rapid economic growth stimulates the commercial property market (Oxford Business Group, 2014). The economic centres of Malaysia, such as Kuala Lumpur, Penang and Johor have enjoyed the driving demand for office spaces, specifically purpose-built offices (PBOs) during the strong economic market. The Malaysian property market is currently under a soft and slow growth since Malaysia is facing the pressure of macroeconomic headwinds (Ruban, Mok, & Chan, 2016).

Based on the Malaysia Commercial Real Estate Investment Sentiment Survey 2016 done by Knight Frank Malaysia, it is prudent for the prospects of the office market since the accelerated supply and slow on-going demand in the office market mismatch. Due to the slowdown in the property sector, purpose-built office (PBO) market remains challenging on matching supply with demand in coming years.

In the local context, previous studies have developed many office building assessment tools which identified the characteristics of PBO from the office property
market participants’ opinions by government and private sectors in Malaysia. These characteristics of PBO buildings can be classified into physical and non-physical factors in the office building assessment (Safian et al., 2013). However, there is a lack of research focuses and stresses on the sustainable business location of PBO based on the stakeholders’ perceptions.

This research aims to investigate in details on the sustainable business location of PBO buildings from the stakeholders’ point of views. Different office spaces have its specific and unique locational features. As such, locational characteristics of PBOs is the key concern for office property market participants before any investment or business decision is made in order to match their preferences and needs within the best available option and maintain the equilibrium of demand-supply in the PBO market.

From the discussion above, several issues are highlighted. This research intends to establish a better understanding on the sustainable business location of PBO based on the preferences of stakeholders. This research is carried out by investigating the stakeholders’ perceptions towards sustainable business location of purpose-built office (PBO). These opinions and views will be compared and used as the guideline for stakeholders while making decision. Thus, this research stresses on the identification of sustainable business location characteristics for PBOs in Malaysia based on the perceptions of stakeholders.

This research will provide new academic achievement in Malaysia, which is lacking such empirical research on the locational characteristics of PBOs. Therefore, providing stakeholders’ preferences and needs on structured sustainable business location model of purpose-built office will improve the development of PBO market in Malaysia. As a result, office property market participants are able to make wise decisions on their investment as well as business planning.

1.3 Problem Statement

In Malaysia, most of the previous works have investigated only on certain aspects of PBO. Some researchers have considered only the physical aspects while others have dealt with the issues on non-physical aspects such as locational characteristics of PBO. There are a limited number of empirical studies look into locational characteristics of PBOs from the office market participants’ point of views (Safian & Nawawi, 2012).
The lack of relevance in most office research to business performance is disappointing (DEGW et al., 2005). It can be concluded that the business performance is correlated to the physical space of the office. In addition, Datuk Ng Seing Liong, past president of Real Estate and Housing Developers’ Association Malaysia (REHDA) said the performance of office spaces depends mainly on their location (Ratina, 2017). In Malaysia, the construction of office buildings embraced the sustainable business practices into location consideration which highlighting the three pillars of sustainability concepts that are the environmental, social and economic attributes (Jasimin & Ali, 2014).

The accessibility of office locations is one of the key attributes which will bring impact to the environmental, social and economic sustainability of economic growth for businesses (Dalton, 2008). It is important to evaluate the sustainable business locations since there is a growing interest in the sustainability of office buildings. Nevertheless, studies in Malaysia on the locational characteristics of PBO buildings, especially from the aspect of sustainable business location, have been lacking. Since there were lack of relevant studies that specified the sustainable business location of PBOs, there are gaps of precise knowledge in this particular area, especially in Malaysia. Due to lack of knowledge on the sustainable business location of PBOs, it is unable to attract the investors such as potential buyers and tenants to invest a business in PBO. This may lead to an increase in rates of vacancy of PBO buildings.

In 2016, PBO buildings recorded a slight improvement in total office spaces from 20.13 million square metres in 2015 to 20.75 million square metres (NAPIC, 2017a). However, the occupancy rate of PBOs has declined slightly to 82.3% in 2016 (2015:83.7%). Although the vacancy rates of PBOs are relatively high in Malaysia, there is a continuous increase in the number of new PBOs coming in the office market (Yusof et al., 2011). As a result, the supply of PBOs is exceeding its demand. Sarkunan Subramaniam, Managing Director of Knight Frank Malaysia said that the oversupply situation cannot be corrected in the short to medium terms because of high incoming supply from ongoing and upcoming mega development projects, and at the same time, there is a weak absorption in the real estate market (The Edge Markets, 2018).

Despite the weak economic climate, the performance of the PBO market in Central Kuala Lumpur outperformed those outside city centre and neighbouring areas in Petaling Jaya (Lee, 2016). The PBO market is expected to remain competitive because it is backed by well-developed transportation infrastructure, for example, on-
going Mass Rapid Transit (MRT) project to enhance the accessibility between the capital of Kuala Lumpur and surrounding areas (C H Williams Talhar & Wong, 2015). Hence, the connectivity will enhance the PBO market performance in order to improve the vacancy rates of PBO.

Although the economy of Malaysia rebounded in 2017, there is still have pressure in the competition of office space as the office market experiences an oversupply. The oversupply situation has an impact on property investment decisions (Razali, 2015). Since the supply of office space surpassed its demand, providing various choices in selecting office spaces where the type of office buildings and its location are merged with the preferences and needs of stakeholders (Adnan et al., 2015). In other words, the oversupply in PBO market enables the PBO market participants enjoy a greater choice when selecting their preferred office spaces.

Consequently, the oversupply in the office market has resulted pressure on rental performance where the office building managers are offering tenant rent incentives for attracting new tenants and retaining old tenants (Cheah et al., 2015). Hence, tenants in existing buildings may relocate or expand to newer buildings instead of the old one as the new PBO buildings are designed to optimize the office space performance as well as business performance with its accessibility, good location and high technological provision levels with affordable rents. The requirements of stakeholders act as an important indicator to alter their decisions by examining the characteristics of PBO buildings (Adnan et al., 2009).

There are differences in every stakeholder’s perceptions on their sustainable business location preferences of PBOs. This research is conducted to select appropriate sustainable business location characteristics of PBOs and construct a location factor matrix for sustainable business locations of PBO to meet the stakeholders’ preferences and needs within the best available option. Recent studies have revealed new characteristics of PBO buildings (Safian et al., 2011). However, there is a lack of structured framework on perceptions of stakeholders towards sustainable business location of PBO is available for the purpose of investments and businesses.

Finally, this research aims to investigate and compare the stakeholders’ perceptions on locational characteristics of PBOs by developing a structured model in order to further previous studies and fill the research gap. This research is conducted to provide a better opportunity for office market participants to meet their preferences.
in decision making. This research will also give a clear understanding regarding the perceptions of stakeholders towards the sustainable business location of PBOs.

1.4 Research Questions

In the competitive PBO market, there are previous studies which have identified and classified building characteristics of PBO based on the stakeholders’ opinions and views. However, researches on locational characteristics of PBO such as accessibility to amenities and proximity to clients are limited, especially in Malaysia. Therefore, the issue is how to investigate the sustainable business location characteristics precisely on physical and non-physical aspects of PBO in Kuala Lumpur, Malaysia from the stakeholders’ perceptions. Moreover, a finite number of location analysis techniques and grading matrix tools have been developed for the locational aspect of PBO preference. For the purpose of studying the stakeholders’ perceptions towards the sustainable business location of Malaysian’s PBO, the problems here are does it able to meet all the stakeholders’ preferences and needs or does that assessment feasible for all locational characteristics of PBOs. In order to investigate the stakeholders’ preferences and needs towards PBO’s sustainable business location, the following research questions are established:

1. What are the sustainable business location characteristics of purpose-built office (PBO) in Kuala Lumpur, Malaysia?
2. What are the stakeholders’ perceptions towards purpose-built office (PBO) in the context of sustainable business location in Kuala Lumpur, Malaysia?
3. How to develop a location factor matrix for sustainable business locations of purpose-built office (PBO) in Kuala Lumpur, Malaysia?

1.5 Research Objectives

The aim of this research is to construct a sustainable business location model to match the stakeholders’ preference on location of purpose-built office (PBO) in Kuala Lumpur, Malaysia. To achieve the research aim, the objectives of this research are as follows:
1. To validate the sustainable business location characteristics of purpose-built office (PBO) in Kuala Lumpur, Malaysia.

2. To investigate the stakeholders’ perceptions towards purpose-built office (PBO) in the context of sustainable business location in Kuala Lumpur, Malaysia.

3. To develop a location factor matrix for sustainable business locations of purpose-built office (PBO) in Kuala Lumpur, Malaysia.

1.6 Scope of Study

This research is confined to PBOs within the Kuala Lumpur Golden Triangle area. The research area is focused within Kuala Lumpur Golden Triangle area because the area is being the most developing commercial center in Malaysia and one of the top investment choices since there is a significant influence in the development of commercial real estate, particularly PBOs in Kuala Lumpur. The respondents involved in this research are the stakeholders from the Malaysian PBO market, whether they are property clients such as tenants and occupants, estate agents, valuers and property consultants as well as property management of PBOs in the vicinity of Kuala Lumpur Golden Triangle area due to their better understanding regarding the sustainable business location characteristics of PBO.

1.7 Significance of Study

In the effect to improve the commercial property market performance specifically for the PBO market, several building assessments have been revealed by government and private sectors. However, in Malaysia, the conceptual framework of locational characteristics of the PBO is still in progress. After studying the stakeholders’ perceptions on their needs and preferences towards the location of PBOs, it is expected to boost up the PBO market condition while comparing to the other developed and developing countries.

This research aims to establish a better understanding on the sustainable business location characteristics of PBO based on the perceptions of the stakeholders since it is lacking such empirical studies. Therefore, providing stakeholders’
REFERENCES


