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**RELATIONSHIP BETWEEN NEIGHBORHOOD  
PHYSICAL DESIGN AND INSTITUTIONAL CHANGES:  
PATTERNS AND THEIR EFFECT  
ON HOUSING PRICE IN MALAYSIA**

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**Ph.D**

**The Hong Kong Polytechnic University**

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**The Hong Kong Polytechnic University**

**Department of Building and Real Estate**

**Relationship between Neighborhood  
Physical Design and Institutional Changes:  
Patterns and Their Effect on Housing Price in Malaysia**

**Siti Hajar Binti MISNAN**

**A thesis submitted in partial fulfilment of the  
requirements for the degree of Doctor of Philosophy**

**July 2014**

## **CERTIFICATE OF ORIGINALITY**

I hereby declare that this thesis is my own work and that, to the best of my knowledge and belief, it reproduces no material previously published or written, nor material that has been accepted for the award of any other degree or diploma, except where due acknowledgement has been made in the text.

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Siti Hajar Binti MISNAN

*To my beloved husband Khairul Anuar, who gives me enduring support and love,*

*To my little girl Damia Zahra, who was born during this fantastic journey,*

*To my late father Allahyarham Misnan bin Jurimi, who left me with courage,*

*To my beloved mother, parents-in-law and families who are always proud of us*

## **ABSTRACT**

Housing neighborhoods, in the context of urban economics can be viewed as a nexus of contracts that assign property rights over private and shared resources, and over various neighborhood attributes. However, previous studies have indicated that the fragile assignment of property rights in the conventional open neighborhood can contribute to the neighborhood instability over time. As a result, through the process of institutional change, new and more efficient institutional forms will gradually emerge. While, a vast amount of studies suggested neighborhood privatization as a possible solution to the problem of instability with assignment of property rights, it appears that not all neighborhoods are able to transform under the existing neighborhood conventions and laws. Thus, there is a crucial need to study and consider other forms of institutional innovation that can resolve those problems. Therefore, this research proposes a theoretical foundation based on property rights and new institutional economics to initiate the analysis of the transformation of physical design and institutional arrangement in urban neighborhood development in Malaysia.

This research takes advantage of the institutional transformation in Malaysia over the year 1960-2010. It is noticed that some conventional open neighborhood can be reinforced into guarded neighborhood and enjoy the benefits similar to that of gated community, while the others cannot. Therefore, this research aims to identify the dynamic interrelationship patterns between neighborhood physical design and institutional arrangement that contribute to maximize housing price benefits and strengthen the conventional open neighborhood institution in Malaysia. The research begins by examining the unique features of the causes, process and outcome of institutional change through extensive literature reviews, interviews, and field observations. Secondly, a conceptual framework has been developed based on the identified unique features of institutional and physical design characteristics. Third, the framework is used to evaluate the effect of institutional change on housing price and appraise those relationships through critical comparisons of two neighborhoods. This research found a unique anomaly when one developer has developed two identical neighborhoods in the same township, but under different land titles. The

gated community is developed under the strata title, while the guarded neighborhood developed under the individual title. These differences generated an exogenous allocation of property rights across the neighborhood, enabling researchers to measure their effect on housing price.

This research identified the dynamic interrelationship that has taken place in two dimensions. First, in order to avoid further neighborhood conflicts, both physical and institutional designs of conventional open neighborhood (CON) ‘reinforce’ into guarded neighborhood (GN) and ‘accompanied’ each other during the transformation process. Second, learning from the previous obstacles, the physical and institutional designs of the emerging new guarded neighborhood (GN) ‘adopted’ the same physical and institutional designs similar to that of gated community (GC). Finally, this research recommends a conceptual framework that demonstrate the relationship between the neighborhood physical design and institutional arrangement of CON, GN and GC, and provides urban policy-makers with an objective reference to strengthen the conventional open neighborhood institution. The conceptual framework may also be a strategic tool in understanding the local institutional change in other cities and a foundation to provide research directions for future studies in this area.

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4. **Misnan, S.H.B.** and E.H.W. Chan (2014) Gated and Guarded Communities: Revealing the New Neighborhood Patterns in Malaysia, *Proceedings of International Conference in Urban and Regional Planning 2014*, UTM Johor Bahru, Malaysia, 09-11 May 2014.
5. **Misnan, S.H.B.** and E.H.W. Chan (2012) Gated and Guarded Communities: Transformation of Urban Neighbourhood in Malaysia, *Proceedings of Conference on Urban Planning and Management in Malaysia*, Kuala Lumpur, Malaysia, 08 November 2012, pp. 20.
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7. **Misnan, S.H.B.**, E.H.W. Chan, B.S. Tang and S.B. Ahmad (2010) Interactive Spatial Distribution of Gated and Guarded Communities in Petaling Jaya, Malaysia, *Proceedings of CRIOCM 2010 15<sup>th</sup> International Symposium on “Advancement of Construction Management and Real Estate”*, The Chinese Institute of Construction Management and Iskandar Malaysia UTM Research Centre (IMREC), Johor, Malaysia, 06-08 August 2010, pp. 182-190. **(ISBN: 978-967-010-4)**
  
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## TABLE OF CONTENTS

CERTIFICATE OF ORIGINALITY	III
ABSTRACT	V
PUBLICATIONS ARISING FROM THE THESIS	VII
HONOURS AND AWARDS OBTAINED IN DOCTORAL STUDY	IX
ACKNOWLEDGEMENTS	X
TABLE OF CONTENTS	XII

### **Chapter 1 Introduction**

---

1.1	Research Background	1
1.2	Research Questions	7
1.3	Research Aim and Objectives	9
1.4	Significance of the Research	10
1.5	Research Approach	13
1.6	Structure of the Thesis	14
1.7	Summary	17

### **Chapter 2 Review of the Literature**

---

2.1	Introduction	18
2.2	Institutional Theory of the Neighborhood	18
	2.2.1 <i>An overview of the institution</i>	18
	2.2.2 <i>Understanding neighborhoods from the institutional perspective</i>	25
2.3	Neighborhood, Urban Spaces and Property Rights	27
	2.3.1 <i>Role of urban governance institutions and neighborhood patterns</i>	27
	2.3.2 <i>The problem of conventional open neighborhood</i>	32
2.4	Institutional Change and Transformation of Urban Neighborhood	33
	2.4.1 <i>An overview of the process of institutional change</i>	33
	2.4.2 <i>Privatization of the urban neighborhood and gated community</i>	37
	2.4.3 <i>Causes of change</i>	39
	2.4.4 <i>Nature of the process</i>	41
	2.4.5 <i>Outcome of change</i>	42

2.5	Ways in which Transformation of Neighborhood Patterns Affects Neighborhood Physical and Institutional Designs	45
2.6	Transformation of Urban Neighborhood in Malaysia	46
2.7	Research Gaps	47
2.8	Summary	49

### **Chapter 3 Research Methodology and Procedures**

---

3.1	Introduction	50
3.2	Research Methodology	50
3.3	Qualitative Research Methods	52
	3.3.1 <i>First round</i>	54
	3.3.2 <i>Second round</i>	56
3.4	Quantitative Research Methods	57
	3.4.1 <i>Third round – Case study of Two sampled neighborhoods</i>	57
	3.4.2 <i>Verify the theory in real case context</i>	59
3.4	Summary	60

### **Chapter 4 Transformation of Housing Neighborhoods in Malaysia**

---

4.1	Introduction	61
4.2	Change in Neighborhood Formal and Informal Rules	62
	4.2.1 <i>First phase 1960-1970</i>	62
	4.2.2 <i>Second phase 1970-1990</i>	64
	4.2.3 <i>Third phase 1990-2000</i>	65
	4.2.4 <i>Fourth phase 2000-2007</i>	67
	4.2.5 <i>Fifth phase 2007-2010</i>	69
4.3	Understanding the Transformation Process from the Institutional Change Perspective	77
	4.3.1 <i>Cause of change</i>	77
	4.3.2 <i>Nature of the Process</i>	80
	4.3.3 <i>Outcome of change</i>	85
	<i>Spatial Distribution of Guarded Neighborhood in PJ</i>	92

4.4	Unique Features of the Transformation Process	95
4.5	Summary	103

## **Chapter 5 The Characteristics of Neighborhood Institutional and Physical Designs**

---

5.1	Introduction	104
5.2	Conventional Open Neighborhood Reinforce to Guarded Neighborhood	106
5.2.1	<i>Changes in institutional design of CON to GN</i>	106
5.2.2	<i>Changes in physical design of CON to GN</i>	109
5.2.3	<i>Physical design and institutional design accompanied</i>	111
5.3	Guarded Neighborhood Resemble with Gated Community	111
5.3.1	<i>Characteristics of neighborhood institutional design</i>	112
5.3.2	<i>Characteristics of neighborhood physical design</i>	114
5.4	Unique Patterns between Guarded Neighborhood and Gated Community	117
5.5	Development of Conceptual Framework	120
5.6	Summary	122

## **Chapter 6 Analyzing the Effects on Housing Price through Case Study**

---

6.1	Introduction	123
6.2	The selection of Case Study	123
6.2.1	<i>Guarded Neighborhood: Safa, Desa ParkCity</i>	125
6.2.2	<i>Gated Community: Nadia, Desa ParkCity</i>	126
6.3	Significance of the Case Studies of the Research	127
6.4	Neighborhood Physical and Institutional Designs	128
6.3.2	<i>Institutional design in Safa and Nadia</i>	128
6.3.3	<i>Physical design in Safa and Nadia</i>	130
6.5	The Relationship between GN – GC Effect on Housing Price	132
6.5.1	<i>Average sale price and market transactions</i>	132
6.5.2	<i>Rental price and rental yield</i>	134
6.6	Summary	135

## **Chapter 7 Discussions and Research Highlight**

---

7.1	Introduction	137
7.2	Review of Research Objectives and Development Processes	138
7.3	Discussion on Research Questions	140
	<i>7.3.1 Research Question 1</i>	140
	<i>7.3.2 Research Question 2</i>	146
	<i>7.3.3 Research Question 3</i>	148
7.4	Research Contributions	154
	<i>7.4.1 Contribution to Academic Knowledge</i>	154
	<i>7.4.2 Contribution to the Urban Policy-makers</i>	155
7.6	Limitations of the Research	156
7.7	Recommendations for Future Research	156
7.8	Conclusion	157
	<b>Appendices</b>	160
	<b>List of References</b>	169

## **List of Tables**

Table 2.0	Comparisons between Formal Rules and Informal Rules	23
Table 2.1	Categories of Responses to Regulation	43
Table 4.0	Guideline for Gated Community and Guarded Neighborhood 2010	74
Table 4.1	The Significant Milestone during Malaysian Housing Transformation Process	82
Table 4.2	Number of Guarded Neighborhood and Gated Community in Malaysia, 2013	86
Table 4.3	Percentage of GN in Petaling Jaya from 1990-2010	93
Table 4.4	Characteristics and Property Rights Assignment of CON, GN, GC	98
Table 4.5	Reviewing Transformation Process in Malaysia through NIE Perspective	101
Table 5.0	Change in Institutional and Physical Designs of CON to GN from NIE Perspectives	117
Table 5.1	Change in Institutional and Physical Designs of GN Resemble with GC from NIE perspectives	119
Table 6.0	Similarities and differences between Safa and Nadia	127
Table 6.1	Security features and barriers inside Safa and Nadia	131
Table 7.0	Reviewing Transformation Process in Malaysia through NIE Perspective	144
Table 7.1	Change in Institutional and Physical Designs of CON to GN from NIE Perspectives	150
Table 7.2	Change in Institutional and Physical Designs of GN Resemble with GC from NIE Perspectives	153

## List of Figures

Figure 1.0	Missing link between gated community developments and conventional open neighborhood	6
Figure 1.1	Thesis Framework	16
Figure 2.0	The evolution of urban space from public to a private domain	33
Figure 2.1	Flowchart to illustrate stage of institutional change	36
Figure 2.2	Endogenous and exogenous causes	39
Figure 2.3	Process of Institutional Change	41
Figure 2.4	Overall neighborhood institutional change process from the NIE and property rights perspectives	44
Figure 3.0	Triangulation Model	52
Figure 3.1	Research Methodology	53
Figure 3.2	Petaling Jaya Key Plan	55
Figure 3.3	Desa ParkCity Master plan	58
Figure 4.0	Identification of Unique Features	61
Figure 4.1	Transformation of housing neighborhood in Malaysia 1960/2010	63
Figure 4.2	Emergences of GCs and GNs during Transformation Process	76
Figure 4.3	Transformation Process CON - GN – GC	80
Figure 4.4	Conventional open neighborhood (CON)	87
Figure 4.5	The example of guarded neighborhood (GN)	88
Figure 4.6	Example of Gated Community – Sierramas	90
Figure 4.7	Desa ParkCity	91
Figure 4.8	65 sections in MBPJ	92
Figure 4.9	CON and GN Distribution in 1990 and 1995	93
Figure 4.10	CON and GN Distribution in 2000 and 2005	94
Figure 4.11	CON and GN Distribution in 2010	94
Figure 5.0	Emergences of GCs and GNs during Transformation Process	105

Figure 5.1	CON reinforce into GN	106
Figure 5.2	GN resemble with GC	112
Figure 5.3	Institutional Innovation of CON-GN-GC	117
Figure 5.4	Conceptual Framework of Relationship between Neighborhood Physical Design and Institutional Change	121
Figure 6.0	Desa ParkCity Master plan	124
Figure 6.1	Layout Plan for Safa and Housing Development Quality	125
Figure 6.2	Layout Plan for Nadia and Housing Development Quality	126
Figure 6.3	Layout of Safa and Nadia, Desa ParkCity	131
Figure 6.4	Transaction Prices in Safa and Nadia	133
Figure 6.5	Asking Rentals Price in Safa and Nadia	134
Figure 6.6	Rental Yields in Safa and Nadia	135
Figure 6.7	Conceptual Framework of Relationship between Neighborhood Physical Design and Institutional Change in Safa (GN) and Nadia (GC)	136
Figure 7.0	Third Round Qualitative and Quantitative Data Collection	139
Figure 7.1	Institutional Innovation of CON-GN-GC	146
Figure 7.2	Conceptual Framework of Relationship between Neighborhood Physical Design and Institutional Change	147
Figure 7.3	Conceptual Framework of Relationship between Neighborhood Physical Design and Institutional Change in CON-HYBRID-NEW	148

# CHAPTER 1

## INTRODUCTION

This chapter provides a general introduction to the research work on understanding the relationship between neighborhood physical design and institutional changes. It comprises of the research background, research questions, research aim and objectives, significance of the research and the research approach taken. The chapter ends with a list of thesis structures.

### 1.1 Research Background

This research seeks to understand better how the local institutional change in Malaysia operates to strengthen the conventional open neighborhood institution in response to the prevailing physical and institutional constraints. Neighborhoods in spatial term cover most of the urban space, consisting of public and private spaces that shared, used and misused by the community. When the economy of a nation develops and urbanizes, cities will grow and, as a result, existing shared spaces in conventional open neighborhoods becoming congested. In response, more efficient forms of neighborhood governance will emerge, either by processes of trial and error, policies or market experimentations. According to Webster (2003), long-term urban neighborhood evolutionary change has been anticipated, involving the emergence of community conventions or government regulations that better define

rights and responsibilities. In addition, its will either result in the formation of formally constituted collective consumption organizations or to a fragmentation of public spaces into smaller title units of private property rights. In relation to this research, the conventional open neighborhood (CON) predicted to gradually changed into club neighborhood or gated community (GC).

Economists have suggested neighborhood privatization as a possible solution to urban problems. Theoretically, neighborhood will undergo a process of institutional change, which are inclined to enclose and limit the access to secure the property rights and solve common problems (Lai and Yu, 1995; Webster, 2003). Extensive studies on the emergence of gated communities and resident perceptions already done by many scholars. For example, gated community addresses the human nature of seeking for privacy and exclusivity, the flight from fear and defenses from any internal and external threats (Dillon, 1994; Hubert and Delsohn, 1996; Low, 2003; Marcuse, 1997; Wilson-Doenges, 2000; Webster, 2002; and Grant and Mittelsteadt, 2004) and to meet the demand of various niche markets and to attract consumers searching for a sense of community, identity and security (Webster, 2002; Grant and Mittelsteadt, 2004). In some cities, older neighborhoods are closing off streets to enhance local security and reduce traffic (Blakely and Snyder, 1997; Grant and Mittelsteadt, 2004). Hence, fortified and enclaved developments have become an increasingly common feature of contemporary suburban building patterns (Blakely and Snyder, 1997; Blakely, 1999).

However, these phenomena may challenge the spatial, organizational, and institutional orders that have shaped modern cities (Webster, 2002b). Although gated

community may give a sense of security and prestige, it may segregate and create localized urban spaces, rendering the urban space inaccessible for those living outside the gates. The challenges of gated development includes the issues of how to let the market supply of a gated community without critically fragmenting cities; how the market can allocate rights over shared neighborhood spaces without physical exclusion; and how the government can maximize the benefits while minimizing the effects of social fragmentation.

To facilitate this research, the combination of the economic theory of property rights and new institutional economics (NIE) is probably the most suitable approach to be taken to examine the emergence of new institutions and the process of institutional change. The most commonly accepted definition of new institutional economics (NIE) is that institutions are the “rules of the game” in a society, together with their enforcement arrangements (North, 1990). Institutions play a significant role in society to reduce uncertainties by establishing a stable structure for human interactions. Institutions will continually change, which will alter the choices that are available to society. If existing institution are no longer efficient in responding to exogenous parameters, then newer, more efficient institutional forms will gradually emerge (Kingston and Caballero, 2006). Most scholars have proposed various theories and scenarios that will give significant impact to institutional change including evolutionary theory, bounded rationality, the role of history, path-dependence and equilibrium that will across individuals, firms and countries. Kingston and Caballero (2006) compared several recent theoretical approaches to conceptualizing institutional change, in an effort to clarify areas of consensus and disagreement regarding the causes, process, and outcomes of institutional change.

Thus, it might be more comprehensible to illustrate the process of change by describing the role of institutions history, causes and conflict happening in the institution, process of institutional change, and the outcome of these changes.

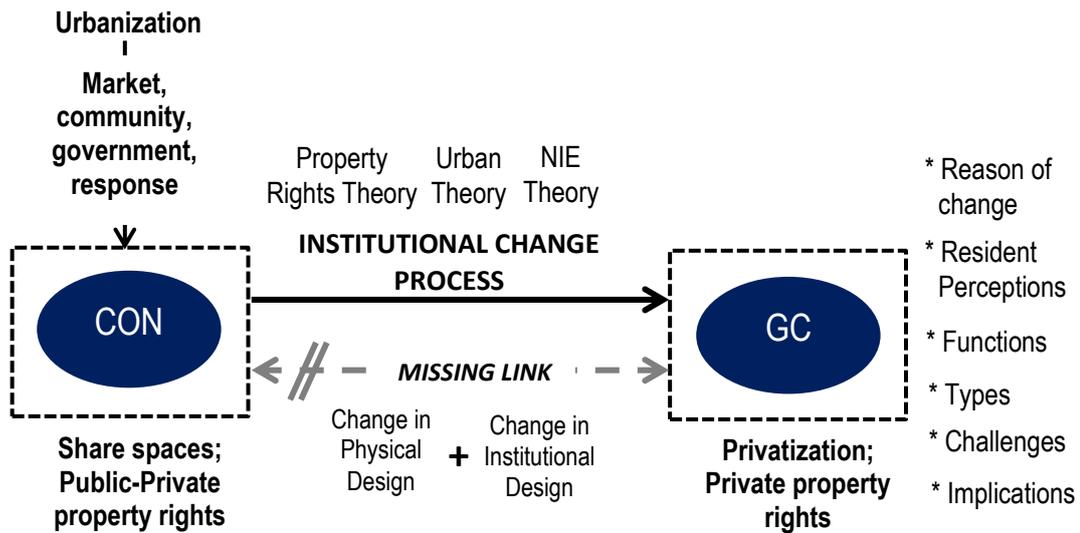
Webster (2003) stated that extensive studies have been done on the economic models of the neighborhood that broadly rest on the consumption sharing neighborhood concepts such as geographical theory of market areas (Christaller, 1966; Losch, 1939/1954); urban bid-rent theory (Alonso, 1964); hedonic price theory (Rosen, 1974); local public goods theory (Tiebout, 1956); club theory (Buchanan, 1965); and hybrid theories (Hochman et al., 1995). Furthermore, Webster (2003) have also highlighted three particular limitations of neo-classical urban partitioning models which is the failure to model adequately the transactions that create and sustain a neighborhood, the assumption that the costs incurred in making such transactions are zero, and the assumption that property rights are fully assigned. He further explained that the existing urban theory is for this reason closely related to Olson's (1965) self-interested explanation of group formation or collective actions. This research has also identified several relevant studies, including group formation and optimal size (North, 1990; Williamson, 1998), theory of club (Tiebout, 1956; Buchanan, 1965), government interventions (Tullock, 1989;1993) co-operative organizes (Barzel, 1997), transaction costs theory (Williamson, 1985), property rights theory (Grossman and Hart, 1986) and The Nature of the Firm (Coase, 1937).

In relation to studies on urban neighborhood, Webster and Lai (2003) developed the urban theory on property rights propositions by looking at neighborhood definition, organization, the process of change and neighborhood efficiency. Therefore,

according to Webster and Lai (2003), neighborhoods define as a nexus of contracts that assign rights over private and shared resources and over their various attributes. The organizations that govern those contracts and the contracts themselves evolve over time in response to changes in the value of resources and adjustments in the costs of exchanging and combining property rights. If existing neighborhood institutions are no longer efficient in adapting to changes, it will evolve, and more efficient forms of neighborhood will emerge. Neighborhood efficiency plays a significant role in determining neighborhood stability. An efficient neighborhood has been defined as one in which all those having an influence on the total value of a neighborhood will have a residual claim on the benefits created by the resources that they influence (Webster, 2003). However, not all neighborhoods are able to change under existing neighborhood conventions and laws. Therefore, there is the crucial need to develop and propose other forms of solution. For this reason, this research supports the idea that the hierarchy of shared spaces in a city should correspond to a hierarchy of governing institutions (Webster, 2007). Physical and institutional designs are both important in creating sustainable public realms and avoiding the tragedy of the urban commons.

This research argues that past studies have often focused on the research of the emergence of gated communities and their implications. However, previous scholar has yet to address the actual problems facing by the existing urban neighborhoods, especially the conventional open neighborhood (CON), and have failed to connect the advantages of the gated development (GC) in reinforcing existing neighborhood institutions (see Figure 1.0). Past literatures have also focused on the physical and topological designs of gated communities, without further addressed the

requirements of better institutional arrangements. By examining the emergence of gated community from different perspectives, this research will focus on how to strengthen the conventional open neighborhood institution in response to the prevailing physical and institutional constraints.



**Figure 1.0** Missing link between gated community developments and conventional open neighborhood

In line with the aim of this study, this research examines the institutional transformation in Malaysian housing neighborhood over the year 1960-2010. Since the 1990s, Malaysian cities have undergone drastic urban expansion, exposing existing urban neighborhoods to various undesirable urban problems. Markets and communities spontaneously respond to stabilize and strengthen the existing neighborhoods in order to correct these imbalances. For example, property developers have introduced new development known as gated community (GC), to address the concern about rising crime rates and also to offer a sense of luxury living. In addition, existing middle-class community who lived in conventional open neighborhood (CON) begins to restrict access and to transform their neighborhood

into guarded neighborhood (GN). However, both practices are considered unlawful due to limited rules. In 2007, amendments were made to the Strata Titles Act 1985 by the Malaysian government to permit the emergence of gated community and guarded neighborhood with subject to certain restrictions. Although the guidelines are relatively strict, it is notice that some conventional open neighborhood (CON) can reinforce into guarded neighborhood (GN) while the other not. It is more interesting to note that a unique anomaly identified when one developer has developed two identical neighborhoods in the same township, but under different land titles. Guarded neighborhood developed with individual title while gated community with strata title. These differences generated an exogenous allocation of property rights across the neighborhood, enabling the researchers to measure their effect on housing price.

## **1.2 Research Questions**

By responding to the theoretical foundation on property rights and new institutional economics (NIE), this research attempts to answer the overall question of *how the dynamic interrelationship patterns between neighborhood physical design and institutional arrangement contribute to maximize housing price benefits and strengthen the conventional open neighborhood institution in Malaysia*. Specifically, this research examines the following sub-questions:

*Q1: What are the unique features identified during the transformation process of Malaysian housing neighborhood?*

It is important first to understand the historical background on how housing neighborhood in Malaysia changes from the property rights and new institutional economics perspectives especially the connection between change of neighborhood forms with the change of formal and informal rules. It will then followed by identification of the causes, processes, and outcomes of change. Identifying the unique features of local institutional change and comparing the finding against those of other countries will give more understanding of the existing urban neighborhood institution and its relationship with the process of institutional change.

*Q2: How does the characteristic of neighborhood physical and institutional designs interrelate between different neighborhoods form to strengthen the neighborhood institution?*

This research supports the idea that problems in conventional open neighborhood could be resolved by restricting property rights assignment over neighborhood spaces by incorporating physical design with institutional design. To develop a conceptual framework, it is important to understand firstly how neighborhood physical design relates to neighborhood institutional design and why those interrelationships needed. Therefore, the identification of the patterns and characteristics of neighborhood physical and institutional design will provide the basis upon which the effects on housing price can be realistically measured and used to access the neighborhood stability at the neighborhood level.

*Q3: How can the dynamic interrelationship between neighborhood physical and institutional design be addressed to maximize housing price benefits and strengthen the conventional open neighborhood institution?*

The identification of physical and institutional designs evaluated with references to the existing conventional open neighborhood. This research has identified a unique case study in Malaysia which may provide an exogenous allocation of property rights when a developer develops two identical neighborhoods patterns in the same township, but under two different land titles. The solution to the dynamic interrelationship may provide urban players with objective measures in their efforts to strengthen the conventional open neighborhood institution. The framework can also be regarded as a strategic tool in understanding the local institutional change and provides research direction for similar studies in the future.

### **1.3 Research Aim and Objectives**

The primary aim of this research is *to identify the dynamic interrelationship patterns between neighborhood physical design and institutional arrangement that contribute to maximize housing price benefits and strengthen the conventional open neighborhood institution in Malaysia, in response to the prevailing physical and institutional constraints, particularly by responding to the theoretical foundation of property rights and new institutional economics (NIE)*. To achieve the aim, the following are the specific objective of this research:

1. To identify the emphasis on neighborhood physical and institutional design by reviewing the extensive empirical and theoretical studies of the urban neighborhood and institutional change;
2. To examine the unique features of the causes, process and outcome of the neighborhood institutional change in Malaysia;
3. To develop a conceptual framework for examining the relationship between neighborhood physical design and neighborhood institutional design, and their effect on housing price;
4. To illustrate the effect on housing price and generalize the relationship patterns through critical comparisons of two neighborhood through a case study;
5. To recommend the conceptual framework as a strategic tool in understanding the dynamic interrelationship patterns between neighborhood physical design and institutional changes that contribute to maximize housing price benefits and strengthen the conventional open neighborhood institution in Malaysia.

#### **1.4 Significance of the Research**

This research proposes a theoretical foundation based on property rights and new institutional economics to initiate the analysis of the transformation of physical design and institutional arrangement in urban neighborhood development in Malaysia. This field of study is important for researchers in urban design, housing neighborhood, community development, property rights over public space and new

institutional economics. There is several arguments support the significant of this research. For example, although economists have suggested neighborhood privatization or gated community as a possible solution to urban problems, it may challenge the spatial, organizational, and institutional orders that have shaped the modern cities (Webster, 2002b). In addition, past study fail to connect the advantages of gated community in reinforcing CON institution, and focus mainly on physical and typological design without addressing it from the property rights and the new institutional economics (NIE) perspectives. Furthermore, not all neighborhoods are able to change or transform into gated community under existing neighborhood conventions and laws (Webster, 2007). Moreover, the existing economic models of the neighborhood fail to model adequately the transactions that create and sustain a neighborhood, the assumption that the costs incurred in making such transactions are zero, and the assumption that property rights are fully assigned (Webster, 2003).

To fulfill the research aim, the neighborhood chosen for the case study should be representative of a successful Malaysian neighborhood development, comparative in nature, able to eliminate the selection bias and have an endogenous assignment of property rights. This research has not been examined in Malaysia through the property rights and new institutional economics (NIE) perspective. Therefore, this research will add to the existing body of knowledge with respect to:

- 1) Propose a theoretical foundation based on property rights and new institutional economics to initiate the analysis of the transformation of physical design and institutional arrangement in urban neighborhood development, specifically in Malaysia.

- 2) Support the idea of urban design should be accompanied with institutional arrangement through appropriate relationship between neighborhood physical and institutional designs derive from a unique case study in Malaysia,
- 3) Recommend a conceptual framework that can be used to study, reduce or solve similar neighborhood problem in other cities by considering the differences over legal and political environment, or can perhaps to be apply to other types of urban development such as commercial or infrastructure development in order to test either it can help to increase property price benefit or strengthen the development stability;
- 4) Improving the understanding among various urban players to strengthen the CON institutions and provide the dynamic interrelationship and detail physical and institutional design characteristics that may help facilitate collaboration and communication of all urban policy-makers of similar problem.

The expected outcome of this research is the conceptual framework. The framework forms as a strategic tool in understanding the dynamic interrelationship patterns between neighborhood physical design and institutional changes that contribute to maximize housing price benefits and strengthen the conventional open neighborhood institution in Malaysia. It anticipated that the framework will facilitate in measuring the effect on housing price from the relationship. It will benefit other urban policy-makers to consider the interrelationship with similar problems in order to strengthen the conventional open neighborhood institution.

## **1.5 Research Approach**

The preliminary step in this research will involve the collection of relevant information associated with urban neighborhood instability issues, in particular, the conventional open neighborhood. A triangulation strategy will utilize which combines qualitative and quantitative methods, using primary and secondary data. Qualitative techniques are primarily used to identify the characteristics of the neighborhood institution and physical design and then to examine its dynamic interrelationship. Subsequently, unique features of local institutional change in Malaysia through causes, process and outcome of change will be reviewed. On the other hand, quantitative techniques will be used to identify the effects on housing price and to generalize the neighborhood patterns through a critical comparison of two neighborhoods through a case study.

This research will utilize a combination of data collection methods including interviews, observation, and examination of relevant official documents and extensive literature reviews. All possible methods and strategies were carefully considered, and the appropriate methods are chosen. The data collections are divided into three stages. In the first stage, data will be collected for the purpose of the general investigation. In the second stage, data collection is made to verify the previous data and to develop the framework. The third stage of data collection will be used to examine and validate the framework.

The choice of location for the case study is important. This research agrees with Galiani and Schargrotsky (2010) that formal property rights are endogenous. To

fulfill the research objectives of evaluating the scenario in Malaysia, the neighborhood chosen for the case study should be representative of a successful Malaysian neighborhood development, comparative in nature, able eliminates the selection bias and endogenous assignment of property rights. Data collected will be analyzed accordingly by utilizing several computer softwares.

## **1.6 Structure of the Thesis**

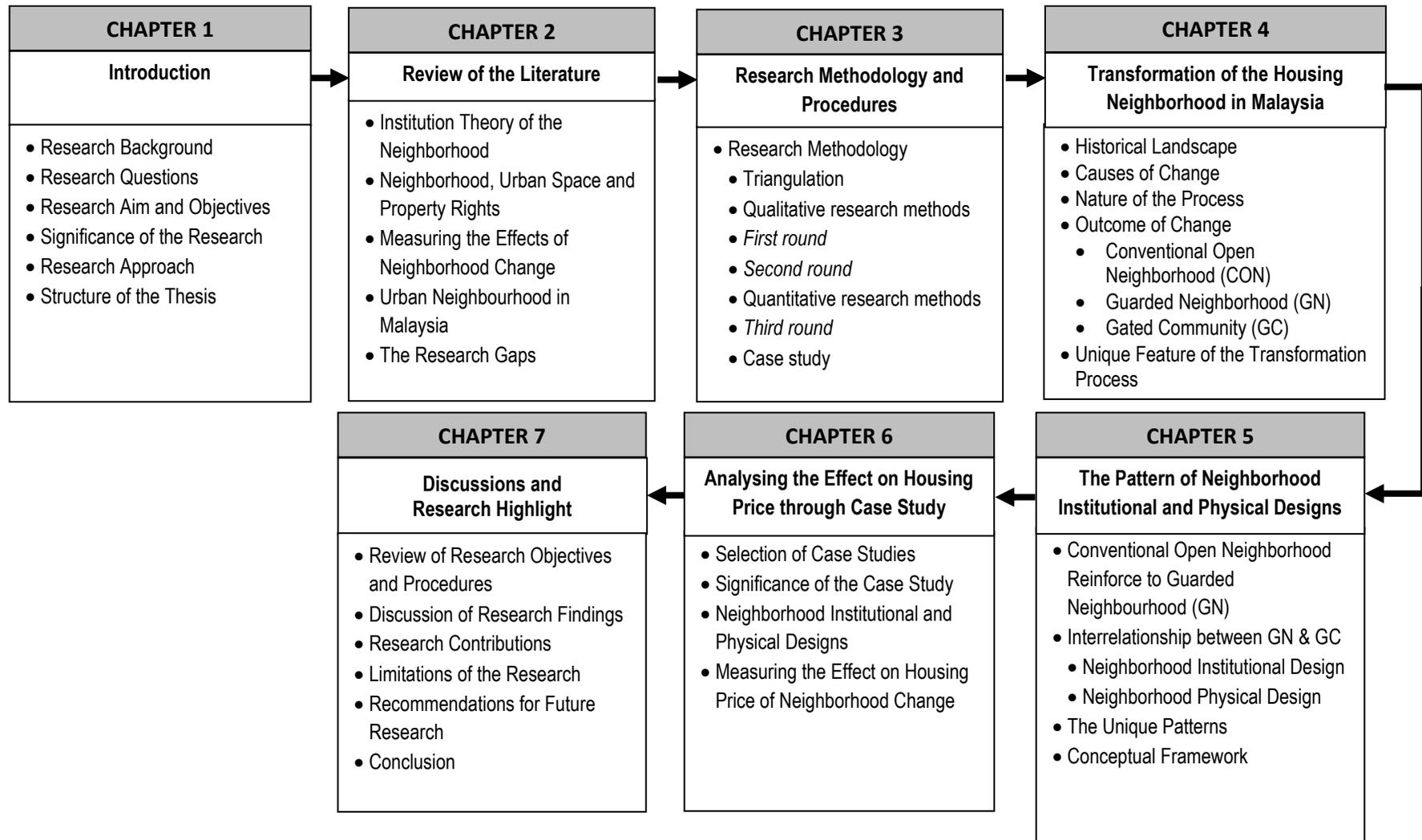
This thesis consists of seven (7) chapters. A brief summary of each chapter is outlined in the following sections. The framework of the thesis is illustrated in Figure 1.1. *Chapter 1 Introduction* comprises of the introductory section that develops the reason and the direction of this research. It introduces the research background and research question on the issue of this research, identifies the research aim and objectives, explains the significance of the research, presents a brief discussion on research approach, and finally outlines the overall structure of the thesis.

*Chapter 2 Review of the Literature* summarizes the current state of knowledge by addressing relevant background literatures. Topics included in this chapter are the theoretical and empirical studies on the institution and institutional change in an urban neighborhood, emphasizing on the characteristics of the neighborhood institutional and physical design. Related indicators for measuring the economic effects, will be identified, and a review of the transformation process of urban neighborhoods in Malaysia will be made. The research gap, which justifies the need for this study, will be established after an extensive evaluation of existing literature.

*Chapter 3 Research Methodology and Procedures* describes the triangulation process used as the primary research methodology, explaining qualitative and quantitative research methods and specifying the reasons for selecting unique case study along with data collection, data analysis and explanation of the methods of research.

*Chapter 4 Transformation of the Housing Neighborhood in Malaysia* highlights the first stage of the survey results on the unique features of the causes, process and outcome of change during the transformation process of the housing neighborhood in Malaysia. The outcome of change are divided into three neighborhood forms, namely, the conventional open neighborhood (CON), guarded neighborhood (GN) and gated community (GC).

*Chapter 5 The Pattern of Neighborhood Institutional and Physical Designs* continue to describe in detail representations of results according to the data derived from observation, personal interviews and relevant official documents of the second stage survey. It evaluated the transformation of the conventional open neighborhood (CON) into guarded neighborhood (GN) and the interrelationship between GN and gated community (GC). The institutional and physical design patterns and related characteristics will be elaborated further. A conceptual framework will be developed to investigate the process of institutional change and their effect on housing price by considering the unique identifying patterns between guarded neighborhood (GN) and gated community (GC).



**Figure 1.1** Thesis Framework

*Chapter 6 Analyzing the Effects on Housing Price through Case Study* highlights the third round of data collection on the case study procedure and results. This quantitative research section begins with the selection of case studies, their significance to the research and highlights the research interrelationship between two (2) neighborhoods. By comparing these two neighborhoods, the related effect on housing price will then be evaluated.

*Chapter 7 Discussions and Research Highlight* reviews the research objectives and research procedure. The significant research findings are discussed, and the implications and contributions of the findings are presented. The chapter concludes with a note on the limitations of the research and the recommendations for future research endeavors.

## **1.7 Summary**

This chapter lays the foundation for this research work. It first introduces the research background, highlighting several crucial obstacles over conventional open neighborhood. The questions on institutional change are presented together with the research aim and objectives. Subsequently, the significance of the research is identified, and the research approaches are briefly discussed. Finally, the structure of the thesis is outlined, showing the overall framework of this research. On this background, the research proceeds with a detailed review of the literature in the next chapter.

## **CHAPTER 2**

### **REVIEW OF THE LITERATURE**

#### **2.1 Introduction**

This chapter reviews the extensive empirical and theoretical studies of urban neighborhood and institutional change relevant to the research objectives developed in the previous chapter, which include (1) the general introduction of the institutional theory of the neighborhood; (2) highlighting on the role of urban players and problems of urban neighborhood by understanding the connection between neighborhood, the urban spaces and property rights; (3) an overview of the process of institutional change and the transformation of urban neighborhoods; and (4) identifying the ways transformation affects neighborhood's physical and institutional design. In addition, the unique transformation of urban neighborhoods in Malaysia is reviewed. The research gap is again deliberated at the end of the chapter.

#### **2.2 Institutional Theory of the Neighborhood**

##### ***2.2.1 An overview of the institution***

Since the research attempts to understand how local institutional change operates, an immediate question is 'what is an institution'? Different authors may use different definitions of institutions, and this naturally influenced their view of institutional

change (Kingston and Caballero, 2006). Previous study identified that the perception on how institutional change is depends to how it is defined and the way researcher choose to evaluate the process of change. The topic of institutions has long been of concern by economists, political scientists, lawyers, sociologist, anthropologists, industrialists and academics from other social sciences. The term ‘institution’ commonly applied to show the important patterns of society as well as to particular formal organization of government and public services. According to the World Development Report (2002), institutions are referred to as ‘rules, enforcement mechanisms and organizations’. Institutions are defined as behavioral rules for social interaction (Skoog, 2005). While Vanberg (1993) described, institutions to perform both individual and social functions. Institutions facilitate decision making and behavior of individual actors in recurrent interaction situations, solve coordination problems between individuals. Institutions are social, as opposed to personal. They are shared among the members of the society or group within which they apply (Heap, 1989).

However, despite the justified institution in a specific parameter, this study follows the ideology of institutional economics to understand institutions background. According to Lowndes (2009), institutional economic divided into two versions. First, a ‘traditional’ institutionalism that focused on price and output, supply and demand, was dismissive of institutions and rejects the reduction of institutions to taste simply, technology and nature. The ‘new’ institutional economics (NIE) in contrast, derives human-made institutions from individual tastes (or preferences) and technical or natural factors, such as transaction costs (Lowndes, 2009). Therefore, Lowndes (2009) claimed that new institutionalism differs from traditional

institutions in at least three important aspects, including NIE concerned not only with formal rules and structures but also with the informal conventions and coalitions that shape political behavior. Second, it does not take political institutions at face value; instead, it takes a critical look at the way in which they embody values and power relationships. Third, NIE rejects the determinism of the earlier approach. NIE focuses on how such institutions emerge, operate, and evolve, how they shape the different arrangements that support production and exchange, as well as how these arrangements act in turn to change the rules of the game. In conjunction with these approaches, it incorporates a theory of institutions such as laws, rules, customs and norms into economics. Some scholars also used NIE to understand how institutions affect economic performance and why different institutional arrangements emerge in different social, cultural and economic settings which is now widely accepted in answering new questions, why economic institutions emerged the way they did and not otherwise (Lowndes, 2009).

In addition, new institutional, economic (NIE) theory is highly significant to this research because it can also be used to examine the institutions changes. Hence, according to Lowndes (2009), new institutionalists are able to distinguish between organizational and institutional change. Consequently, NIE is now widely recognized and accepted for understanding how institutions affect economic performance and why different institutional arrangements emerge in different social, cultural and economic settings (Lowndes, 2009).

Under the perspective of new institutional economics (NIE), the most commonly accepted definition is that institutions are the “rules of the game” that cover the

formal rules, informal rules and their enforcement characteristics (North, 1981; 1997; 2000). Institutions are constructed by human society to govern the social interaction among people. In additions, formal institutions are rules that are readily observable through written documents or rules that are determined and executed through formal positions such as authority or ownership, while informal institutions are as a rule based on implicit understandings, being in most part socially derived and therefore not accessible through written documents or necessarily sanctioned through formal position. Thus, informal institutions include social norms, routines, and political processes. Because some institutional frameworks are realities always "nested" inside other broader institutional frameworks, this clear demarcation is always blurred in actual situations.

Organizations, by contrast, are the “players of the game” with a group of people and the governance arrangements they created to coordinate their team (Kingston and Caballero, 2006). Organization includes those groups of people and the governance arrangements they created to coordinate their team action against other teams also performing as organizations. Organizations are simply groups of individuals who interact with each other repeatedly in pursuit of common goals (Kingston and Caballero, 2006). The internal interaction within organizations may be governed by rules, or on formal rules. However, the past literature excludes ‘organizations’ such as state, firms, tribe, and family; from its definition of institutions. Implicitly, it treats organizations as entities within collective action and agency problem have been solved, so that they can be treated as single actors or organizations are the ‘players’ of the game (Kingston and Caballero, 2006). The actors, the players of the game, may be individual or organizations. Organizations may be formal or informal.

Informal organizations may be illegal, but may also include social network, as well as informal groupings (Skoog, 2005). According to North (1995), organizations ‘consist of groups of individuals bound together by some common objectives’, and he identifies it as economic, political as well as social organizations.

The institutional arrangement provides the system of incentives and constraints that influence individual and organizational behavior. Up to different circumstances, such behavior may act as “cooperative exchange” to enhance benefits to all contracting parties and improve overall economic efficiency. In contrary, that behavior may be “exploitative appropriation” of the others resulting in a welfare reduction (Hirshleifer, 2001; Tang, 2009). Rules guide human action. According to Skoog, 2005), when actors are confronted with recurrent interaction problems, rules facilitate their decision making and behavior by shaping expectations about how to behave successfully in those situations, thus reducing their behavior uncertainty. The rules also communicate values by containing social prescriptions for behavior (Skoog, 2005). Rules do not exist in isolation nor do they ‘act’ by themselves, but always in relation to actors (individual or organizations). This means that they cannot be studied in isolation, but only through their relationship and ‘interactions’ with actors. All rules are nested in another set of rules that defined how the first of the rules can be changed (Ostrom, 1999).

Kasper and Streit (1998) note that ‘rules systems’ works better in ordering human actions if they form a hierarchy running from general to specific rules. Such hierarchies make it easier for individuals to understand the rules because they serve to create an order among different rules and maintain consistency over time (Skoog,

2005). Since it is neither possible nor desirable to design, detailed formal rules for all possible and specific recurrent situations, informal rules are needed to complement the formal rules. Informal rules emerge spontaneously to take care of recurrent interaction problems that are not regulated by the formal rules (see Table 2.0). Moreover, ‘governance structure’ was a particular set of rules that will be more able to govern institutions and their transaction more effectively than others (Kingston and Caballero, 2006).

**Table 2.0** Comparisons between Formal Rules and Informal Rules

<b>Formal Rules</b>	<b>Informal Rules</b>
<b>Rules that are readily observable through written documents or rules that are determined and executed through formal position (Authority and ownership)</b>	Rule base on implicit understandings, being in most part socially derived and for this reason not accessible through written documents or necessarily sanctions through formal positions
<b>Explicit incentive, contractual terms, and firm boundaries as defined by equity positions</b>	Informal institutions play crucial role in defining societal rules
<b>Contract, incentive, authority</b>	Social norms, routines, political processes
<b>Organizational design, firm boundaries, inter organizational relations</b>	
<b>Organization Theory:</b>	Organization Theory:
<b>i. “Normative system designed by management”</b>	i. How work is performed, and the task is accomplished within firms
<b>ii. “Blueprint for behavior”</b>	ii. Actual behavior of the player

Formal rules were such as constitutions, laws, and regulations. Formal rules changes as a result of deliberate actions by organizations and individual entrepreneurs via a political process. North (1990) envisaged a hierarchy with four levels of formal rules: Constitutions, statutes, and common laws, specific by-laws, and individual contract. Formal rules can come from exogenous or endogenous parameter change (Kingston and Caballero, 2006). Informal rules, including behavioral norms, codes of conduct and routines (Skoog, 2005). North (1990) gave informal rules a central

role in institutions change. It is reproducing through a cultural transmission process and evolves in an evolutionary manner. It includes both internally enforced personal norms and third-party enforced social norms, extensions, elaborations and modifications of formal rules and are part of the heritage called culture.

Informal rules play a key role in institutions change because they changes slowly and cannot be changed deliberately (Kingston and Caballero, 2006). In addition, informal institutions are important for the effective enforcement of formal rules, which cannot rely on formal enforcement mechanism alone. If the formal rules are not consistent with the informal socio-cultural rules of society, they lack legitimacy in the eyes of the members of that society and are likely to be ignored unless they are enforced by coercion (Skoog, 2005). Formal rules adherence then partly relies on informal enforcement (Kasper and Streit, 1998). Similarly, enforcement and implementation require enforcing and implementing organizations and individuals, and adherence to rules implies certain behavior. In fact, the rules cannot be observed by themselves; the documentation of formal rules can, but this says little about their actual use and effectiveness. Hence, one way to study institutions is to observe the behavior or behavioral patterns of that implementation, enforcement and adherence to them gives rise to, as well as the consequences of such individual and organizational activity (Skoog, 2005).

In a long run, the collective outcome of these strategic behavior interactions can either reinforce or transform the prevailing institutions (Aoki, 2000; Campbell, 2004, Tang, 2009). However, the NIE perspective recognizes that market transaction and its enforcement are not cost-free. High transaction costs hinder the transformation

process, and this may devise an appropriate institutional arrangement that works towards reducing the transaction costs. Hence, recent studies of NIE encourage researchers to do more nature study to contribute to better understanding or challenge the current perspectives.

### ***2.2.2 Understanding neighborhood from the institutional perspective***

Webster and Lai (2003) founded the urban theory of property rights propositions. Those scholars then further define the neighborhood as a nexus of contracts that assign rights over private and shared resources and their various attributes. The organizations that govern those contracts and the contracts themselves evolved over time in response to changes in the value of resources and change in the costs of exchanging and combining property rights. Neighborhood shaped by organizational order, govern by institutional order; define by proprietary order and institutions that attempt to allocate rights over shared resources. The detailed definition of the neighborhood is according to Webster (2003): (1) Neighborhood is shaped by organizational order as individual pool rights over certain resources; (2) They are governed institutional order as spontaneous conventions and customs and organized rules and statutes seek to reduce the dissipation costs of conflict over shared resources; and (3) They are defined by the proprietary order secured by the institutions of private property and also defined by the institutions that attempt to allocate rights over shared resources.

As Webster (2003) examined that there have been extensive studies on economic models of the neighborhood that broadly rest on the consumption-sharing

neighborhood such as geographical theory of market areas (Christaller, 1966; Losch, 1939/1954); urban bid-rent theory (Alonso, 1964); hedonic price theory (Rosen, 1974); local public goods theory (Tiebout, 1956); club theory (Buchanan, 1965); and hybrid theories (Hochman et al., 1995). However, Webster (2003) also highlighted three particular limitations of neo-classical urban partitioning models which is the failure to adequately model the transactions that create and sustain a neighborhood, the assumption that the costs incurred in making such transactions are zero, and the assumption that property rights are fully assigned. He further explained that the existing urban theory is therefore closely related to Olson's (1971) self-interested explanation of group formation or collective actions. This research also identifies several related studies, including group formation and optimal size (North, 1990; Williamson, 1998), theory of club (Tiebout, 1956; Buchanan, 1965), government interventions (Tullock, 1989;1993) co-operative organizes (Barzel, 1997), transaction costs theory (Williamson, 1985), property rights theory (Grossman and Hart, 1986) and The Nature of the Firm (Coase, 1937).

If existing neighborhood institutions are no longer efficient following change, it will evolve, and more efficient forms of neighborhood forms will emerge. Neighborhood efficiency plays an important role in determining neighborhood stability. An efficient neighborhood has been defined here as one in which all those who have an influence on the total value of a neighborhood have a residual claim on the benefits created by the resources that they influenced (Webster, 2003). However, not all neighborhoods are able to change under existing neighborhood conventions and laws; thus, there is significant need to study other forms of solution.

## **2.3 Neighborhood, Urban Spaces, and Property Rights**

### ***2.3.1 Role of urban governance institutions and neighborhood patterns***

Most studies from any field always promote sustainability. Housing neighborhood is sustainable if everyone can improve his or her living conditions through managing the neighborhood institutions. In the housing neighborhood context, it becomes an essential component to achieving sustainable development (Winston and Eastaway, 2008). Although it is widely known that sustainable development have three pillars including economic, socio-cultural and environmental dimensions, this triangular approach enhanced by adding “governance” as a fourth pillar (UNCED, 1992). Governance relates to the cooperation, partnerships and participation of different actors in the process of “sustainable” neighborhood and urban development. To achieved sustainable neighborhood, it requires teamwork between professions in the construction industry like architects and planners, public and private sectors, users and provider, designers and contractors. It plays an important role in the formulation, implementation and evaluation of housing neighborhood and urban policies, instruments, programs and individual projects. Furthermore, Webster (2002) argue that government, the markets, and voluntary community action can all effectively assign property rights over shared neighborhood goods. He further explain that at one level, the allocative purpose of all institutions may be thought of as assigning legal and economic property rights over goods and services. Markets do this via the price mechanism; governments do it by administrative fiat or agreement under formal political direction and procedure, and communities allocate by administrative fiat, custom, and convention. The boundaries between the three types of institution are blurred, especially when viewed over time. In particular, community institutions

embody prototypical forms both of government and of market institutions. As community institutions grow, they may adopt more formal administrative procedures, including the election of decision makers, and may rely on entrepreneurs to supply and allocate goods formerly supplied and allocated by voluntary agreements.

Markets are highly efficient institutions for discovering, by trial and error, products that meet the needs of many individual consumers with diverse preferences and financial means (Hayek, 1944, 1945). Social experimentation in pursuit of collectively consumed services and policy is necessarily prolonged, less efficient, and more costly (Popper, 1974). Open market countries normally supported institutional change, but centralized countries tried to minimize it. As to what Keynesian believed on centralize and government planning, it was then argued with Hayek's (1970) as he highlighted the governance question on how to coordinate the plans of many individuals. Hayek's case against big government was made on two counts: incentive and information. Government planning of the economy, including land, cannot generally achieve its stated ends because it cannot accurately measure and aggregate demand for goods and services removal of private rights which means individual agents cannot be expected to deploy their resources efficiently.

In addition, the emergence of community association described as a hybrid between a private business corporation and a conventional local government (Nelson, 2006). The fact that over a quarter of a million Americans lives in developments governed by homeowner associations (HOA). Thus, this must say something about the efficiency of contractual government (Chen and Webster, 2005). There were many

benefits to neighborhood associations compared with the municipal government in the public sector (see Nelson, 2004). It is a unique approach in Britain to manage residents in public housing (Kwong and Chan, 2006). However, a private neighborhood association is typically required to pay property and other taxes to municipal governments.

If community empowerment is led from the top, they can be described as increasing dependence. This approach can be traced in the Western countries. For example, in America, this practice was known as Community Associations. According to Nelson (2004), in 1962 there were only 500 community associations across the America, but by 1998 there were some 205,000 private contractual associations deploying devices such as restrictive covenants and involving some 42 million people. These associations are also recognized as Common Interest in California, Planned Unit Development in Georgia and Homeowner Association in North Carolina, while in Britain, Commonhold and Leasehold Reform Act 2002 was the first new type of legal estate to be introduced in English Law since 1925. It involves the freehold tenure of part of a multi-occupancy building that is typically a flat, with shared ownership of and responsibility for common areas and services. In addition, the same approach also emerges in Asian countries. For example, Kwong and Chan (2006) stated that community association in Hong Kong comprised of two different types of resident organizations, owners' committees, and owners' corporations. In owners' committees, managers of private housing development were required to call the first meeting to appoint the chairman and the committee of the owners. They must assist property owners to set up owners committees to participate in the management of their own properties under the requirement of the Deed of Mutual Covenant 1987

(DMC). However, owner organizations or owner committees were not empowered under the law. The ultimate authority is still vested in the estate managers. Owners' Corporations were provided with the legal framework under Multistory Building (Owner Incorporations) Ordinance 1970.

In contrary, community can be act bottom-up approach where the new institutions might be as informal institutions. Since the early 1960s, community participation in America has emerged under the concept of Advocacy Planning. Voices of all interest groups are heard. Hence, the similar approach also emerges from community group in the UK when community action launched in the 1960s and 1970s was a reaction to the government's policy of relocation and redevelopment projects, resulting in property speculation. The first movement in Britain was the Black Road Areas Improvement Project in Macclesfield, Cheshire under the leadership of Rod Hackney. Hackney (2008) organized and worked with the neighborhood residents and achieved not only to save and restore the buildings, but did so by respecting the individual need of people. In additions, there are several community developments that are related to a bottom-up approach in Hong Kong. It began from Kai-fong movement, in the urban area and the building of cooperatives in the rural areas shortly after the Second World War. The Kai-fong Associations (1949), The Co-operative Societies (1950), The Community/ Social Centers (1961) and The City District Officer Scheme (1968) were the examples of new community development project which involved resident participation in Hong Kong. It was expected that if the community is not satisfied in any circumstances with their existing institutions either top-down or bottom-up, the new institutions will emerge.

Hence, in other respect, neighborhoods cover most of the urban space that consisted of public and private spaces that are shared, used and misused by the community. Property rights over shared neighborhood attributes are not well defined as many neighborhood resources remain in the public domain with rights to them poorly delineated. In non-contractual neighborhood, these rights are typically economic rights, with legal protection via planning policy and environmental laws (Webster, 2003). All lands and housing development will then substantiate as public or private development and kind of property rights that has an assignment over it.

This research draws the relations between the public realm, private realm and the club realm in a housing neighborhood development where most public realms that serve to particular publics will be known as a club realm. Conventional open neighborhood (CON) will stand as public realm which is a spatial domain within *de facto and de jure* economic or legal consumption rights over local public goods attribute are shared by all individuals within a city. By implication, there is a group of consumers-noncitizens-to whom property rights over the public good attribute were denied. While guarded neighborhood (GN) possesses a club-like as a spatial domain within *de facto and de jure* economic or legal consumption rights over local public goods attribute are shared within a group. By implication, there are at least one other group of consumers to whom property rights over the public good attribute was denied. Property rights are allocated between, but not within, groups. While gated community (GC) is a private realm with spatial domain within a *de facto or de jure* assignment of exclusive economic or legal consumption rights over private goods and local public good attributes (Webster, 2002).

### ***2.3.2 The problem of conventional open neighborhood***

The unclear assignment of property rights over conventional neighborhood for landed housing development always give rise to most of the problems that urban governments seek to address (Webster, 2003). The main argument is that without clear property rights, ownership pattern of neighborhood resources in the conventional neighborhood theoretically will shift over time with the changes in resources values and institutions. The fragility of property rights in the conventional neighborhood contribute to the neighborhood instability over time, and this may consider as a crucial obstacle to economic development. This is because private urban governance is a locally more sustainable solution that might help stabilize the financing of urban growth, redevelop aging neighborhoods, maintain social diversity, conserve non-renewable urban resources, and encourage reinvestment in urban infrastructure (Goix and Webster, 2006). Therefore, for the long run, it supposedly effects the economic development as a whole.

Previous studies always combine private neighborhood and closing off streets as a similar things. However, in this research, neighbourhood were be separated into different patterns accordingly to different types of urban space, (1) conventional open neighbourhood in the public realm; (2) gated community of the private realm; and (3) guarded neighborhood in the club realm (Webster, 2002). Debates about public goods in applied economics and debates about public space in urban planning and architecture tend to use static categories. Public goods (open spaces) are nonexcludable and consumed without rivalry while private goods (private spaces) are excludable and consumed rivalrous (Webster, 2007).

	Excludable	Non-excludable
Rival	<p><b>A</b> Private goods, property rights fully assign</p> <p>↑</p>	<p><b>C</b> Local public goods with competitions</p> <p>↑</p>
Non-rival	<p><b>B</b> Club goods</p>	<p><b>D</b> Pure public goods, pure public domain without congestion</p>

**Figure 2.0** The evolution of urban space from public to a private domain  
*Source: Webster and Lai (2007)*

In understanding the relationship between neighborhood physical design and institutional change, this research will adopt the interrelationship between the contestability, attribute separability and ownership that is introduced by Webster (2007) which is illustrated in Figure 2.0. The table hypothesises that land tends to change from being non excludable and non rival (category D urban space); to non excludable and rival (category C); to excludable and non rival (category B); and eventually to excludable and rival (category A). Category A urban space is a pure private good; and category D space a pure public good. Category C space is institutionally unstable and in need of property-rights reassignment. Category B space is a ‘club good’ (Webster, 2007).

## 2.4 Institutional change and Transformation of Urban Neighborhood

### 2.4.1 *An overview of the process of institutional change*

Institutional development here refers to institutional change in a direction that promotes sustainable economic, political and social development, aim at poverty reduction, and it has a positive value connotation (Skoog, 2005). While institutional change, by contrast has a neutral value as it may involve a change. When

institutional change, it may involve the change of formal rules and informal rules. Modification or dismantling of already existing rules or the creation of altogether new rules, regardless of whether the change is 'good' or not, (Skoog, 2005). Whole-scale transitions of the entire economic and political system of former socialist countries are among the dramatic institutional change experience. Small-scale institutional change and development take place more frequently, for instance within organizations, are reflected in formulations of working procedures and modification of routine.

It is recognized that institutions will continually change for altering the choice that are available to the society. However, study on institutional change itself was not enough, and a single snapshot of the regulatory process is not sufficient. Therefore, Benham (2005), Coase (2002) and Krueger (1990) urged the need for more careful case studies that are comparative in nature.

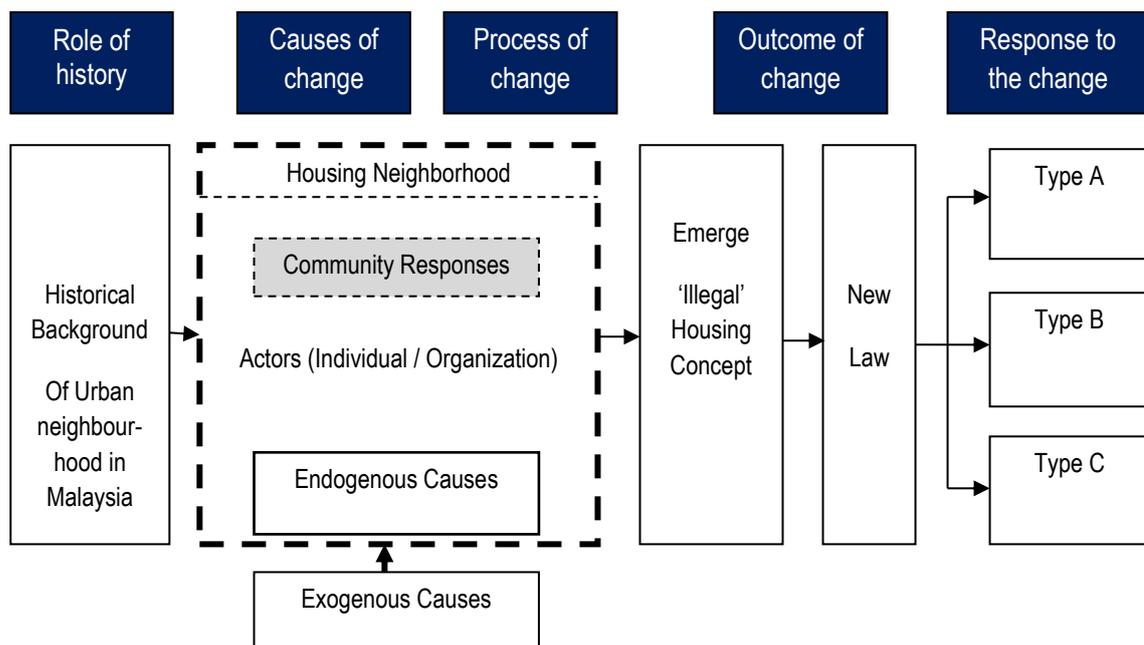
If existing institutions are no longer efficient following change from the exogenous parameters, then new, more efficient institutional forms will gradually emerge (Kingston and Caballero, 2006). These changes will touch upon a number of important concept and problems of institutional studies such as hierarchies of rules, history of land policy and problems of common. These changes are a complicated process because the changes at the margin can be a consequence of changes in rules, in informal constrains and the kinds and effectiveness of enforcement (North, 1996). The creation and evolution of institutions is a primary topic for history. Lowndes (2009), in the case of first tool consist of 'overarching rules', new institutional economics (NIE) perspective is used to identify and track the changes in a different

set of rules within the overall institutional matrix and to study the interaction of formal and informal rules. The second tool is ‘the complex nature of neighborhood environment’ used to show that NIE is interested in the interaction between all parties involved in the same interest. Institutional rules can be nested within ‘hierarchy’ or ‘multi-level governance’ and influenced by top-down and bottom-up ways. Furthermore, the third tool ‘contested and uncertain nature of change’ agreed that institutions are concerned with the dynamic processes that sustained rules over times. New institutionalism can distinguish between organizational and institutional change. Institutional changes are believed to contribute to sustainability and efficient institutions.

Most scholars consent about the major role that will give a significant impact on institutional change such as evolutionary theory, bounded rationality, the role of history, path-dependence and equilibrium across individuals, firms and countries. Ostrom (1999) consequently stresses the concept of rules-in-use rather than rules-in-form. There is still a gap to understand the sequence of institutional change. Kingston and Caballero (2006) compared some recent theoretical approaches to conceptualizing institutional change, in an effort to clarify areas of consensus and disagreement regarding the causes, process, and outcomes of institutional change. Therefore, it might be more comprehensible to illustrate the process of change if it is illustrated in the sequence from the role of institutions history, causes and conflict happen in the institutions, process of institutional change and the outcome of the change (see Figure 2.1).

Many authors treat institutional change not as decentralized and spontaneous

process, but rather as centralized. This means that centralize force by political process in which the state specifies formal rules and individuals and organizations engaging in conflict and bargaining to try to change these rules for their own benefit (Kingston and Caballero, 2006). Change informal rules normally requires some collective action and decision making (Kasper & Streit, 1998).



**Figure 2.1** Flowchart to illustrate stage of institutional change

On the other hand, if existing institutions are no longer efficient following such a change, then new, and more efficient institutional form will gradually emerge. This spontaneous process makes the institutional change seems decentralize. It includes the change of informal rules which tend to emerge organically, as the unintended outcome of individual behavior and social interaction.

Hence, the way to select an equilibrium level might be influenced by the role of the institutions history. Historical accident or problem of the common considered as the

factor that drive individual or organizations to choose their ways. This factor can be considered in this study to answer on why some rules may be more likely to emerge than others. Hence, Knight (1995) argued that different sets of rules often have different distributional consequences, so different actors may favor the emergence of different rules. Thus, history plays the important roles in institutional change. Past political agreements with property institutions created the framework for responding to new common pool losses (Libecap, 1989). This can lead to a bias towards preserving the status quo and more make institutions change a path-dependent process (Kingston and Caballero, 2006). Path-dependent explain how the set of decisions one faced for any given circumstance is limited by the decisions one has made in the past, even though past circumstances may no longer be relevant (Praeger, 2008). Neither Sugden (1989) nor Knight (1995) argued that efficient rules are necessarily likely to emerge. Instead, institutional change exhibits “path-dependence”, in the sense that initial conditions and historical accidents can have a lasting impact on the institutions that emerge.

#### ***2.4.2 Privatization of the urban neighborhood and gated community***

As discuss in the introduction chapter, several question emerges towards private urban governance. How does the government ensure that all its citizens enjoy a local environment of an acceptable standard or education of an equally high quality? Private neighborhood arguably offers a more secure and sustainable method of delivering a set of “standard of life’ rights. Better enclose than unenclosed. The ownership structure of urban commons will unsustain if the sharing power is not clear. Assigning private property rights solve the overuse problem. However, if the existing institutional system does not favor sustainable development but creates

incentives for non-productive behavior, society's economic performance is likely to decline over time, due to self-reinforcing tendencies of the institutional system (Skoog, 2005).

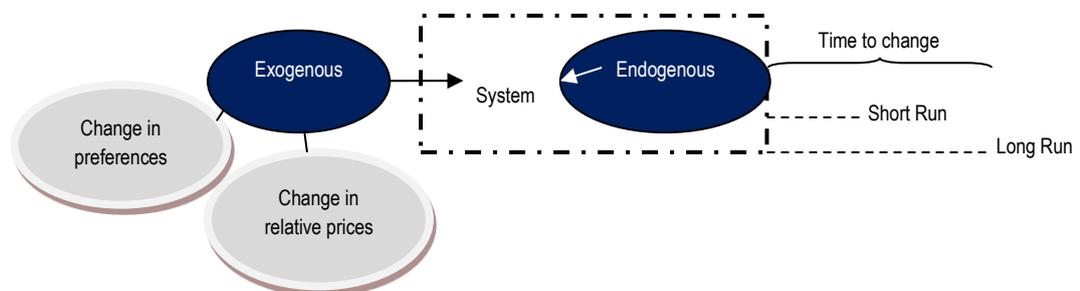
The community hunger for trendier housing development has resulted in the move from conventional housing neighborhood into gated community. Some definitions of enclosed schemes including (1) Fortress community (Blakely and Synders 1997, 1999); (2) Enclave communities (Luymes, 1997); (3) City of walls and fortified enclaves (Calderia, 1999); and (4) Enclosed communities (Massey, 1999 in Hook and Vrdoljak, 2002). The definitions show that they are conceptually the same. Most writers have defined gated communities by referring to the existing gated community housing schemes in their respective countries. There is no common agreement on a definition or meaning of gated communities. A simple definition is given by Low (2003) where a gated community is defined as a residential development surrounded by walls, fences or earth banks covered with bushes and shrubs with a secured entrance.

The example of institutional change can be seen in the history of private governance. This phenomenon normally related to the city or housing neighborhood where many of the common resources have to share but the ownership structure appears to be wrong and unsustainable. When human tended to organize themselves into spatial clusters to defence themselves (Webster, 2005), it was derive from various conflict of the common and tragedy of urban commons which is played out in the parks, roads, public spaces, and environments of their neighbourhood. Then, it is not surprising that many community institutions will emerge. Resident

associations were one of the new institutional arrangements in the developing countries. There were many advantages at the neighborhood level of private government over the traditional system of local government. These included a complete control, neighborhood self-determination, private sales of rights, better provision of common services, neighborhood social capital, local constitutional experimentation, real decentralization and market economic coordination (Nelson, 2006).

Tragedy of urban commons is a conflict that is played out in the parks, roads, waterways, public spaces, public services and environments of the cities throughout the world. More terrible situation will happen when community faced the crime and violence problem in their common. Community normally will collectively act and seek for the new effective institutional arrangement. Although it is unlawful to privately attempt to restrict public space and to build a parameter fence surrounding the neighborhood, after a lot of crime happens, people will take their own action, hire security services and build a guard house to protect their neighborhood.

### 2.4.3 Causes of change



**Figure 2.2** Endogenous and exogenous causes

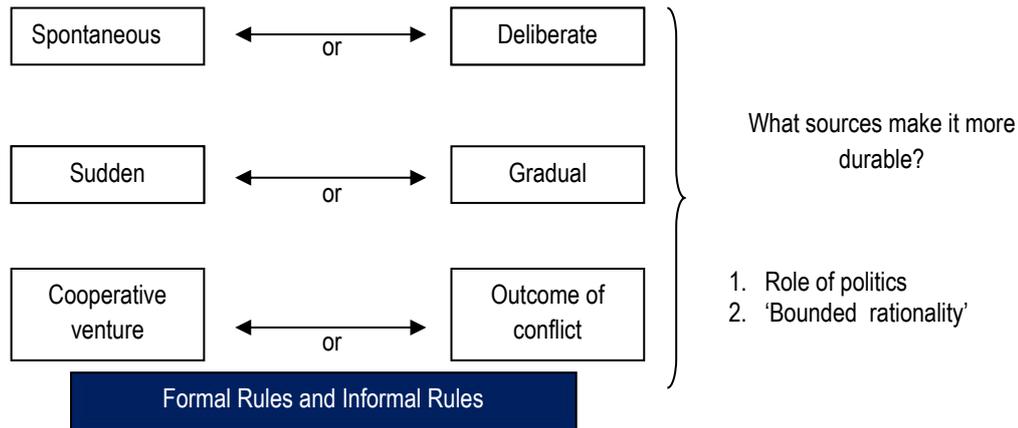
The basic cause of institutional change is a change in the exogenous parameters that affect transaction costs. If the existing institutions are no longer efficient following such a change, new institutional forms will gradually emerge. According to North (1990), there are two basic sources of institutional change: changes in preference and changes in relative prices. Hence, institutional change can be set-off by events external or internal to society. Several authors recognize the role of technical change. If the existing institutional system does not favor sustainable development but creates incentives for non-productive behavior, society's economic performance is likely to decline over time, due to self-reinforcing tendencies of the institutional system. Institutional change may also be the odd result. As discussed before, according to Ostrom (2005), exogenous causes (such as technological change) and endogenous causes (such as the depletion of a resource over time) were the cause of institutional change (see Figure 2.2). Exogenous causes drive to the emergence of new institutional. Centralize believe that individual or organization who faced conflict will try to change to achieve more effective and efficient institutions. When actors inside or outside the institutions react or response to the exogenous or endogenous causes, it will generate multiple actions.

Licit and illicit responses from various actors to endogenous or exogenous causes also contribute to the conflict in the institutions. Behavior of actors in recurrent situations of interaction with other actors solves social interaction problems (Cf. Knudsen, 1993 and Vanberg, 1994). Competitive pressures ensure that between institutions that bounded rationality will not block the selection of efficient institutions. Hence, in many interactions, "transaction cost" arise because of the bounded rationality and opportunism of the transaction cost. Role of distribution conflict is also related to the

causes of change. Perhaps it is as important as understanding the causes of institutional change is understanding why change often does not occur which is the reason for institutional inertia. Institutional inertia hinders efforts at institutional change, impedes inter-society transplants of institutions and makes institutional change “overwhelmingly incremental” (North, 1990).

#### ***2.4.4 Nature of the process***

Institutional change involves the change of formal rules and informal rules. Change in formal rules normally requires some collective action and decision making (Kasper & Streit, 1998). Informal rules by contrast, tend to emerge organically, spontaneously, as the unintended outcome of individual behavior and social interaction. Williamson (2000) treats informal rules as providing the background within which formal institutions are “embedded”. Williamson (2000) set up four levels of institutions according to how quickly they change. First is the Highest Level of “Institutions of embeddedness” (change occurs on the order of centuries or millennia). Second is the Level “Constrain by the institutions of embeddedness” (change may take decades or centuries). Third is the Level “Institutions of governance” (Change takes years) and finally the lowest level where institutions will adjust continuously. In addition, as defined by Williamson (2000), “the NIE operates at two levels” namely levels 2 and 3, while level 1 institution is “an important but underdeveloped part of the story”. Thus, informal rules are effectively taken as exogenous and excluded from the scope of the analysis (Kingston and Caballero, 2006).



**Figure 2.3** Process of Institutional Change

Institutional changes may emerge corollary from centralized process or appear spontaneously (see Figure 2.3). Spontaneous change happens in relation to the natural process of institutional change if the existing institutions are no longer efficient following such a change, more efficient institutions will emerge. However, a strand of research in which institutional change is relatively minor issue, since the outcome of the change is determinate that the most efficient institutions will win. However, many authors treat institutional change not as decentralized and spontaneous process, but rather as centralized, political process in which the state specifies formal rules and individual or organizations engaging in conflict and bargaining to try to change these rules for their own benefits (Kingston and Caballero, 2006).

#### **2.4.5 Outcome of change**

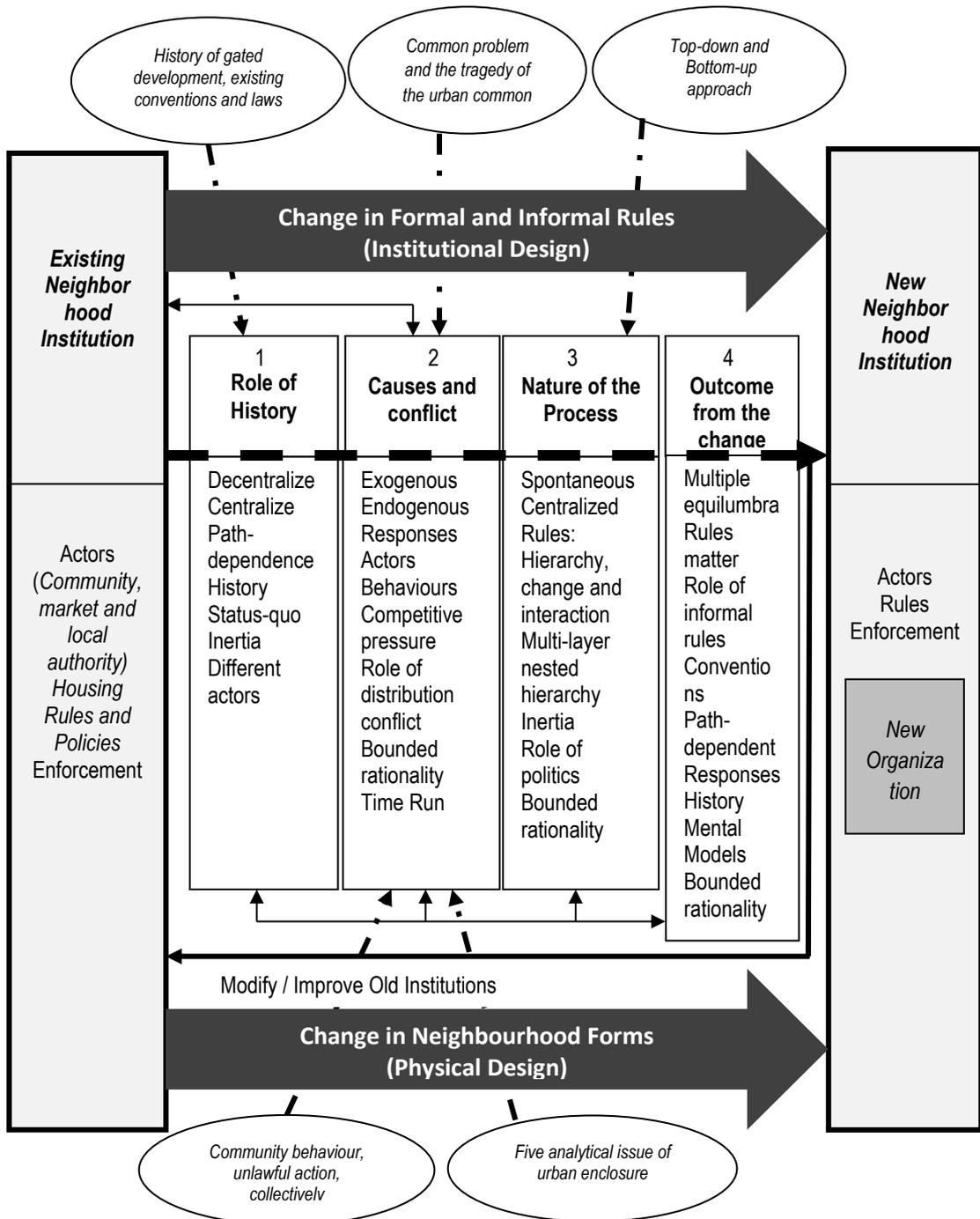
Under what circumstances will efficient institutions tend to emerge? The outcome of change varies in many ranges. Many authors try to identify how particular equilibrium is selected, and when equilibrium view or balance of institutions will be achieved. The work on 'equilibrium view' can be found in the work of Calvert (1995), Aoki

(2001), Greif and Laitin (2004), Greif (2006) and Kingston and Caballero, (2006). Decentralized changes believe that change will bring the emergence of inefficient forms of organizations (imitated). Once again, the role of history took place in the way of when, how much and does it really matter in influencing the outcome of new institutions. The role of bounded rationality and path-dependence also took place in the stage.

**Table 2.1** Categories of Responses to Regulation  
Source: Benham (2005)

<i>Licit Responses</i>	
<i>Substitute</i>	<i>for</i>
Other goods	Regulated goods
Other attributes of goods	Regulated attributes
Amenities	Profits in excess of regulated maximum
Barter and other arrangements	Money
Vertical integration	Market exchange
Household production	Market production
Personalized exchange	Impersonal exchange
<i>Alter</i>	
Governance and contractual relationship	
Organization of the market	
Interest group and their goals	
Other formal regulations	
Informal norms	
<i>Illicit Responses</i>	
<i>Vary the extent of</i>	
Underground economy	
Private coercion and extralegal organization	
Discrimination	
Corruption	

New regulation can elicit a great variety of responses from individuals, firms, interest groups, and bureaucracies. Benham (2005) developed the range of possible licit and illicit responses to the regulation as shown in Table 2.1 which illustrate some of the approaches taken by NIE to the study of regulation. He stated that the motivation for introducing new regulation is to influence behavior. However, regulation often influences behavior in ways that differ from the initially stated rational.



**Figure 2.4** Overall neighborhood institutional change process propose from a theoretical foundation of property rights and new institutional economics perspectives

After reviewing the institutional change characteristics and transformation of the urban neighborhood, the research summarizes the overall institutional change process in urban neighborhood perspective. Literature from neighborhood institutions and urban governance indicated that private housing institutions have its

institutional arrangement, different rules and enforcement characteristics. The main actors who always play the role are the communities and its associations, developers and local authorities. Relevant fact and approach from those three criteria were then modified to suite this study. For this reason, Figure 2.4 illustrates the overall process of institutional change in the urban neighborhood propose from a theoretical foundation of property rights and new institutional economics perspectives.

## **2.5 Ways in which Transformation of Neighborhood Patterns Affects Neighborhood Physical and Institutional Designs**

Past literatures often focus on physical and topological design of gated communities but fail to address it with the institutional arrangements. This research urges on the need to look from different perspectives. Rather than only studies on how to supply gated communities without fragmented the cities and adjusting its physical designs, this research highlighted the importance of studies on how to stabilize and strengthen the conventional open neighborhood from the physical and institutional perspective due to the existing centralized government, property developers and home buyers in Malaysia preference for this type of development.

Webster (2007) develops the idea that the hierarchy of shared spaces in a city should correspond to a hierarchy of governing institutions. Physical and institutional designs are both important in creating sustainable public realms and avoiding the tragedy of the urban commons. In addition, he challenges readers to think about a hierarchy of open spaces in the institutional sense – that institutions can most effectively govern different kinds of physical and functional spaces? Three important dynamics of

public domain space may be identified as level of congestion, separability of the attributes that contribute to value (property rights reassignment); and ownership; driven by individuals and groups with varying degrees of access to power and other endowments. The evolution of public domain space is influenced by patterns of market, government, and individual power. Result in the discovery of a more effective alignment between the rights of shared-space consumption and the responsibility of territorial governance.

Neighborhoods take their form, function and evolutionary path under the influence of many kinds of agreement or more, institutions (rules and associated sanctions). They are shaped by laws baked by the nation-state, local municipal laws, formally constituted rules agreed by neighborhood organizations, and informal conventional rules that evolve spontaneously within a community over time (Webster, 2003).

## **2.6 Transformation of Urban Neighborhood in Malaysia**

Since the last 15 years , concern over the rising crime rate and the movement in trend for luxury in promoting safety living influenced housing developer to introduce gated communities (GC) in suburban area of Kuala Lumpur, Malaysia. Meanwhile, middle-class suburb community who lived in the existing conventional open neighborhood (CON) shared the same interest, forming community institutions, marking their boundaries, restricting access and transform their housing status into what so called guarded neighborhood (GN) – club realm. However, due to deficient legislation to support the GC concept and it is unlawful to attempt privately to restrict or regulate public space for GN, both institutions may be known as unlawful development. Nevertheless, since 2000's, the number of GC and GN schemes

gradually increase, urging the authorities to review legislation governing the property industry to keep up with the existing situations. GC and GN at this stage are likely to share the same attribute over property rights. Therefore, the Malaysian government then takes action by amending the Strata Titles Act 1985, with effect from April, 2007. These centralize changes on related laws, then permit the emergence of old GC and GN and allow markets to develop new GC and communities to transform to GN with certain restrictions, while the conventional open neighborhood (CON) remains the same. As a result, different institutional arrangement emerged, including CON, GN, and GC.

## **2.7 Research Gaps**

Based on the review of extensive theoretical and empirical studies on urban neighborhood and institutional change, three (3) research gaps are identified in this research.

**Research gap 1:** Past studies fail to relate the transformation process of urban neighborhood from the property rights and NIE perspectives.

Economists have suggested neighborhood privatization as a possible solution to urban problems, but the phenomena may challenge the spatial, organizational, and institutional orders that have shaped the modern cities (Webster, 2002b). In addition, past study fail to connect the advantages of gated community in reinforcing CON institution, and focus mainly on physical and typological design without addressing it from the property rights and the New Institutional Economics (NIE) perspectives.

Furthermore, the existing economic models of the neighborhood fail to model adequately the transactions that create and sustain a neighborhood, the assumption that the costs incurred in making such transactions are zero, and the assumption that property rights are fully assigned (Webster, 2003). This study employs the theoretical background of the economic theory of property rights and the new institutional economics (NIE) to examine the transformation process of the urban neighborhood. It requires better understanding on how the urban neighborhood resolved urban problems by clarifying and strengthening the assignment of rights over shared neighborhood attributes in conventional open neighborhood. In addition, filling the gaps by excessing the emergence of guarded neighborhood and gated communities from the property rights and NIE perspectives.

**Research gap 2:** Associate the process of conventional open neighborhood institutional change with the change in physical design.

The idea that urban design should be accompanied with institutional design, should be supported by providing a clear relationship between neighborhood physical and institutional design derived from a unique case study.

**Research gaps 3:** Conducting research with real case context.

The research agrees with Galiani (2009) that formal property rights are endogenous. The allocation of property rights across households is usually not random, but based on wealth, family characteristic, and other mechanisms that build differences between the groups that acquire those rights and the groups that do not. To fulfill the

research aim, the neighborhood chosen for the case study should be representative of a successful Malaysian neighborhood development, comparative in nature, able to eliminate the selection bias and have an endogenous assignment of property rights. It is also believed that there is no other research done particularly to address the above matters from the other part of the world. To excess, the neighborhood stability at the neighborhood level, the physical and institutional designs should be thoroughly verified with references to the existing conventional open neighborhood. Therefore, this research takes the advantage of the institutional evolution in Malaysia over the period of 1990-2010 and identifies a unique case study where one developer develop two identical neighborhoods in the same township, but under different land titles. This allocation may provide an exogenous allocation of property rights and is relevant to this research.

## **2.7 Summary**

This chapter reviews the existing empirical and theoretical studies of the urban neighborhood and institutional change. Through literature reviews, the overall element in the institutional process, neighborhood institutional design and related pattern and characteristics of neighborhood physical design are identified. It then identifies the research gap, thus paving the way for further investigation and the commencing of the data collection. The next chapters explain in detail on how related data are collected and analyzed.

## **CHAPTER 3**

### **RESEARCH METHODOLOGY AND PROCEDURES**

#### **3.1 Introduction**

This chapter describes the triangulation process used as the main research methodology, explaining qualitative and quantitative research methods and specifying the reasons for selecting unique case study along with data collection, data analysis and explanation of the methods of research.

#### **3.2 Research Methodology**

The methodology of ‘triangulation’ is often used to indicate that two or more methods are used in a study in order to check the results. Several scholars have aimed to define a triangulation throughout the years and later was defined by Audrey (2013) as a crosscheck information to produce accurate results for certainty in data collection. It is highly relevant to the research because one can be more confident of a result if different methods lead to the same result. Bogdan and Biklen (2006) stated that triangulation is a powerful technique that facilitates validation of data through cross verification from two or more sources. It also refers to the application and combination of several research methodologies in the study of the same phenomenon. Hence, triangulation can be employed in both quantitative (for

validation and qualitative (inquiry) studies. Furthermore, Denzin (1978) identify one of the main basic types of triangulation is a methodological triangulation that involves using more than one method to gather data, such as interviews, observations, questionnaires, and documents. Steckler *et.al* (1992) further elaborated that there are four ways in which qualitative and quantitative methods can be combined in a triangulating approach:

*Model 1: Qualitative methods are used to help develop quantitative measures and instruments.*

*Model 2: Qualitative methods are used to help explain quantitative findings.*

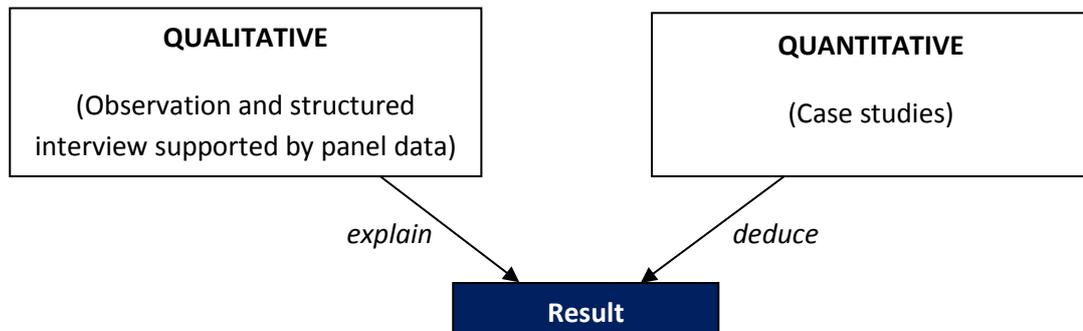
*Model 3: Quantitative methods are used to embellish a primarily qualitative study.*

*Model 4: Qualitative and quantitative methods are used equally and in parallel.*

Therefore, in this research, the Model 2 of triangulation is employed to investigate the patterns and effect on housing price from the process of institutional change.

A triangulation strategy will be utilized which combines qualitative and quantitative methods, using primary and secondary data. Thus, quantitative techniques are used to evaluate the effects on housing price and to generalize the neighborhood patterns through a critical comparison of two neighborhoods through a case study. Meanwhile, the qualitative methods are adopted in explaining the quantitative research findings, according to interviews, observation and archive studies (see Figure 3.0). This research will utilize a combination of data collection methods including interviews, observation, and examination of relevant official documents and extensive literature reviews. All possible methods and strategies were carefully considered, and the appropriate methods are chosen. Qualitative data will represent

most of the study stages of identifying the role of history; examine the causes of institutional change, explaining the process of institutional change and the outcome of change.

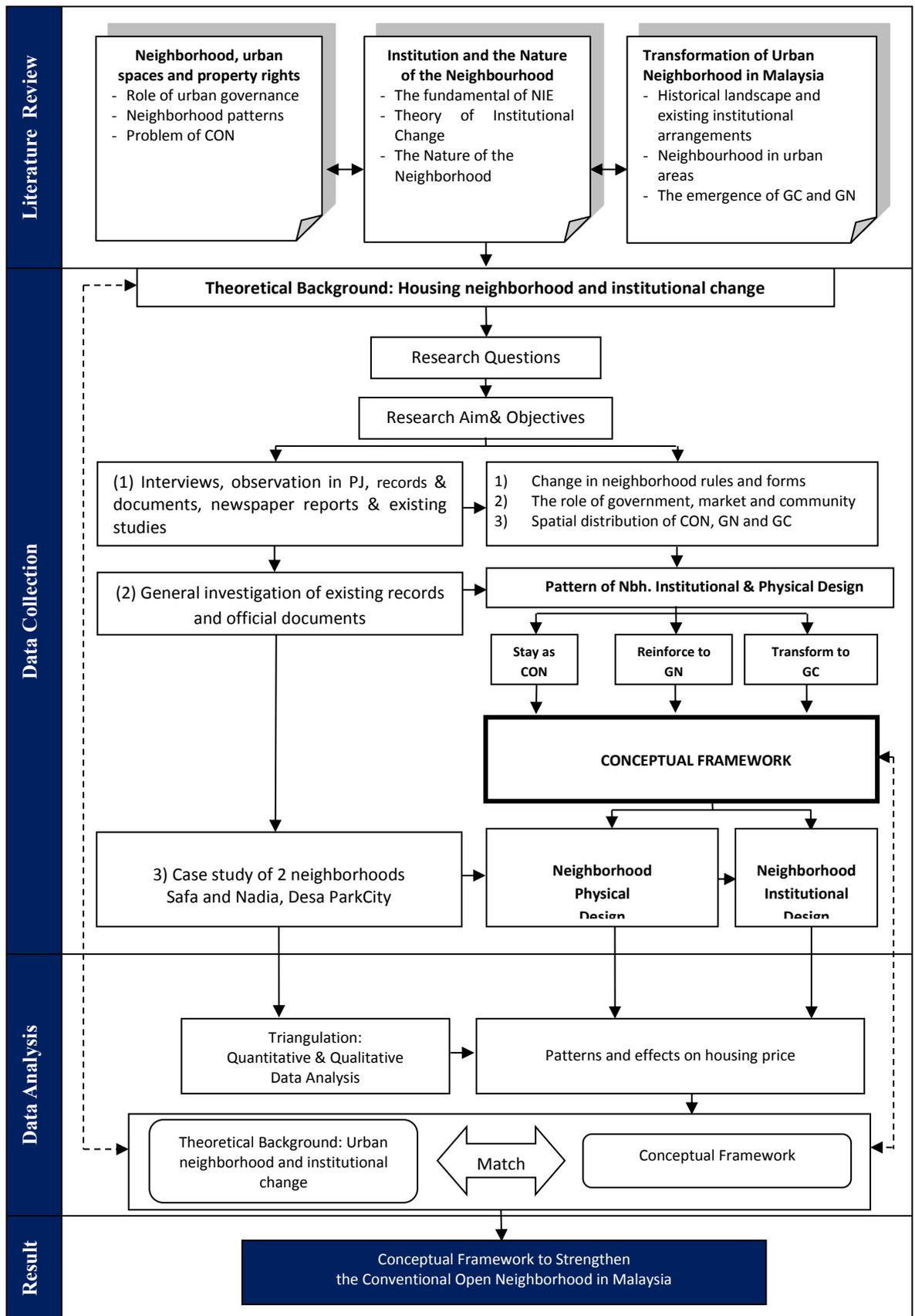


**Figure 3.0** Triangulation Model 2

Figure 3.1 shows the main research activities as included in this study and the corresponding research methodology used. Literature review, document analysis, observation, interview and statistical analysis will involve during data collection and analysis stage of this study in order to examine how local institutional change in Malaysia operates to strengthen the conventional open neighborhood institution in light of physical and institutional constraints.

### **3.3 Qualitative Research Methods**

Qualitative techniques are primarily used to achieve Objective 2 and 3 in identifying the unique feature of local institutional change in Malaysia through causes, process and outcome of institutional change. Subsequently, followed by identifying the characteristics of a neighborhood institution and physical design.



**Figure 3.1** Research Methodology

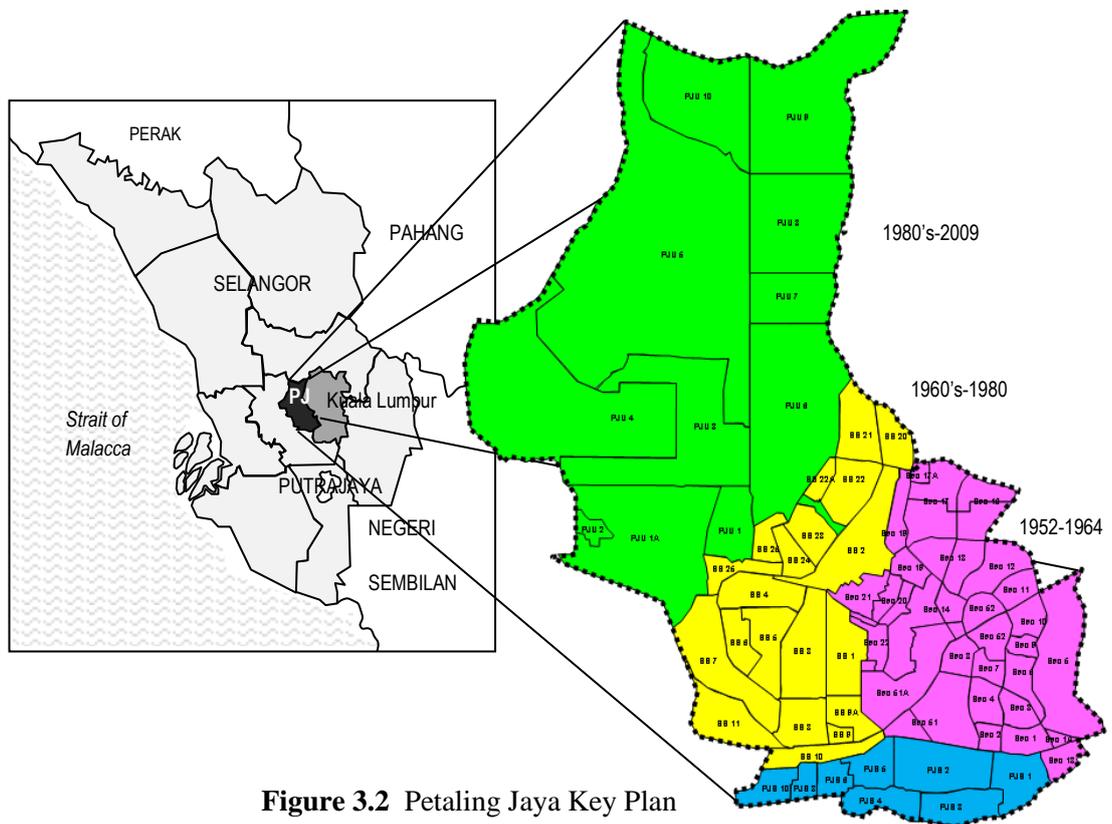
### ***3.3.1 First round***

In order to examine the unique features of the causes, process and outcome of neighborhood institutional change in Malaysia, first, the change in neighborhood formal and informal rules over the year 1990-2010 will be presented, followed by the change in neighborhood forms. It was then examining how urban player response, as they look for more efficient mechanisms, to strengthen the conventional open neighborhood. In addition, this research deepen the understanding of institutional change by conducting historical studies and field survey over 83 conventional open neighborhood in Petaling Jaya over the year 1990-2010.

In the first stage, data were collected for the purpose of a general investigation. The related data obtained in 2010 through extensive interviews, collection official document from local authorities, government departments, professional bodies and neighborhoods, offices and websites. They are including the federal, state and local agencies, particularly the Petaling Jaya City Council (MBPJ); Ministry of Housing and Local Government (KPKT), Valuation and Property Services Department, National Institute of Valuation (INSPEN); Unit for GIS in Spatial Planning, Universiti Teknologi Malaysia (UGiSP); Section of Strata Title, The Department of Director General of Lands and Mines (Federal) (JKPTG); and Real Estate and Housing Developers' Association Malaysia (REHDA).

Field observation is done in Petaling Jaya to observe the distribution pattern of 83 CONs and finalized its historical distributions over the year 1990 – 2010. The additional data also gathered from the collection of relevant newspaper report from 1990-2010, which reporting the related issues on enclosing existing CON in Petaling Jaya.

To conduct this empirical experiment, this study selects Petaling Jaya City Council territory in Selangor for the overall survey. As the oldest city in Selangor, Petaling Jaya (PJ) and originally developed as a satellite township for Kuala Lumpur, PJ now days become a busy commercial and residential hub in its own rights with over 450,000 inhabitants, comprising mostly residential and some industrial areas. When PJ was granted city status in 2006, it has been commonly known as the most developed non-capital city in Malaysia. With an area of approximately 97.2 km<sup>2</sup>, PJ is divided into several sections known as PJU, PJS, Seksyen, and SS (see Figure 3.2).



**Figure 3.2** Petaling Jaya Key Plan

To eliminate the selection bias and in order to conduct the selection of case study that are comparative in nature, this territory serves as an example mainly for two reasons: (1) Selangor is the first state that has revised the guidelines for Gated and Guarded Community Schemes to incorporate relevant planning requirements for

such development. In history, only the Property and Housing Board of Selangor have produced a guideline specific to ‘unlawful development’ of gated and guarded community schemes. 82 neighborhoods under this study located in similar local and state authority allow the application of similar rules and guideline. (2) Petaling Jaya is a suburban city of Kuala Lumpur and becomes the fastest development cities in Malaysia. The transformation of existing urban neighborhood into guarded neighborhoods and the increasing number of gated communities emerging within Petaling Jaya should be sufficiently intensive and diverse in presenting an exemplary case. In addition, the research about Petaling Jaya may provide a good reference for other expanding cities because of its leading role in urban development in Malaysia. Using computer software of ArcGIS, geographical distributions of existing CON transform into guarded neighborhood (GN) from 1990 to 2010 were mapped on 5-year basis.

### ***3.3.2 Second round***

In the second stage, data collection is made to verify the previous data and to develop the framework. The data derived from observation, personal interviews, and relevant official documents. It evaluated the transformation of the conventional open neighborhood (CON) into guarded neighborhood (GN) and the interrelationship between GN and gated community (GC). The institutional and physical design patterns and related characteristics elaborated. A conceptual framework will be developed to investigate the process of institutional change and their effect on housing price by considering the unique identifying patterns between guarded neighborhood (GN) and gated community (GC).

### **3.4 Quantitative Research Methods**

Quantitative techniques are used to evaluate the effects on housing price and to generalize the neighborhood patterns through a critical comparison of two neighborhoods through a case study. By comparing those two (2) neighborhoods, the related effect on housing price will then be evaluated using a conceptual framework that has been developed in the second round. Data collected will be analyzed accordingly by utilizing various computer softwares.

#### ***3.4.1 Third Round - Case study of two sampled neighborhoods***

As the research identified a unique neighborhood form in which CON can transform without much difficulty, there is a need to identify relevant case study to test the conceptual framework that has been developed in the second round. The task is to identify where to find the unique anomaly when a developer can develop two identical neighborhoods in the same township, but under different land titles because of these differences, it generated an exogenous allocation of property rights across the neighborhood, enabling the research to measure their effects on housing price.

Therefore, this research identifies the similarities in Desa ParkCity, Kuala Lumpur, which covering 473 acres of prime freehold land, is one of the fastest growing and best-selling master planned communities in the nation. Transformed from an abandoned quarry site, Desa ParkCity is the first-of-its-kind New Urbanist community in Malaysia in which concepts of community, public places, and neighborhood conveniences converge to make residents' everyday living special and



acre vicinity. While, Nadia is a mixed residential development that consists of 2 and 3-storey linked houses (Nadia Parkhomes) and a condominium (Nadia Parkfront Condos). Nadia is the first development, and also the first condominium among others in Desa ParkCity. Nadia Parkhomes is a new style of terrace houses with 6-acre of park and private garden within a gated and guarded community. It comprises of 165 units of linked houses. On the other hand, Nadia Parkfront Condos comprises of 246 condo units within two condominium towers, with built-up from 635 sf to 2,669 sf. All houses inside Nadia are under stratified titles.

#### ***3.4.2 Verify the theory in real case context***

The choice of location for the case study is important. This research agrees with Galiani (2009) that formal property rights are endogenous. To fulfill the research objectives of evaluating the scenario in Malaysia, the neighborhood chosen for the case study should be representative of a successful Malaysian neighborhood development.

This research has identified a unique neighborhood form in which CON can transform without much difficulty. In examining how local institution operates in strengthening existing urban neighborhood, it is interesting to note the unique anomaly when a developer can develop two identical neighborhoods in the same township, but under different land titles. The guarded neighborhood is developed under the individual title, while the gated community be developed under the strata title. These differences generated an exogenous allocation of property rights across the neighborhood, enabling the research to measure their effects on housing price. The ideal conditions of the case study are listed as follows:

- 1) Two neighborhoods have physically almost similar, but institutionally different;
- 2) Two identical neighborhood developments in the same township by the same developer during almost the same time;
- 3) Two identical neighborhood develops under different land title: (a) guarded neighborhood (individual title), (b) gated community (strata title);
- 4) Two identical neighborhood is setting under different neighborhood institutions and managing by different organizations: (a) guarded neighborhood (managed by local authority), (b) gated community (manage by private management corporation).

Hence, this research will look into the issue related to the preference of property developers in Malaysia in the choice of the types of housing neighborhood that they are building. The popular choice of developers in Malaysia is the conventional open neighborhood and guarded neighborhoods rather than gated communities.

### **3.5 Summary**

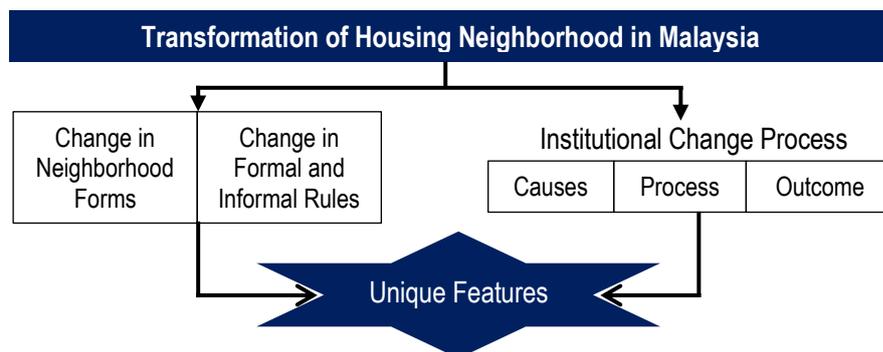
This chapter addresses relevant methodological issues and describes the particular appropriate methodologies used in this research. The next chapter will carry out the studies and generate the results base on identify related methods. The next chapter presents the data analysis and results.

# CHAPTER 4

## TRANSFORMATION OF HOUSING NEIGHBORHOODS IN MALAYSIA

### 4.1 Introduction

Based on the first round data collection, this chapter explains in details the unique features identified during housing neighborhood transformation in Malaysia. In order to answer Research Question 1, it is important to understand the historical background on how housing neighborhood in Malaysia changes. Identifying the unique features of local institutional change and comparing the finding against those of other countries will give more understanding of the existing urban neighborhood institution and its relationship with the process of institutional change.



**Figure 4.0** Identification of Unique Features

Therefore, first (see Figure 4.0), the change in neighborhood forms will be discussed together with the change in neighborhood formal and informal rules over the year

1960-2010. The research continues with the identification of the causes, processes, and outcome that the local neighborhood institution. In addition, to deepen the understanding, this chapter also explains how urban player response during the institutional change process. Also, based on the historical studies and field survey over 83 conventional open neighborhoods in Petaling Jaya, spatial distributions of conventional open neighborhood transform into guarded neighborhood is presented. The chapter is then summarized.

## **4.2 Change in Neighborhood Forms and Change in Neighborhood Formal and Informal Rules Over the Year 1960-2010**

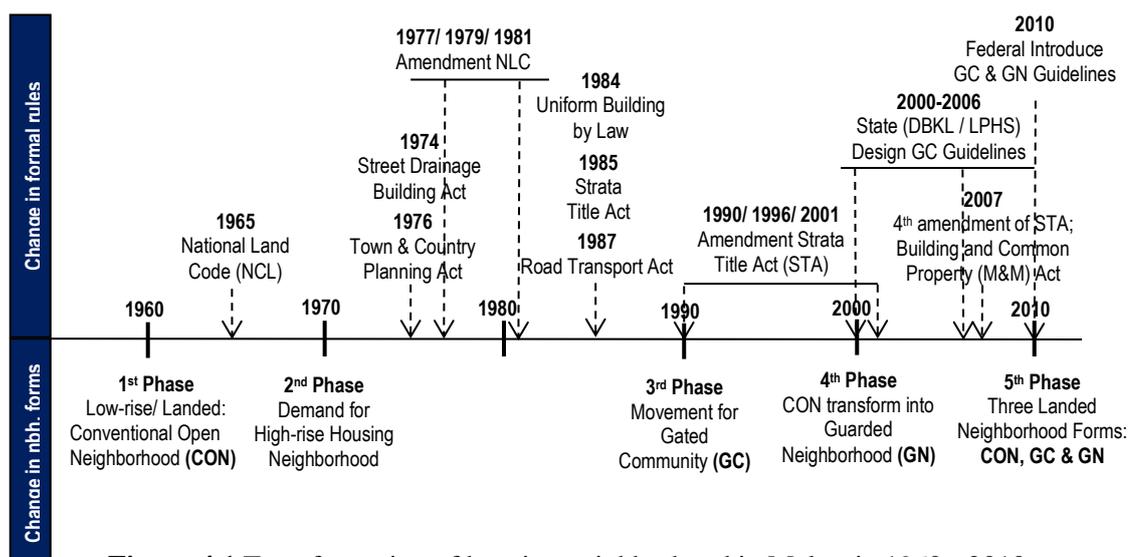
### ***4.2.1 First phase 1960-1970: Conventional Open Neighborhood (CON)***

Since 1960's, conventional open neighborhood (CON), as a planned housing neighborhood occupied the suburban area in Malaysia (see Figure 4.1). This type of development often consists the low-rise type of houses such as terrace houses, semi-detached houses, and bungalows. Under the National Land Code, 1965 (NLC), property rights over the house and land parcel are clearly assigned to the house owner. However, share neighborhood spaces within the neighborhood will be shared by all individuals within and outside the neighborhood.

Conventional open neighborhood developed under individual title. An individual title consists of a title that often has been subdivided into a single unit of landed property for instance terrace houses, bungalows, and semi-detached houses. In general, an individual title is for a property that has its land. In addition, streets

inside CON development deemed to surrender to the state authority, 10% of the lands supposedly develop for any public purpose, and maintenance is carried out by local authority. There is no maintenance fees charged, but residents need to pay tax such as property assessment tax to the local authority and quick rent to the state government.

For the high-rise type of houses, the concept of subdividing buildings to obtain titles in the Malaysian context goes back historically with the issuance of the subsidiary titles adopted from Australian New South Wales Conveyancing (Strata Titles) Act 1961. The similar concept was introduced into the Malaysian primary land registry, which is the National Land Code 1965 (NLC) on 1966 (see Figure 4.1). It provides for the creation of a system by what a separate title can be issued for each owned unit within a multi-storey building. High-rise type of houses developed under strata title. Strata title is a sub-divided title that meant for individual units in high-rise building such as condominiums and apartments.



**Figure 4.1** Transformation of housing neighborhood in Malaysia 1960 - 2010

#### ***4.2.2 Second phase 1970-1990: Demand for the issuance of titles over high-rise housing development***

As Malaysia develops, and the population increasingly prefers an affluent lifestyle, developments of high-rise building will become greater than before. The property sector trend of development is beginning to focus more towards the construction of high-rise housing development. This situation arises from the fact that land is a scarce resource and high-rise development is the only logical situation. The market is beginning to appreciate the requirements for social and recreational facilities provided in the neighborhoods. Following these major requirements arising from the public demands, high-rise housing development appears to be the acceptable solution due to its ability and flexibility to be applied throughout the building construction industry. The development spans from having the capacity to provide housing for low-income groups as well as for the affluent society with high-end exclusive needs. High-rise housing development is not only about the construction of townhouses, flats, apartment and condominiums. Equally important is to address the requirement of ownership of the various units within the development.

The proof of ownership for this type of development requires the issuance of titles. According to Bahari (2007), the provision for subdividing buildings within NCL were scattered in various Divisions, Parts and Schedules and have been amended several times in 1977, 1979 and 1981 (see Figure 4.1). Following the public, property owners, property developers and property market requirements, the provision for subdividing buildings within NCL were repealed upon the enforcement of the Strata Title Act 1985 (Act 318) on 1985. However, Act 318 has to be read in

conjunction with the National Land Code 1965 (NLC) and together with Street, Drainage and Building Act 1974 (Act 133), Town and Country Planning Act 1976 (Act 172), Uniform Building by Laws 1984 and Road Transport Act 1985 (Act 333). The new provision under Act 318 allow for the issuance of strata titles rather than the issuance of subsidiary titles that are provided for under the NLC.

#### ***4.2.3 Third phase 1990-2000: Movement for gated community and the need for new rules***

The movements around 1990's for luxurious and secure living, influence housing developer to privatize the conventional open neighborhood concept into gated community (GC) (see Figure 4.1). The emphases on the emergence of gated community are with combinations of security, privacy and the affluent lifestyle of its residents. Gated community becomes very popular but is a relatively new concept of housing neighborhood development in Malaysia that embraced by the developers. This type of development will be much required after by the public as it is expected to provide comfort and security as anticipated by the purchasers of this type of housing neighborhood.

Some industry observers traced the earliest gated community development in Malaysia was a Wangsa Baiduri at Subang in 1985. However, several well-known gated communities in Malaysia such as Sierramas, Kajang Country Heights, Tropicana was launched since 1993. It is boasting common facilities such of golf courses, clubhouses, and recreation areas. The housing developer tries to implement those GC as part of the metamorphosis from high-rise luxury neighborhood. Security

and personal safety including recreational and social facilities that were initially exclusively provided for the high-rise housing development, also required to be provided for in housing scheme either of the bungalow, semi-detached or the terrace types. As a consequence of this, there is a need for the introduction of provisions to enable strata titles issued for houses and spaces within the gated community schemes. In addition, a management corporation, management company or management agency has to be formed to manage the scheme.

The first amendment to the Strata Title Act 1985 was in 1990 followed by the second amendment in 1996 and the third in 2001. Apart from issuing strata titles for high-rise housing neighborhoods, there is a need for strata titles are issued for landed housing properties such as bungalows and terrace houses. Nevertheless, due to deficient legislation to support the GC concept, and inadequacies and limitations of Strata Title Act 1985, especially how to put low-rise housing neighborhood under strata title, this concept was known as unlawful development. Although the development of the GC concept in the beginning to assigning private property rights over shared neighborhood attributes like high-rise housing neighborhood, the rights over the public road and open spaces still unclear. In addition, these schemes have been deemed to be illegal as it contravenes the provisions of several acts, namely the National Land Code 1965, the Street, Drainage and Building Act 1974 and the Road Transport Act 1987 (see Figure 4.1). The market needs for the gated community (GC) concept has prompted the Department of the Director General of Land and Mines to introduce provisions to address these needs.

#### ***4.2.4 Fourth phase 2000-2007: Transformation of Conventional Open Neighborhood (CON) into Guarded Neighborhood (GN) and the need to look at the existing rules***

In the early 2000's, due to the increases in crime rates, middle-class suburb communities who lived in the existing conventional open neighborhood (CON) shared the same interest in restricting their neighborhood access and alter their housing status into guarded neighborhood (GN) (see Figure 4.1). The existing CON institution spontaneously changes as community collectively act to forming a voluntary community organization and invest their money to hire a private security guard, build a guard house, set a boom-gate, and locale CCTV system around their neighborhood area. Nevertheless, it is still unlawful to privately attempt to restrict or regulate public space for the GN. Therefore, many CONs may encounter difficulties to change. Interestingly, this study noticed that some CON can successfully transform into GN with fewer difficulties.

During this phase, due to the absence of regulatory measures about the gated community (GC) and GN, there are no standard planning guidelines that can be adopted by the local authorities. However, then emerge a variety of guidelines that differ from one local authority to another. At the local authority level, the guidelines on GC imposed by Kuala Lumpur City Hall (DBKL) are liberal and quite practical. It has incorporated certain initiatives to ensure that the development of a GC will be coherent with existing laws. Clear guidelines, as imposed by DBKL during this time, are one of the ways to minimize problems faced by GC. For example, the conditions are:

- a) Buyers should be made aware that they are buying into a GC.
- b) There should not be any barrier to access to the public road within the GC. No guard post be erected at the center of the road. If erected, the size should not exceed six feet by five feet.
- c) There should be an agreement (through land lease) between the developer and DBKL that the maintenance of the GC will be the responsibility of the developer.

In additional, at the state level, the Selangor Property and Housing Board (LPHS) have also come up with a guideline for the development of GC for the state of Selangor. According to Selangor Property and Housing Board, (2006), some of the conditions contained in the GC guidelines are given below:

- a) Maximum size of a GC development cannot exceed a size of 20 acres.
- b) Developers are allowed to build five feet (closed) with extra two feet (open) fencing.
- c) Developers need to submit detailed information on the gated community development concept through the following two documents:
  - i. Disclosure Statement – list of maintenance works and the fees needed to be paid by the purchasers.
  - ii. Deed of Mutual Covenant – signed by the purchasers and approved by the local authority

#### ***4.2.5 Fifth phase 2007-2010: Introduction of new rules for Conventional Open Neighborhood (CON), Guarded Neighborhood (GN) and Gated Community (GC)***

Since the number new informal neighborhood institutions of gated community (GC) and guarded neighborhood (GN) gradually increase, its then urging the authorities to review current legislation that governing the housing development to keep up with the existing situations. Due to the inadequacies and limitations of the Strata Title Act 1985 (Act 318) to meet the needs of the gated community concept which incorporates the management and maintenance of the GC, Act 318 was amended for the fourth time on 2007 together with the introduction of new laws of Building and Common Property (Management and Maintenance) Act 2007 (Act 663) (see Figure 4.1).

These centralize changes on related laws; allow the emergence and development of GC and GN with certain restrictions. Although both developments are consisting similar types of low-rise housing, GN development will stay under individual land title and GC development with strata title. Previously, numerous studies have highlighted the illegality of the GC development concept as public access and public utilities being enclosed for private enjoyment. The new amendment provides clear guidance for those intending to embark on the development of the concept. The amendment of Act 318:

- a) Issue of issuance of Strata Titles for a gated community;
- b) Providing provisions for the introduction of a computerized system for registration of strata titles;

- c) The power of the building commissioners in overseeing the management of buildings conducted by the management corporations;
- d) The mandatory requirement for the transfer of titles from the developer to the purchasers;
- e) The compulsory requirement to table audited accounts during the initial period by the developers;
- f) Engagement of registered property managers to determine an adequate amount of the maintenance fee chargeable on the parcel owners and much more.

Apart from addressing GC issues, it is a wholesome amendment made to Act 318 which also includes provisions to improve the effectiveness of managing the management corporations. With the inception of the new provisions of the amendments to the Strata Title Act 1985, former GC schemes, which are developed as a conventional open neighborhood later transform into GC, like Country Heights or Sierramas, have now become the new GC in which the property and neighborhood attributes becomes privately owned. Thus, the neighborhood facilities are treated as a common property and subject to ownership and managed by the management corporation. There is guidance for any individual intending to embark on the development of the concepts either on the conventional building subdivision of land for the GC schemes, or a practical guide for the applications made in the subdivision of land or building for the issuance of strata titles.

In addition, guidance on the application for the subdivision of land or building for the issuance of strata titles, illustrates the key players plus their roles for an application for the land or building subdivisions. The application proposes:

- a) Developer merely wants to develop the regular conventional open neighborhood (CON)
- b) Developer reference if they intend to develop a scheme of high-rise development that can be subdivided into parcels and low-rise development that can be subdivided into land parcels (GC- Mix)
- c) Developers want to develop schemes to be subdivided into land parcels only (GC)

The old provision is very limited which cannot address the current market needs for GC that requires for economic reasons and practically, the development of buildings that are of double-storey or more. The new provisions of Act 318 of section 6 allows the concept for the subdivision of building or land for issuance of strata titles which means that buildings, or buildings and land, or land can be subdivided into individual parcels and the areas outside the individual parcels forms the common property.

According to Bulletin REHDA (2008), the Selangor Housing and Property Board (LPHS) have revised the guidelines for development of Gated and Guarded Community Schemes to incorporate relevant planning requirements for such developments. The revised guidelines came into effect in December 2007. Gated Community (GC), as defined by the LPHS, is ‘a development that is demarcated with a physical structure that runs along the perimeter or boundary with controlled access to the general public’. While Bahari, (2007) defined gated community as ‘a cluster of houses or buildings that are surrounded by a wall or fence on the perimeter with entry or access to houses or buildings controlled by certain measures of restrictions such as guards, boom gates or barriers which normally includes 24-hour

security, guard patrols, central monitoring systems and closed circuit televisions (CCTV) cameras'. However, the guidelines for the development of Guarded Neighborhood (GN) not listed under Act 318 or any other act. According to the (LPHS) in its Guidelines for Development of Gated Community Scheme, guarded neighborhood (GN) defines as 'an enclave that is provided with security services with or without a guard house and has no physical barriers. Perimeter fencing is strictly prohibited.'

According to Bulletin REHDA (2008), it is not difficult to understand why gated community and guarded neighborhood housing projects are gaining popularity among Malaysian house buyers. Proponents of the concept argue that this is not only an innovative approach to housing neighborhood development, but is also an idea borne out of necessity, given the high rate of crime, house break-ins especially, in Malaysia. Most house buyers are looking for peace of mind and insulation from unsolicited criminal elements. The necessity to protect themselves from criminal intrusion has prompted many residents to organize themselves to set up security patrols and barriers within their neighborhoods, even though the legality of taking such action may come into question.

However, in the context of a multiracial country of Malaysia, gated communities, and guarded housing neighborhood should not be encouraged because they create elitism and separation. Their argument against this approach is that given multi-ethnic and multiracial diversity country, separating communities in the country by barricade those behind guarded enclaves would not help the causes or process in an integration and social acceptance in Malaysia. Thus, gated and guarded housing

neighborhood is viewed as a regressive move that will drive social divides even deeper.

With the reality of rising crime rates in the urban township and inadequate measure and resources provided by the authorities to deal with these literally “life and death” issues, proponents of gated communities and guarded housing neighborhood can be excused for choosing practical solutions to protect their lives and property. Thus, developers will respond to house buyers’ preferences and build according to their needs, which in turn catalyzed the need for regulatory and legislative change to be made to accommodate new ideas and innovation what have been presented in the above sections. At the federal level, the Ministry of Natural Resources and Environment was very responsive to the changing needs of urban communities and amended Strata Title Act 1985 to cater for the emergence of gated communities and guarded neighborhood in the country (Buletin REHDA, 2008). However, some planners have been reported to be against the idea of a gated community for fear of breeding elite communities behind physical barriers.

Due to high demand for gated communities and guarded housing neighborhood and the necessity for it, The Housing and Local Government Ministry finally release a set of Gated Community and Guarded Neighborhood Guidelines (see Table 4.0) to regulate the situation. Guidelines for a gated community (with strata title) and guarded neighborhood (with individual title) have been approved in September 2010 and it was developed for state authorities, local authorities, technical agencies, developers and resident associations (JPBD, 2010).

**Table 4.0** Guideline for Gated Community and Guarded Neighborhood 2010  
(Source: JPBD, 2010)

	<b>Gated Community (GC)</b>	<b>Guarded Neighborhood (GN)</b>
<b>Definition</b>	A group of residents or community living within a gated and guarded residential area, be it high-rise property such as apartment, condominium or townhouses, or landed property such as bungalows, terrace or semi-detached houses, with strata titles.	A partially or fully controlled area in existing or new housing schemes with individual land titles. The schemes provided security services with or without guardhouses. Cannot place physical obstacles on the roads and stop residents and the public from entering and exiting the areas.
<b>Ownership Title</b>	With strata title - Section 6 (1A) Strata Title Act 1985 (Act 318)	With individual title – conventional open neighborhood
<b>Location</b>	Limited to the urban neighborhood and appropriate location, especially in high crime rate areas based on police statistics; Inside the developed areas with good road accessibilities; Not allowed developed at the location that have river or nature stream.	Limited to the urban neighborhood; Inside local authorities operational territory; Especially inside high crime rate areas based on police statistics.
<b>Housing type and size</b>	GC development only for housing with unique identity and design; Mix-housing development (bungalow, semi-detached, terrace, and highrise) are allowed; Maximum high for landed housing is four stories from the basement (18.5 m); Neighborhood size is between 1ha and 10ha or 200-500 units; Neighborhood larger than 10ha needs to be broken into smaller schemes	Neighborhood size based on the number of units in a scheme (minimum and maximum) to be determined by local councils; All related housing units must have CFO and CCC; Application of registered resident association (RA) – (Jabatan Pendaftaran Pertubuhan – RoS) to the local authority; Required consent from ‘majority’ of the resident (household head) with no forces; The local authority must be informed if RA makes a decision to return to the existing conventional open neighborhood (without guard).
<b>Public facilities</b>	Allocate space for interaction in the environmental design; Social Impact Assessment (SIA) must be done; Prepare appropriate landscape for a harmonious environment; Neighborhood with more than one GC schemes must provide centralized public facilities (10% of total development) outside the scheme to encourage integration and increase sense of place; Minimum area required for a community hall is 2,000 sq. ft.; Only ‘functional open space’ (children playground, community hall, club house or swimming pool) can be built into the small scheme.	Not allowed in the neighborhood with public facilities (such as schools, mosques or community halls)
<b>Road and accessibilities</b>	Prepare direct access between schemes; Prepare two entrance-exit points, one	Not allowed in the neighborhood with part of the public bus route;

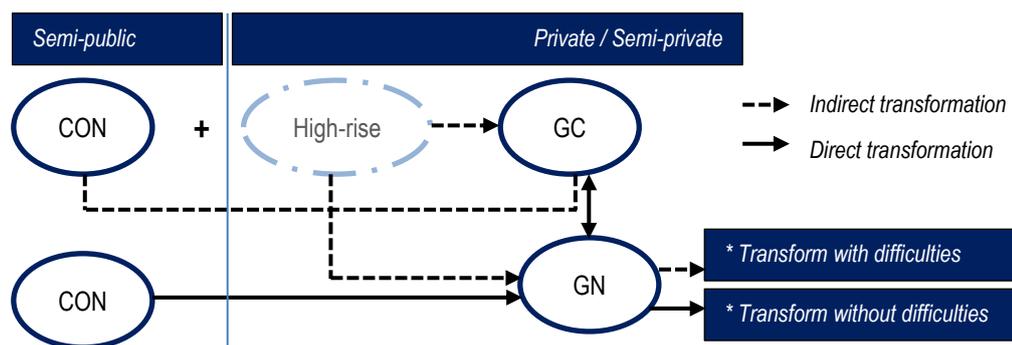
	for the main entrance, and another for emergency; Prepare enough interaction access inside scheme and not disturb the access to the second lot; Prepare appropriate utility access inside the scheme.	Closing of back-lanes and side-lanes is prohibited.
<b>Guardhouse</b>	Guardhouse sized 1.8m x 2.4m is allowed to be built on the road shoulder or suitable area; Boom gates cannot be erected on public roads; Entrance, equipped with CCTV and road humps; Apply Temporary Occupation License (TOL) before constructing a structure on gazette road shoulder	Guardhouse sized not larger than 1.8m x 2.4m is allowed to be built on the road shoulder; Temporary physical obstacles (manual boom gate, cones and security signs) will be considered provided the location are manned by security guards 24 hours; Apply Temporary Occupation License (TOL) before constructing a structure on gazette road shoulder; Appointed security guard/company must be registered with the Internal Ministry (KDN)
<b>Fencing</b>	Perimeter fencing with 50% permeability; Cannot build an embankment that separates GC and non-GC completely. Apply TOL before construct fence on gazette road shoulder	Perimeter fencing is not allowed

The guidelines must be read together with National Land Code 1965 (Act 56), Strata Title Act 1985 (Act 318), Building and Common Property (Management and Maintenance) Act 2007 (Act 663), Town and Country Planning Act 1976 (Act 172), Street, Drainage and Building Act 1974 (Act 133), Road Transport Act 1985 (Act 333) and Uniform Building by Laws 1984.

As the summary of this section, there are three main points identifies during the neighborhood transformation process in Malaysia.

- a) Conventional open neighborhood (CON) gradually change into guarded neighborhood (GN) after the residents learn that they are able to improve their safety and also increase the property ownership from semi-public to semi-private neighborhood similar to gated community (GC). Gated community (GC)

spontaneously emerges from the innovative concept introduced by the property developers who learn this new concept from overseas and incorporating it into the existing concept of CON and high-rise development in Malaysia. Both neighborhood forms, guarded neighborhood (GN), and gated community (GC) are informal forms in the beginning but finally become formal. Emerge a unique neighborhood form of conventional open neighborhoods that are able to transform into guarded neighborhood without difficulties (see Figure 4.2). That those unique CONs - GNs not only transform its institutional and physical design, but also accompanied each other. Hence, it is also believed that those CONs - GNs try to adopt the same physical and institutional designs similar to that of gated community.



**Figure 4.2** Emergences of GCs and GNs during Transformation Process

b) During this transformation process, it was identified that gated community (GC) emerge from the combination of the concept of conventional open neighborhood (CON) and high-rise housing development. While, guarded neighborhood (GN) emerge after conventional open neighborhood (CON) learn from gated community (GC) concept (see Figure 4.2). This study also identified that some CON without difficulty transforms into GN while the other not. It is interesting to further this study to understand why and how this may happen.

c) Extensive change occurred in both formal and informal rules throughout the year 1990-2010. The changes in rules involved the application of several informal rules at first introduced by market innovations and community actions. However, a government intervention finally allows and makes the development of the guarded neighborhood and gated community entirely legal. Both changes are towards to stabilize and strengthen the existing neighborhood institution. Some of the rules nested each other, either rule between community levels, local authorities' levels or at the states levels. Those new rules also nested with the older rules and some other informal rules. This study believed that better neighborhood form can supposedly emerge if they able to adopt the best physical and institutional design that suit each other.

### **4.3 Understanding the Transformation Process from the Institutional Change Perspective**

#### ***4.3.1 Causes of Change***

The following section examines in detail the causes, process and outcome of institutional change based on Figure 2.2 that already developed in the literature reviews section. Causes of the institutional change may be set-off by internal or external events or also known as endogenous and exogenous causes (Kingston and Caballero, 2006). Most studies from other countries identified the primary causes of change in the existing urban neighborhood that are set from endogenous causes is due to the human nature in search for privacy and exclusivity (Dillon, 1994; Hubert and Delsohn, 1996; Low, 2001; Marcuse, 1997; Wilson-Doenges, 2000; Webster,

2002 and Grant and Mittelsteadt, 2004). In Malaysia, communities in the existing conventional open neighborhood (CON) shared the similar interest, transforming their neighborhood in searching for more privacy and also because communities no longer trusted the government in managing and protecting their neighborhood. However, that external factor did not play a significant role in driving existing conventional open neighborhood institution to change.

Exogenous causes or the external events in Malaysia mainly drive CON to transform into guarded neighborhood (GN). The primary external causes were due to rising crime rates, traffic congestion, and the movement in the trend for luxury living. Concerned with rising crime rates, residents of CON, taking security into their hands by installing security gates and hiring guards to patrol the streets. Collective action increases among communities as they shared the same interest, forming community institutions, marking their boundaries, restricting access and transform their housing neighborhood into GN. Since then, many housing neighborhoods in Malaysia have formed their own Resident Associations (RA). The Resident Association is a voluntary organization registered as a society under Societies Act 1966. According to Ministry of Internal Affairs (2009), the number of RA registered under Societies Act 1966 (Act 335) were increased from 5995 in 2008 to 6795 in 2009 (12%). No matter how big the neighborhood size is, it comprises a community who shared the same common areas, roads, parks and recreational facilities. They also shared the same interest and responsibility of taking care of them by forming an RA to make sure their interests protected. However, Said (2008) pointed that several housing estates that try to implement so-call “gated community system” do not want to be a gated community, but that the only way to prevent crimes. Consequently, those

external causes was much similar to other country as neighborhood change when communities try to flight from fear, defenses from any internal and external threat (Dillon, 1994; Hubert and Delsohn, 1996; Low, 2001; Marcuse, 1997; Wilson-Doenges, 2000; Webster, 2002 and Grant and Mittelsteadt, 2004) and when older neighborhood in cities closing off streets to enhance local security and reduce traffic congestion (Newman, 1995; Blakely and Snyder, 1997; Grant and Mittelsteadt).

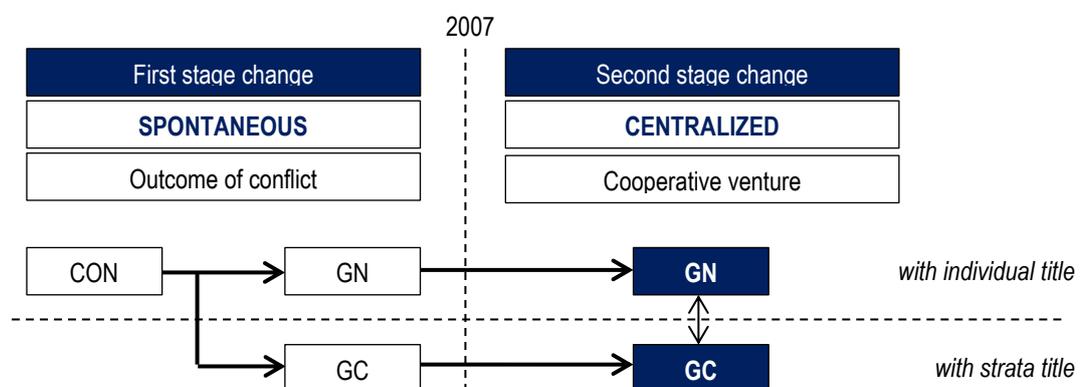
Hence, for the exogenous causes, Webster (2002) and Grant and Mittelsteadt (2004) highlighted that the change may be inspired by the ideas of developers build gated communities to meet the demand of various niche markets and attract consumers searching for a sense of community, identity and security. In Malaysia, it can be traced back in early 1990s when housing developers introduce gated community (GC) in Seirramas, Selangor, which promote prestige, lifestyle and security living. During the early introduction of gated community development in Malaysia, housing developers tend to offer more than just security. It also includes common facilities such of golf courses, club houses and recreation areas, such as in Kajang Country Heights, Tropicana, and The Mines. The emphasis in these gated communities is the combination of security, privacy and the affluent lifestyle of its residents. Although it is a new concept in Malaysia during that time, due to lacking any legislation to support the concept, gated development was classified as “unlawful development”.

According to North (1990), institutional inertia hinders efforts at institutional change, impedes inter-society transplants of institutions and makes institutional change “overwhelmingly incremental”. Perhaps it is as important as understanding the causes of institutional change, is to understand why change often does not occur which is the reason for institutional inertia. It is notice that some CON in Malaysia

difficult to transform into GN and some even choose to stay as a CON. The research identifies the reason they choose to stay because firstly, it is legally better to stay as a CON than change to GN. Second, some CON develops in large size and with many residents that hindering to achieve a majority agreement to enclose. Third, those CON may accommodate by too many tenants then the owner itself impeding the decision making process. Moreover, most CON in Malaysia choose to stay mainly because of their existing physical designs which not suitable to transform into GN, while others have difficulties to change for the reason of lack support from the existing neighborhood institutions.

#### 4.3.2 Nature of the Process

Previous studies have indicated that the process of institutional changes may emerge from centralized process, or it may appear spontaneously. However, many authors treat institutional change not as decentralized and spontaneous process, but rather as centralized as a political process in which the state specifies formal rules and individual or organizations engaging in conflict and bargaining to try to change these rules for their own benefits (Kingston and Caballero, 2006).



**Figure 4.3** Transformation Process CON - GN - GC

Figure 4.3 shows that the process of institutional change over conventional open neighborhood (CON) in Malaysia emerges in two stages. Spontaneous change happens in the first stage before 2007 due to an outcome of a conflict. While, the centralize change taking place at the second stages after 2007 with cooperative venture among urban players. This research also identifies that the neighborhood institutions that emerge in the second stages have a better form of a neighborhood institution as they are legally right to change and to go through a long and various changes before.

According to Webster (2002), government, the markets, and voluntary community action can all assign property rights over shared neighborhood goods. To achieve sustainable neighborhood, it requires teamwork between professions in the construction industry as architects and planners, public and private sectors, users and provider, designers and contractors. It plays a significant role in the formulation, implementation and evaluation of housing neighborhood and urban policies, instruments, programs and individual projects. Therefore, this section also highlighted several important finding of the role of urban players during the transformation process.

*i) Role of urban players during the transformation process*

During the transformation process, communities who live in the existing conventional open neighborhood (CON) taking spontaneous action as a necessity to protect themselves from criminal intrusion by setting up security patrols and barriers within their own neighborhoods even though the legality of taking such action may

come into question. Table 4.1 below presents some significant milestone taking by community (CAP, NGO), market (REHDA, PEJUTA, ISM, HBA, security company and property management company (PMC)) and government (central government (JKPTG, JPBD); state government and local authorities (DBKL, LPHS, MBPJ); police, planners) during the transformation process that finally enable the emergence of guarded neighborhood (GN) and gated community (GC).

**Table 4.1** The Significant Milestone during Malaysian Housing Transformation Process  
(Source: Modified from Bulletin REHDA, 2010)

<b>2002</b>	Real Estate Housing Developer Association (REHDA) involve in several meetings with the Association of Licensed Land Surveyors (PEJUTA) and Department of Lands and Mines regarding the legal conundrum surrounding GACOS. In May 2002, REHDA participated in a study tour to Australia with the two agencies to obtain insight into how gated and guarded developments are carried out in New South Wales, Queensland and Western Australia.
<b>September 2003</b>	On 16 September 2003, the Department of Land and Mines of the Ministry of Land and Co-operative Development (now known as Ministry of Natural Resources and Environment (NRE)) together with the Association of Licensed Land Surveyors (PEJUTA) organized the “Workshop on Gated Community Schemes” to gather input from the ground regarding GACOS.
<b>December 2003</b>	On 24 December 2003, the Association of Licensed Land Surveyors (PEJUTA) forwarded to the Director General of Federal Lands and Mines Department of the Ministry of Land and Co-Operative Development its proposals to amend the Strata Titles Act 1985. Contained within the submission were proposals to broaden the scope of the Act to allow for horizontal subdivision of land for the purpose of GACOS.
<b>February 2004</b>	On 10 February 2004, the Director-General’s Office of the Lands and Mines Department (JKPTG) of the Ministry of Land and Co-Operative Development met REHDA along with other professional bodies including PEJUTA, Institute of Surveyors Malaysia (ISM), House Buyers Association (HBA), Consumers Association of Penang (CAP) and several State PTGs to present the draft amendments to the Strata Title Act 1985 for discussion and debate.
<b>April 2004</b>	REHDA wrote to the Ministry of Lands and Co-Operative Development (now known as Ministry of Natural Resources and Environment) YB Dato’ Seri Adenan bin Satem on REHDA’s proposals to the amendments to the Strata Title Act 1985. REHDA highlighted to the Ministry the need to have management corporations empowered by law to manage all types of common property including gated and guarded communities, orchard developments, private fated parks, private cemeteries and commercial buildings.
<b>May 2004</b>	On 24, May 2004, Ministry acknowledged REHDA’s letter and confirmed that REHDA’s views were being taken into consideration. The Ministry informed that the proposed amendments had been sent to the Attorney General’s Chambers for processing, vetting, and approval.

<b>August 2005</b>	REHDA submitted a joint memorandum with ACCCIM and PPKM to the National Economic action Council, urging the Council to resolve the existing inherent lacuna in the Strata Titles Act 1985. Memorandums of a similar nature submitted at MAMPU meetings 2 and 3/2005.
<b>October 2005</b>	In a letter dated 13 October 2005, REHDA urged the Ministry of Natural Resources and Environment to expedite the formation of a facilitative legal framework via a position paper entitled ‘Expending the Proposed Amendments to the Strata Titles Act, 1985 to allow the Issuance of strata Titles to a Wider Range of Stratified Housing Types in Gated and Guarded Communities’. The paper proposed the immediate amendment of the Strata Title Act 1985 to provide for horizontal strata property or subdivision of land for multi-storey housing types and to allow its application to be retrospective. It proposed that local authorities accept applications for such residential schemes pending the eventual enactment of relevant laws.
<b>November 2005</b>	The Ministry of Housing and Local Government met with REHDA on the implication of the proposed amendments to the Strata Titles Act 1985 to Housing Development (Control & Licensing) Act 1966. REHDA was made aware that the Ministry had been notified by the Department of Land and Mines that GACOS was not recognized by law and advised that no development approvals should be given until relevant amendments are made to the Strata Title
<b>October 2006 – State Government</b>	Developer and residents in Selangor, who are planning to set up gated, and guarded communities to boost security in their neighborhood will have to follow a new scheme outlined by the Selangor Housing and Real Estate Board. A guideline for the gated community development scheme prepared by the Board was approved by the state executive council on October 4.
<b>November 2006</b>	On 8 November 2006, Minister of Natural Resources and Environment announced that the proposed amendments have been approved by Cabinet and will soon be tables in Parliament.
<b>March 2007– State Government</b>	The Implementation of Gated Community Development in Selangor on Thursday (March 15). All gated and guarded developments in Selangor will have to new guidelines starting April 2007.
<b>May 2007</b>	New guidelines have been drawn up for all gated-and-guarded projects in Selangor, and they will replace the current rules released last October. Expected to be made public soon after the Selangor State Executive Council meets next week to approve them, a source in the state government said, changes include the standardization of guardhouse designs and security systems, the extension of services by the local authorities and the better maintenance of common areas by a project’s management corporation. The revised guidelines were drawn up by the state’s Housing and Real Property Board and are based on the recent amendments to the Strata Titles Act (STA) 1985 that were gazette on Feb 15. Prior to the amendments, there were no provisions in the STA for gated-and-guarded housing schemes. This led to developers facing difficulties in receiving approvals from the relevant authorities, for the law did not permit the issuance of horizontal strata titles relating to bungalow or semi-detached units in a project with shared facilities and services.
<b>December 2007</b>	The Selangor Housing and Property Board had revised the guidelines for Gated and Guarded Community Schemes (GACOS) to incorporate relevant planning requirements for such developments. The revised guidelines came into effect in December 2007. On that score, the Strata Title Act 1985 (Act 318) has been amended recently. Due to the inadequacies and limitations of the Strata Title Act 1985

	(Act 318) to meet the needs of the gated community concept which incorporates the management and maintenance of the schemes, Act 318 was amended for the fourth time on 2007.
<b>January 2008</b>	In a move to ensure that residents do not take matters into their own hands, a residents' association has been ordered to demolish the guardhouses and gantry barriers it erected to stop people from using the roads in their area. The Penang Island Municipal Council issued the notice to the Residents' Association of Jesselton on Tuesday. The council wants the residents' association to remove the structures in the exclusive Jesselton Heights area. Council president Zainal Rahim Seman yesterday said that the structures were illegal and had to be demolished as soon as possible. This, he said, was provided for under the Street, Drainage and Building Act 1974, which explicitly stated that no person can erect any kind of structure in any public place or on the side of any street without the authorities' approval.
<b>December 2009</b>	As the situation seems to be getting a little out of hand, the Petaling Jaya City Council (MBPJ) will have to engage the Housing and Local Government Ministry to rectify complications arising from the concept of gated and guarded communities. "It is a difficult issue," said Petaling Jaya mayor Datuk Mohamad Roslan Sakiman. "Selangor has drawn up a set of guidelines for those who want to turn their housing estates into gated and guarded communities, but, even then, we have received high voices from two opposing sides." He stressed that it was still illegal to put up barriers obstructing access to public roads under the Street, Drainage and Building Act.
<b>2 September 2010</b>	The Housing and Local Government Ministry release a set of Gated Community and Guarded Neighborhood Guidelines to regulate the situation. Guidelines for gated community (with strata title) and guarded neighborhood (with individual title) in Malaysia
<b>March 2010 State Government</b>	The Housing and Local Government Ministry is taking a guarded stance on the 'guarded community' housing estate concept. As guarded community housing estates have been mushrooming, of late, the ministry intends to come out with guidelines on the concept. Minister Datuk Seri Kong Cho Ha said currently, guarded community housing estates did not have proper guidelines, resulting in state governments and local councils coming up with their very own by-laws which differed from one locality to another. He said, most of the "guarded community thing" was spearheaded by a group of house owners on their accord.

Table 4.1 shows that the process of transformation of housing neighborhood is a part of spontaneous action. The negotiation process to change or amend the existing rules may go through various stages. It begins with market such as REHDA and PEJUTA advising, suggesting and urging the central government to consider amending or changing the existing laws to suit the current needs. After some time, government finally held some workshops and meeting in order to understand and discuss the crucial situation. Although the government during middle 2005, unwilling to allow

the development of gated community; numerous applications made by market and communities make, government take necessary actions. Finally, it takes about three years for the central governments negotiated with the markets and to come carefully out with the new law and guidelines.

The above transformation process by community action, market innovation took place more than ten years before the centralized government took action. It was also taken almost 20 years to change from one formal rule into another related rule. The transformation process is similar to the Second Level of Change in institutional change process according to how quickly they change (Williamson, 2000). The Second Level is “Constrain by the institutions of embeddedness” which change may take decades or centuries. This phenomenon may contribute better understand the process of institutional change and the economic system at work. First, it may contribute to understanding that centralized action took place over spontaneous actions made by communities and developers to enhance the assignment of property rights. Second, it can illustrate the responses made by government, the housing developer and community before and after the new law enforced and how those responses will affect housing prices.

### ***4.3.3 Outcome of Change***

The outcome of change differs in many ranges. Many authors try to identify how particular equilibrium is selected, and when equilibrium view or balance of institutions will be achieved. The work on ‘equilibrium view’ can be found in the work of Calvert (1995), Aoki (2001), Greif and Laitin (2004), Greif (2006) and

Kingston and Caballero (2006). Decentralized changes believe that the change will bring the emergence of inefficient forms of organizations or imitated. As a result, from the evolutionary process of conventional open neighborhood (CON), emerge two types of housing neighborhood in Malaysia which is guarded neighborhood (GN) and gated community (GC). Both are a landed housing neighborhood but assign to different land titles, guarded neighborhood with individual title while gated community with strata title.

Up until May 2013, about 697 conventional open neighborhoods (CON) around Malaysia have already been transformed into guarded neighborhood (GN) with 393 neighborhood gain approval from local authorities while 304 neighborhoods did not. In addition, it is quite unusual, although the government already allows the development of gated communities, there only about 88 gated community (GC) neighborhood developed around Malaysia (see Table 4.2).

**Table 4.2** Number of Guarded Neighborhood and Gated Community in Malaysia, 2013  
(Source: JPBD, 2013)

	Guarded Neighborhood (GN)		Gated Community (GC)
	With local authority approval	Without local authority approval	
<b>Until May 2013</b>	393	304	88
<b>Total</b>	<b>697</b>		<b>88</b>

*i) Conventional Open Neighborhood (CON)*

Neighborhood in urban economics comprises the shared attributes of a location (a set of local public goods) together with the formal and informal contracts (agreements or institutions) that emerge to govern the production and consumption of those attributes. Under property rights perspective, the shared spaces inside the existing conventional open neighborhood (CON) will stand as public realm which is a spatial domain within economic or legal consumption rights over local public goods attribute is shared by all individuals within a city. By implication, there exists a group of consumers-noncitizens-to whom a property right over the public good attribute was denied. Moreover, CON was classified as landed housing neighborhood with clear individual title over land parcel and building. However public space and shared attributes inside the neighborhood will stand as public realm with a spatial domain within economic or legal consumption rights over local public goods attribute are shared by individual within and outside the neighborhood. Shared neighborhood spaces and attributes were managed by local authority (Figure 4.4).



**Figure 4.4** Conventional open neighborhood (CON)  
(Source: Internet selections)

ii) *Guarded Neighborhood (GN)*

While guarded neighborhood (GN), from a property rights perspective, possess a club-like as a spatial domain within economic or legal consumption rights over local public goods attribute are shared within a group. By implication, there exists at least one other group of consumers to whom property rights over the public good attribute was denied. Property rights are allocated between, but not within, groups. GN in this study is neighborhoods that are transforms from CON to enhance their security by adding a guard house, security patrol, and physical barriers (see Figure 4.5).



**Figure 4.5** The example of guarded neighborhood (GN)  
(Source: Internet selections)

The examples of the emergence of guarded neighborhood in Malaysia can be found in Bandar Utama, Petaling Jaya. Bandar Utama development begins in the early 1990's. It is roughly 1000 acres (4 km<sup>2</sup>) in size and is divided into 12 sections ranging from BU1 to BU12 with approximately 83 acres each.

However, in 1996, the residents of SD9 in Sri Damansara, a neighborhood nearby Bandar Utama, were shocked by the brutal gang-rape of a woman in her home, and she later died. The tragedy made other neighbors set up a resident association (RA)

and patrol the neighborhood. According to Malaysian Crime Prevention Foundation (MCPF), the crime index rose almost 5% between 2002 and 2005 and believe that crime is not only growing, but becoming more violent (Kam, 2004).

The Resident Association (RA) is a voluntary organization registered as a society under Societies Act 1966. According to Ministry of Internal Affairs, the number of RA register under Societies Act 1966 (Act 335) was increased 12% from 5995 in 2008 to 6795 in 2009. Most residents in the guarded community have to pay for security charges around RM30-900 (US\$10-US\$280) per month. Resident in Bandar Utama finally formed a Bandar Utama Resident Association in 2003. This association spent about RM48K to install 15 booms gates and CCTV system. Residents have to pay minimum RM480 annually for hiring a security guard services. Since then, security guards at Bandar Utama checking motorists entering and leaving the neighborhood.

### *iii) Gated Community (GC)*

Gated community (GC) under property rights perspective stand as a private realm as a spatial domain within which there is an economic or legal consumption rights over private goods and local public good attributes. The history of gated community in Malaysia begins when Sierramas Sdn. Bhd launched the Sierramas Resort Homes in 1993, covering a total area of 175 acres (see Figure 4.6). Initially, the scheme was developed as a CON but as a result of the high demand for gated neighborhood, the project was subsequently converted into gated community schemes without strata titles since there was no appropriate law to allow this kind of development. It was

spontaneous actions made by private developer try to introduce new housing neighborhood concept metamorphosis from multi-storey housing, with the image of luxury lifestyle living and safety. It later known as gated community, with 24 hours manned guard house, perimeter fence and restricted access for visitors.

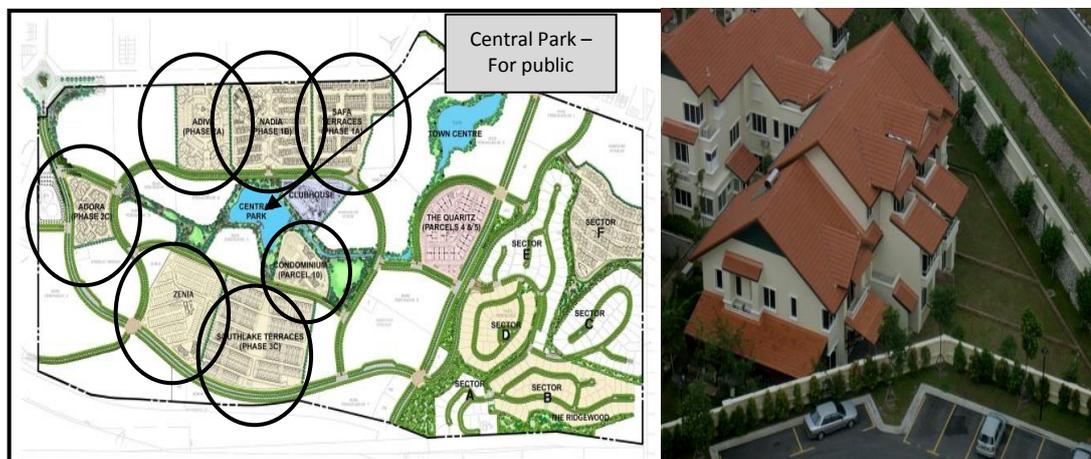


**Figure 4.6** Example of Gated Community – Sierramas  
(Source: <http://www.sierramas.com.my/>)

The price range of bungalows in Sierramas Resort Homes is between US\$390K and US\$450K each, with rental between US\$1500 and US\$2400 per month. All units built by the developers have a well-conceived layout with a lush tropical landscaped garden, jogging track, exercise corner and children's playground. The monthly maintenance fee levied on the owners within this scheme is US\$140 – US\$150. This amount goes towards paying for the provision of security and landscape maintenance. Services provided in the scheme such as road maintenance, drainage, sewerage and garbage collection are managed by the Management Corporation. However, roads within the scheme were deemed surrendered to the local authority. The residents have their own Residents Association known as Sierramas Homeowners Berhad. A Deed of Mutual Covenant (DMC) used as a contract between the developer and the residents. Under the DMC, residents are bound to

observe the rules and regulations affecting matters such as membership, provision of maintenance, AGM, financial and prohibited activities in the areas.

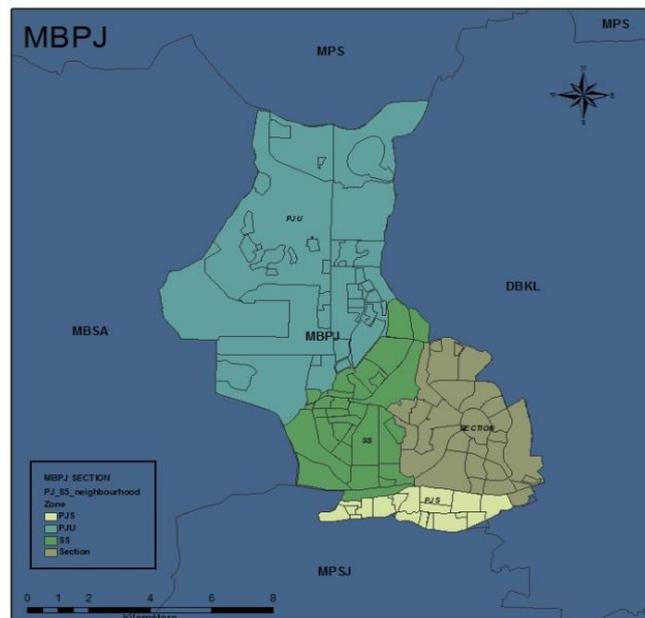
However, as pioneer GC development in Malaysia and due to the inadequate actions by developers, Sierramas, and other old GCs suffered from deterioration (The Star, 2005). The sizes of the development cause many problems such as accessibility to the nearby lots. Since the road and open space in this scheme belong to local authorities, this development denied other rights over public goods attribute. Hence, community might be positioned the wrong idea of development from the developer. Interestingly, after more than ten years, another property developer develops Desa ParkCity (see Figure 4.7). Learn from previous dilemma, Desa ParkCity launch with new GCs and GNs that grouped in much smaller size around the central park.



**Figure 4.7** Desa ParkCity  
(Source: Modified from <http://desaparkcity.com/> Official Website)

iv) *Spatial Distribution of Guarded Neighborhood in Petaling Jaya from 1990 – 2010*

To extend the understanding of the process of institutional change, there is a need to review the historical pattern on how the transformation from CON into GN distributed in a spatial context. The reason for selecting Petaling Jaya as a field survey has been discussed in Chapter 3. Petaling Jaya City Council (MBPJ) territory consists 65 sections with 12 in PJU, 8 in PJS, 19 in SS and 26 in Section. Some sections were subdivided into smaller neighborhood.



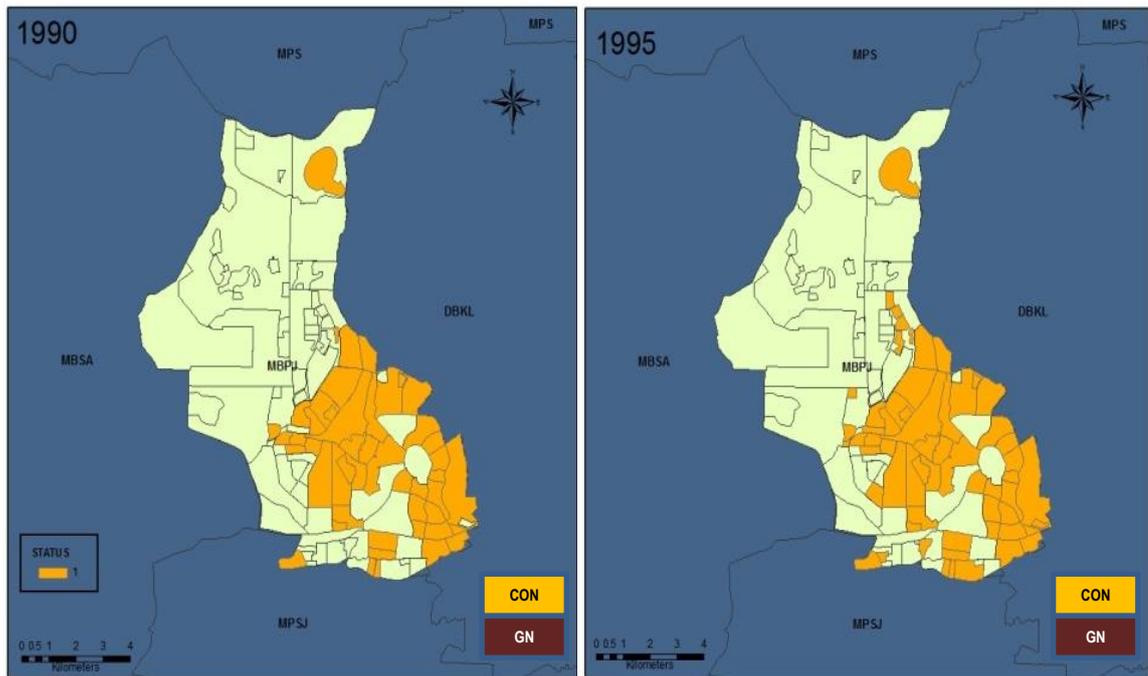
**Figure 4.8** 65 sections in MBPJ

Throughout the field survey and extensive study of public and private documents, this research identifies in 2010, from about 83 neighborhoods developed as landed property or conventional open neighborhood (CON) inside Petaling Jaya territory, 39 neighborhoods or 47% of its already change into guarded neighborhood (see Table 4.3 and Appendix C). The changes, including numbers of neighborhoods in the sections.

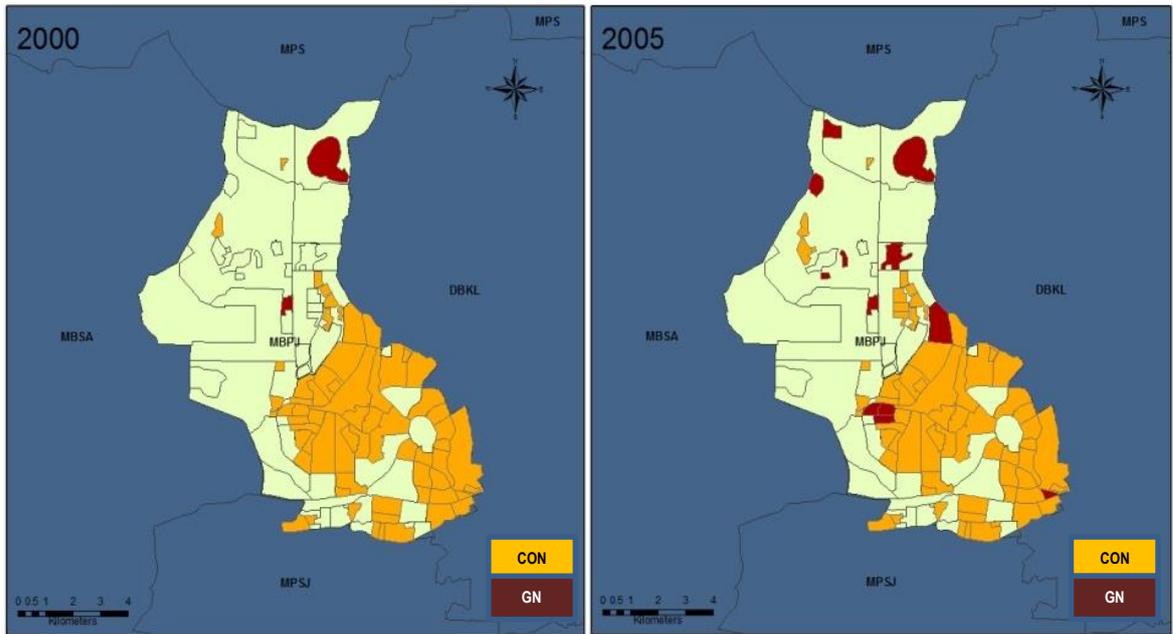
**Table 4.3** Percentage of GN in Petaling Jaya from 1990-2010

Year	CON	GN	Total	Percentage GN	GN Outside
1990	47	0	47	0%	0
1995	61	0	61	0%	0
2000	64	3	67	4.5%	0
2005	67	11	78	14.1%	5
2010	40	39	83	47.0%	12

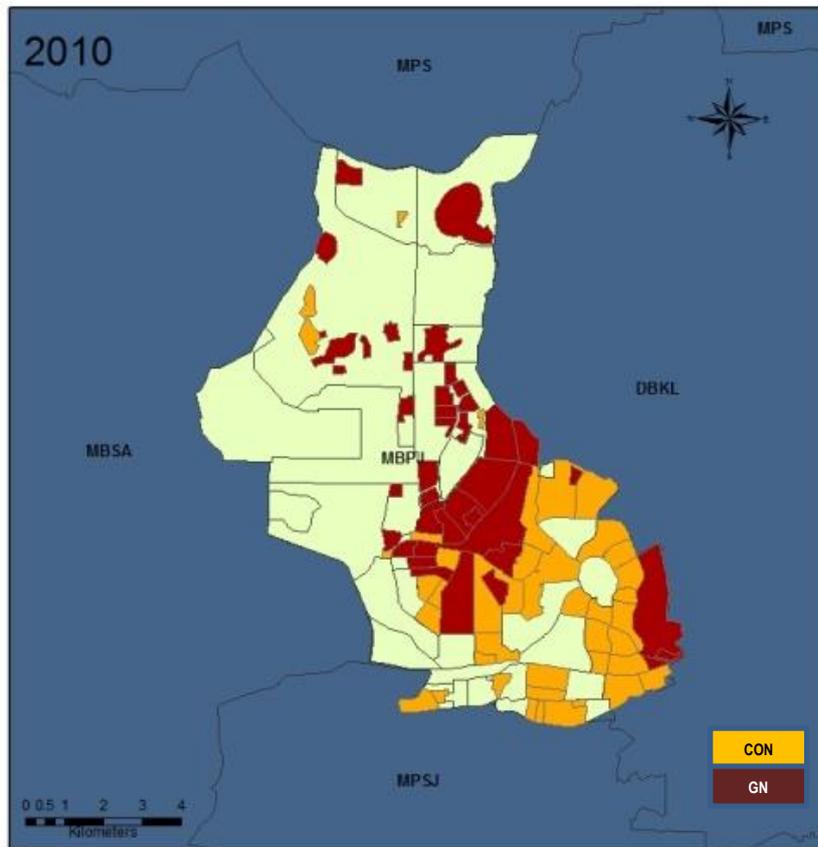
The research mapping up the overall spatial distribution of guarded neighborhood in Petaling Jaya over the year 1990-2010 and it was divided into 5 year basis of 1990, 1995, 2000, 2005 and 2010 (see Figure 4.9 - 4.11).



**Figure 4.9** CON and GN Distribution in 1990 and 1995



**Figure 4.10** CON and GN Distribution in 2000 and 2005



**Figure 4.11** CON and GN Distribution in 2010

The spatial distribution identified that the emergence of guarded neighborhood only happens from year 2000 onward, and the number drastically increases from 3 GN in 2000 to 39 in 2010. It is also noticed that the growth of GN is located in a cluster and come out from a smaller size of the neighborhood. According to the background study, (see Appendix C), although most of the CON, which turns to GN was a new housing development, it is also identified that several old CON able to turn into GN.

#### **4.4 Unique Features of the Transformation Process**

Several unique features during of housing neighborhoods transformation in Malaysia identify as follows:

- a) *Change in Neighborhood Forms, and Change in Formal and Informal Rules*
  - i. In the context of the change in neighborhood forms, this research identified that conventional open neighborhood (CON) gradually change into guarded neighborhood after the residents learnt that they are able to improve their safety and also increase the property ownership from semi-public to semi-private neighborhood similar to gated community. This research also identified that gated community (GC) spontaneously emerge from the innovative concept introduced by the property developers whom learn this new concept from oversea and incorporating it into the existing concept of CON and high-rise development in Malaysia. Both neighborhood forms, guarded neighborhood (GN), and gated community (GC) are informal forms in the beginning but finally become formal. That study also identified that emerge a unique

neighborhood form of conventional open neighborhood that are able to transform into guarded neighborhood without difficulties. It is believed that those CONs - GNs not only transforms into institutional and physical design, but also accompanied each other. Hence, it also believed that those CONs - GNs try to adopt the same physical and institutional designs similar to that of gated community.

- ii. During this transformation process, it was identified that gated community (GC) emerge from the combination of the concept of conventional open neighborhood (CON) and high-rise housing development. While, guarded neighborhood (GN) emerge after conventional open neighborhood (CON) learn from gated community (GC) concept. This study also identified that some CON quickly transform into GN, while the other not. It is interesting to further this study to understand how this may happen.
- iii. Extensive change occurred in both formal and informal rules throughout the year 1990-2010. The changes in rules involved the application of several informal rules at first introduced by market innovations and community actions. However, a government intervention finally allows and makes the development of the guarded neighborhood and gated community entirely legal. It is also identified that both changes are towards to stabilize and strengthen the existing neighborhood institution. However, it is identified that some of the rules are nested each other either rules between community levels, local authorities' levels or at the states levels. Those new rules also nested with the older rules and some other informal rules. This study believed that better

neighborhood form can supposedly emerge if they can adopt the best physical and institutional design that suit with the above rules.

The similarities and the differences between conventional open neighborhood (CON), guarded neighborhood (GN) and gated community (GC) are as summarized as summarized in Table 4.4.

*b) Transformation Process from the Institutional Change Perspective*

i. However, in examining the causes of change, the endogenous and exogenous causes of institutional change were similar to that of other countries. The three (3) reasons why CON will not be able to transform or also categorized as institutional inertia are as follows:

- 1) It is legally better to stay as a CON than change to GN. Some CON developed in large size and consisting too residents that hindering to achieve a majority agreement to enclose.
- 2) Others CON may accommodate by too many tenants then the owner itself in the neighborhood impeding the decision making process.
- 3) Most CONs in Malaysia chooses to stay mainly because of their existing physical designs that not suitable to transform into GN while others have difficulties to change for the reason of lack support from the existing neighborhood institutions.

**Table 4.4** Characteristics and Property Rights Assignment of CON, GN, and GC

	Characteristics	Property Rights Assignment
<p>(CON) <b>CONVENTIONAL OPEN NEIGHBORHOOD</b></p>	<p>1) Consisting landed housing neighborhood for instance terrace houses, bungalows, and semi-detached houses.</p> <p>2) Developed under individual land title</p> <p>3) Public space and shared attributes inside the neighborhood share with the individual within and outside the neighborhood</p> <p>4) Shared neighborhood spaces and attributes were managed by local authority</p> <p>5) No maintenance fees charged, but residents need to pay tax such as property assessment tax to the local authority and quick rent to the state government</p> <p>6) Resident Association (RA)</p>	<p>1) <b>Public Realm – Club Realm</b> where the shared spaces will stand as public realm that is a spatial domain within economic or legal consumption rights over local public goods attribute is shared by all individuals within a city. By implication, there exists a group of consumers-noncitizens-to whom a property right over the public good attribute was denied (Webster, 2002b)</p> <p>2) Pure public domain goods – transform – to Local public goods (Webster, 2003)</p>
<p>(GN) <b>GUARDED NEIGHBORHOOD</b></p>	<p>1) It was CON who transform into GN and consisting landed housing neighborhood for instance terrace houses, bungalows, and semi-detached houses</p> <p>2) Developed under individual land title</p> <p>3) Enhance their security by adding a guard house, security patrol, and physical barriers</p> <p>4) Public space and shared attributes inside the neighborhood are now only shared with the individual within the neighborhood; where individual from outside have very limited opportunity to enjoy the benefits</p> <p>5) Shared neighborhood spaces and attributes were still managed by local authority</p> <p>6) Residents still need to pay tax such as property assessment tax to the local authority and quick rent to the state government; they also need to pay security fee.</p> <p>7) Resident Association (RA)</p>	<p>1) <b>Club Realm</b> with a spatial domain within economic or legal consumption rights over local public goods attribute are shared within a group. By implication, there exists at least one other group of consumers to whom property rights over the public good attribute was denied. Property rights are allocated between, but not within, groups. (Webster, 2002b)</p> <p>2) Local public goods - evolve - to Club goods (Webster, 2003)</p>

	Characteristics	Property Rights Assignment
(GC) GATED COMMUNITY	<p>1) It follows CON and high-rise concept, but totally different form with consisting landed housing neighborhood for instance terrace houses, bungalows, semi-detached houses and also high-rise development such as condominium.</p> <p>2) Developed under strata title</p> <p>3) Developed together with security enhancements like guard house, perimeter fencing, and security patrol – by private security guard.</p> <p>4) Public space and shared attributes inside the neighborhood shared with the individual within the neighborhood.</p> <p>5) Shared neighborhood spaces and attributes were managed by private management body – management corporation (MC), joint management body (JMB)</p> <p>6) Deed of Mutual Covenants (DMC)</p> <p>6) Boost with lush club house, additional facilities and even with golf course.</p> <p>6) Residents still need to pay tax such as property assessment tax to the local authority and quick rent to the state government; they also need to pay security fee and maintenance fee.</p>	<p>1) <b>Club Realm – Private Realm</b> with a spatial domain within which there is an economic or legal consumption rights over private goods and local public good attributes (Webster, 2002b)</p> <p>2) Club goods – Private goods – property rights fully assign (Webster, 2003)</p>

- ii. It is identified that the process of institutional change over conventional open neighborhood in Malaysia emerges in two stages. Spontaneous change happens in the first stage before 2007 due to the outcome of the conflict. While, centralized change taking place at the second stages after 2007 with cooperative venture among urban players. This research also identifies that the neighborhood institutions that emerge in the second stages having a more

efficient form of the neighborhood institution as they are legally right to change.

- iii. Community action, market innovation, making the transformation process took place more than ten years before the government took action and almost 20 years to change the formal rules in 2007. It was similar with the second levels of institutional change process according to how quickly they change (Williamson, 2000).
- iv. Up to the latest statistic in 2013, about 697 conventional open neighborhoods around Malaysia had already been transformed into guarded neighborhood with 393 neighborhood gain approval from local authorities during 304 neighborhoods did not. Hence, although the government already allows the development of gated communities, there only about 88 gated community neighborhoods developed around Malaysia.
- v. The emergence of guarded neighborhood (GN) in Petaling Jaya only happens from year 2000 onward, and the number drastically increases from 3 GN in 2000 to 39 in 2010. It is also noticed that the growth of GN is located in a cluster and come out from a smaller size of the neighborhood.

**Table 4.5** Reviewing Transformation Process in Malaysia through NIE Perspective

CAUSES OF CHANGE	FINDING IN MALAYSIA
Set-off by endogenous and exogenous causes	<p>Exogenous causes play significant role in driving existing CON institution to transform into guarded neighborhood (GN).</p> <ul style="list-style-type: none"> <li>- due to rising crime rates, traffic congestion, and the movement in the trend for luxury living</li> </ul>
Role of the urban players and collective action	<p><b>Community</b></p> <ul style="list-style-type: none"> <li>- Collective action increases among communities – forming community institutions, marking their boundaries, restricting access and transform their housing neighborhood into GN</li> <li>- The Resident Association - voluntary organization registered as a society under Societies Act 1966</li> <li>- Number of RA registered under Societies Act 1966 (Act 335) increased from 5995 in 2008 to 6795 in 2009 (12%)</li> </ul> <p><b>Market or housing developer</b></p> <ul style="list-style-type: none"> <li>- In early 1990s, housing developers introduce gated community (GC) in Seirramas, Selangor, which promote prestige, lifestyle and security living. They also includes common facilities such of golf courses, club houses and recreation areas, such as in Kajang Country Heights, Tropicana, and The Mines.</li> <li>- Due to lack of legislation, gated development was classified as “unlawful development”.</li> </ul>
Change often does not occur in some neighborhood - institutional inertia	<ul style="list-style-type: none"> <li>- It is legally better to stay as a CON than change to GN.</li> <li>- Some CON develops in large size and with many residents that hindering to achieve a majority agreement to enclose.</li> <li>- Those CON may accommodate by too many tenants then the owner itself impeding the decision making process.</li> <li>- Existing physical designs which not suitable to transform into GN, while others have difficulties to change for the reason of lack support from the existing neighborhood institutions</li> </ul>
NATURE OF THE PROCESS	FINDING IN MALAYSIA
Institutional changes may emerge from centralized process, or spontaneously	<ul style="list-style-type: none"> <li>- Spontaneous change happens in the first stage before 2007 due to an outcome of a conflict.</li> <li>- Centralize change taking place at the second stages after 2007 with cooperative venture among urban players.</li> <li>- Neighborhood institutions that emerge in the second stages have a better form of a neighborhood institution</li> </ul>
Role of urban players - government, the markets, and voluntary community	<ul style="list-style-type: none"> <li>- Communities in CON taking spontaneous action as a necessity to protect themselves from criminal intrusion by setting up security patrols and barriers within their own neighborhoods even though the legality of taking such action may come into question</li> <li>- Market such as REHDA and PEJUTA advising, suggesting and urging the central government to consider amending or changing the existing</li> </ul>

action can all assign property rights over shared neighborhood goods	<p>laws to suit the current needs</p> <ul style="list-style-type: none"> <li>- It takes about three years for the central governments negotiated with the markets and to come carefully out with the new law and guidelines</li> <li>- Community action, market innovation, making the transformation process took place more than ten years before the government took action.</li> </ul>
Level of Change in Institutional Change Process	The transformation process is similar to the Second Level of Change in institutional change process according to how quickly they change (Williamson, 2000) - Constrain by the institutions of “embeddedness” which change may take decades or centuries. In Malaysia, it took 20 years to change the formal rules in 2007.
<b>OUTCOME OF CHANGE</b>	<b>FINDING IN MALAYSIA</b>
When equilibrium view or balance of institutions will be achieved	<ul style="list-style-type: none"> <li>- Emerge two types of housing neighborhood in Malaysia which is guarded neighborhood (GN) and gated community (GC).</li> <li>- Both are a landed housing neighborhood but assign to different land titles, guarded neighborhood with individual title while gated community with strata title.</li> <li>- Up until May 2013, about 697 CON around Malaysia have already been transformed into guarded neighborhood (GN), only about 88 gated community (GC) neighborhood developed around Malaysia</li> <li>- In 2010, from about 83 neighborhoods developed as CON in Petaling Jaya, 39 neighborhoods or 47% of its already change into guarded neighborhood – drastic increases between 2000-2010, from smaller neighborhood size</li> </ul>
<b>CHANGE IN NBH. FORM, FORMAL AND INFORMAL RULES</b>	<b>FINDING IN MALAYSIA</b>
Change in neighborhood forms	<ul style="list-style-type: none"> <li>- Conventional open neighborhood (CON) gradually change into guarded neighborhood after the residents learnt that they are able to improve their safety</li> <li>- Gated community (GC) spontaneously emerge from the innovative concept introduced by the property developers</li> <li>- Both neighborhood forms, guarded neighborhood (GN), and gated community (GC) are informal forms in the beginning but finally become formal</li> <li>- emerge a unique neighborhood form of conventional open neighborhood that are able to transform into guarded neighborhood without difficulties</li> </ul>
Change in both formal and informal rules	<ul style="list-style-type: none"> <li>- Involved the application of several informal rules at first introduced by market innovations and community actions.</li> <li>- Government intervention finally allows and makes the development of the guarded neighborhood and gated community entirely legal.</li> <li>- New rules also nested with the older rules and some other informal rules</li> </ul>

Table 4.5 above reviewing the transformation process in Malaysia through NIE perspective. Therefore, for the conclusion of this section, interestingly, this study identified unique anomaly when emerge new form of conventional open neighborhood (CON) that are able to transform into guarded neighborhood (GN) without difficulties while the others not. This study also finds that those CONs - GNs not only transforms its institutional design and physical design, but also accompanied each other. Hence, it also believed that those CONs - GNs try to adopt the same physical and institutional designs similar to that of gated community (GC). It is interesting to further this study to understand how this may happen because it may contribute to the answer on how to stabilize and strengthen the existing neighborhood institution. It may also contribute to the new arrangement of housing neighborhood institutional innovation.

#### **4.5 Summary**

This chapter examines the transformation of urban neighborhoods in Malaysia specifically the transformation of CON into GN and GC. By the end of the chapter, several unique features of the transformation process are pointed out for further examination in the next chapter. As a continuation of this chapter, the next chapter will examine the interrelationship between neighborhood physical design and institutional design of CON – GN – GC in order to develop a conceptual framework.

## **CHAPTER 5**

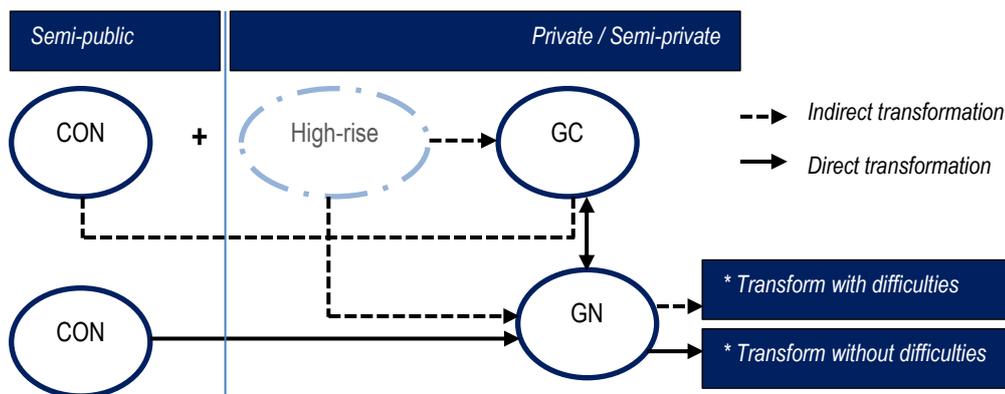
### **THE CHARACTERISTICS OF NEIGHBORHOOD INSTITUTIONAL AND PHYSICAL DESIGNS**

#### **6.7 Introduction**

This chapter describes detail representations of results according to the data derived from observation, personal interviews and relevant official documents of the second stage survey. Its attempt to answer Research Question 2 on how does the characteristic of the neighborhood physical and institutional designs interrelate between different neighborhoods form to stabilize and strengthen the neighborhood institution. It evaluates in detail how conventional open neighborhood (CON) transformed into guarded neighborhood (GN) and the interrelationship between GN and gated community (GC). The detail characteristics of physical and institutional design will elaborate further. A conceptual framework will be developed at the end of the chapter in order to investigate the process of institutional change and their effect on housing price in Chapter 6.

In the previous chapter, the research identified that the process of institutional change over conventional open neighborhood (CON) occurs in two stages and emerge new form of conventional open neighborhood (CON) that are able to transform into guarded neighborhood (GN) without difficulties (see Figure 5.0). It is

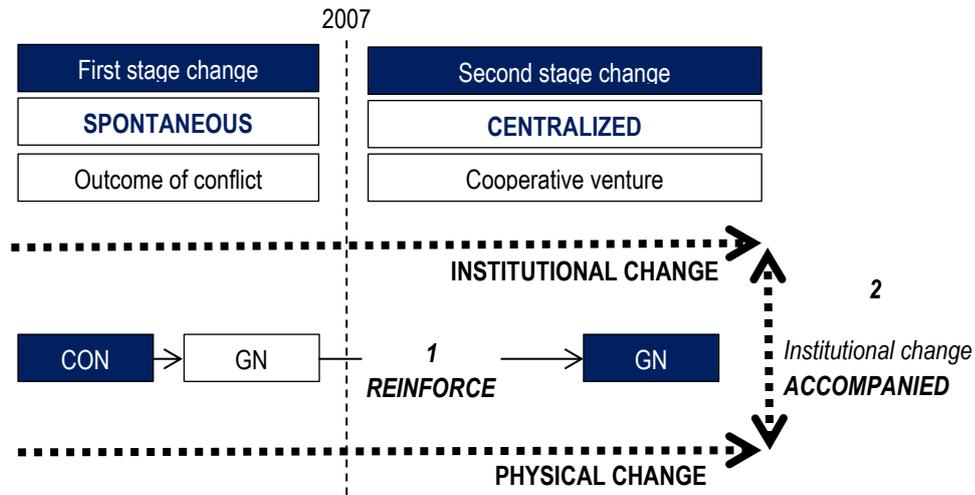
also identified that those CONs - GNs not only transforms its institutional design and physical design, but also accompanied those institutional design and physical design each other in order to achieve maximum benefits during the transformation. Hence, it also believed that those CONs - GNs try to adopt the same physical and institutional designs similar to that of gated community (GC) to avoid any difficulties after change.



**Figure 5.0** Emergences of GCs and GNs during Transformation Process

Thus, this sheds the light over the important to understand how the local institutional change in Malaysia operates to strengthen the conventional open neighborhood institution in light of physical and institutional constraints. The next section will explain in detail the characteristics of institutional design and physical design when conventional open neighborhood reinforce to guarded neighborhood. It is believed by the identification of institutional design and physical design characteristics during this stage, it will contribute to developing a better conceptual framework at the end of this chapter.

## 5.2 Conventional Open Neighborhood Reinforce into Guarded Neighborhood



**Figure 5.1** CON reinforce into GN

This section explains the characteristics on how institutional and physical designs change corresponding to each other as conventional open neighborhood (CON) reinforce into guarded neighborhood (GN). It will then follow by the discussion on how both physical design and institutional design accompanied each other (see Figure 5.1).

### 5.2.1 Changes in institutional design of CON to GN

The change in institutional design will discuss in detail by following sub-topics including the function of enclosure, definition, policy context, setting up the neighborhood, and management and maintenance.

#### i) *Function of enclosure*

At the first stage, CON begins to enclose in corresponding to the demand for safety as crime rate increasing in the urban area in year 2000. The changes were including

the approach of voluntary public policing and security patrol, cooperation between the resident association and local police, and also through restricting or enclosing the main road at night or a certain time. However, it is identified that CONs enclose into GNs after 2007 were mainly corresponding to promote a sense of security and prestige.

**ii) Definition**

At the first stage, there is no clear definition and guidelines for CONs who want to reinforce into GNs. The definition was first developed by several local authorities and state government. For example, Selangor Housing and Property Board (LPHS) defines “guarded” as an enclave that is provided with security services with or without a guard house and has no physical barriers. However, after 2007, the GN was much clearly defined and also supported by guidelines at the federal level. GN was then defined as a partially or fully controlled area in existing or new housing schemes with individual land titles. The schemes provided security services with or without guardhouses. GN also cannot place physical obstacles on the roads and stop residents and the public from entering and exiting the areas.

**iii) Policy context**

The difficulties of the existing CON to reinforce into GN might be corresponding to the absence of regulatory measures and no standard planning guidelines that can be adopted by local authorities. It has then become more complicated when emerge variety of guidelines that differ from one local authority to another, such as between Kuala Lumpur City Hall (DBKL), and the Selangor Housing and Property Board (LPHS). However, after 2007, there is clearer policy for CON to transform into GN

as the Housing and Local Government Ministry release a set of Gated Community and Guarded Neighborhood Guidelines at the national level.

*iv) Setting up the neighborhood*

At the first stage, CON change into GN or GC have been deemed to be unlawful as it contravenes the provisions of several acts, namely the National Land Code 1965, the Street, Drainage and Building Act 1974, and the Road Transport Act 1987. However, later, for the new development, application can be made by the developer and resident association (RA) who are registered as a society under Societies Act 1969. They also require consent from at least 85% of the residents. However, after 2007, the application can be made from registered resident association (RA) to local authorities. Hence, they required consent from 'majority' of the resident. In addition, the local authority must be informed if RA makes a decision to return to the existing CON and all the agreement must be between RA and local authority.

*v) Management and maintenance*

At the first stage, management of GN or GC is being carried out by the developers themselves. According to DBKL guidelines, buyers should be made aware that they are buying into a GC; there should be an agreement between a developer and DBKL that the maintenance of the GC will be the responsibility of the developer and developers need to submit detailed information on the gated community development concept. The developer can lease the public road inside the neighborhood from the local authority. However, after 2007, due to the latest guidelines that do not allow local authorities continued privatize of the existing CON, the management of GN. It identify that, communities and developers need to

cooperatively well with local authorities to make sure their GN well manage. Moreover, they are still allowed to appoint a security guard but the security company but must be registered with the Internal Ministry (KDN).

### ***5.2.2 Changes in physical design of CON to GN***

The transformation of public space and share space inside the neighborhood is influenced by patterns of market, government and individual power. This may result in the discovery of a more effective alignment between the rights of shared space consumption and the responsibility of territorial governance. Thus, the physical change process will be discussed by following sub-topics including size, location, layout and accessibility, security feature and barriers, and amenities and facilities.

#### ***i) Size***

At the first stage, according to LPHS guidelines, the maximum size for a GN or GC development cannot exceed a size of 8ha or 20 acres. However, after 2007, according to the new guidelines, neighborhood size was based on the number of units in a scheme (minimum and maximum) and it to be determined by local councils.

#### ***ii) Location***

Areas with rivers or streams in proposed plan have not allowed for GC development. However, after 2007, GN is then limited to the urban area, located inside local authority operational territory and in high crime rate areas based on police statistics.

*iii) Layout and accessibility*

There is no clear justification over layout and accessibility before 2007. However, after 2007, neighborhood with part of the public bus route cannot reinforce into GN. Closing of the back-lanes and side-lanes is also prohibited. All related housing units must have CFO and CCC.

*iv) Security features and barriers*

At the first stage, perimeter fencing is strictly prohibited, and only guard house is allowed. The guard house size allowed is 1.8m x 2.4m or other size deemed suitable by the local authority and should not obstruct traffic. It is also needed to be constructed on the road shoulder together with written approval from the Land Administrator and the local authority. In addition, resident need to appoint a registered security guards. Operating time to enclose is allowed from 12.00pm to 6.00am; guard should not block vehicles from entering that particular area; authorities have the right to enter at any time; and land administrator or other utility companies are free to conduct their maintenance work in the GN area.

After 2007, perimeter fencing is still not allowed, and guard house sized still not supposedly larger than 1.8m x 2.4m to be built on the road shoulder. The additional requirement is that the temporary physical obstacles such as manual boom gate, cones and security signs, can be consider provided the location is manned by registered security guards 24 hours. Moreover, resident need to apply Temporary Occupation License (TOL) before constructing any structure on gazette road shoulder.

v) *Amenities and facilities*

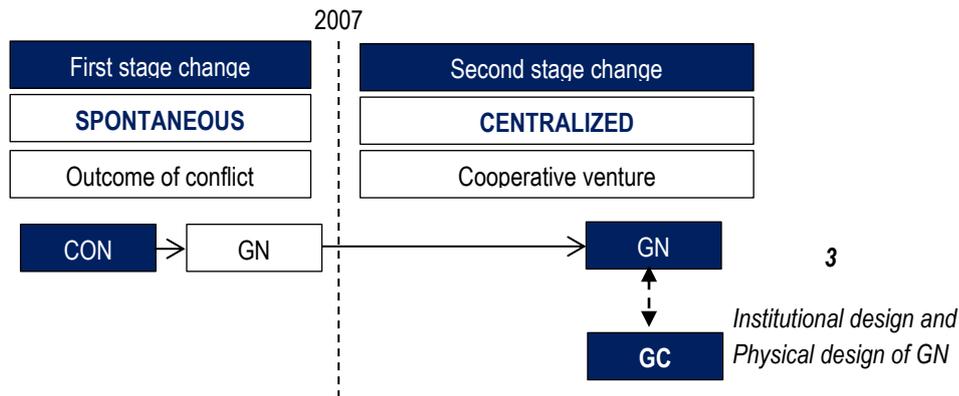
There is no clear justification for amenities and facilities that should be provided inside GN before 2007. However, after 2007, if CON has public facilities such as schools, mosques or community halls within the neighborhood, they do not allow to reinforce to GN.

**5.2.3 *Physical design and institutional design accompanied each other***

Either than changes happened in institutional design and physical design when CON reinforce into GN, this research also identified that both physical design and institutional design accompanied each other during the transformation process. This approach believes as a significant step contributing to better institutional arrangement. It identifies that new CON learn from previous old CON difficulties. The residents learn to associate every step if they want to change the physical design; they also have to think about how to accompany it with appropriate institutional arrangement in order to make sure any changes taken are going smooth without any difficulties in future.

**5.3 *Guarded Neighborhood Resemble with Gated Community***

This research will continue to identify the characteristics on how institutional and physical designs of GN adopted the same institutional and physically similar to that of GC (see Figure 5.2).



**Figure 5.2** GN resemble with GC

### 5.3.1 Characteristics of neighborhood institutional design between GN and GC

The detail of institutional design characteristics will be discussed by following sub-topics including the function of enclosure, definition, policy context, setting up the neighborhood, and management and maintenance.

#### i) *Function of enclosure*

Gated community emerges due to the demand for security, privacy and the affluent lifestyle of the community. It also developed due to the movement for luxurious and secure living. However, this research identifies that the new GN also promote a sense of security and prestige. Emerge new development of CON that equipped with security design and even with private security guard guarded. Developer tends to promote the new development as a Gated and Guarded Community even the actual development is a CON, and they provide future buyers with several guideline to setting up Resident Association and how to manage the neighborhood.

***ii) Definition***

GC define as a group of residents or community living within a gated and guarded residential area, be it high-rise property such as apartment, condominium or townhouses, or landed property such as bungalows, terrace or semi-detached houses, with strata titles. Therefore, GN tries to increase their definition to the maximum such as a partially or fully controlled area in existing or new housing schemes with individual land titles. The schemes provided security services with or without guard houses. However, GN will not place physical obstacles on the roads and stop residents and the public from entering or exiting the areas.

***iii) Policy context***

After 2007, central government finally amended Strata Title Act 1985 and introduced new law - Building and Common Property (Management and Maintenance) Act 2007 (Act 663) that allow the development of GC. In 2010, government finally releases a set of Gated Community and Guarded Neighborhood Guidelines at the national level given a path for CON to transform into GN. It is identified that the GN guideline is design almost parallel with GC guideline.

***iv) Setting up the neighborhood***

To setting up the GC, applicants must state clearly that the planning approval applications are for 'gated community developments' under Section 6 (1A) Strata Title Act 1985 (Act 318). This research identifies that government provide tranquil requirement for CON to transform into GN. The application can be made by registered resident association (RA) to local authorities. Hence, they required consent from 'majority' of the resident (household head) without forces. In

additional, the local authority must be informed if RA makes a decision to return to the existing CON and the agreement must be between RA and local authority.

v) ***Management and maintenance***

At the first stage, management of GN or GC is being carried out by the developers themselves. According to DBKL guidelines, buyers should be made aware that they are buying into a GC; there should be an agreement between a developer and DBKL that the maintenance of the GC will be the responsibility of the developer and developers need to submit detailed information on the gated community development concept. The developer can lease the public road inside the neighborhood from the local authority. However, after 2007, due to the latest guidelines that do not allow local authorities continued privatize of the existing CON, the management of GN. It has been identified that, communities and developers need to cooperatively well with local authorities to make sure their GN well manage. Moreover, they are still allowed to appoint a security guard but the security company but must be registered with the Internal Ministry (KDN).

***5.3.2 Characteristics of neighborhood physical design between GN and GC***

The detail physical design characteristics will be discussed by following sub-topics including size, location, layout and accessibility, security feature and barriers, and amenities and facilities.

*i) Size*

The acceptable size for GC development is between 1ha - 10ha or 200-500 units. Neighborhood larger than 10ha needs to be broken into smaller schemes. According to the new guidelines, neighborhood size for GN was based on the number of units in a scheme (minimum and maximum) to be determined by local councils. This research identifies that new GN developed in a smaller size to avoid difficulties if enclose.

*ii) Location*

The location requirement for development of GC and GN is similar as it is limited to an urban neighborhood, appropriate location, especially in high crime rate areas based on police statistics and in the developed areas with good road accessibilities.

*iii) Layout and accessibility*

GC is allowed to be developed in the urban areas with good road accessibilities. While, GN cannot be erect in neighborhood with part of the public bus route, and closing of the back-lanes and side-lanes is prohibited. All related housing units must have CFO and CCC.

*iv) Security features and barriers*

At the first stage, perimeter fencing is strictly prohibited, and only guard house is allowed. The guard house size allowed is 1.8m x 2.4m or other size deemed suitable by the local authority and should not obstruct traffic. It is also needed to be constructed on the road shoulder together with written approval from the Land Administrator and the local authority. In addition, resident need to appoint a

registered security guards. Operating time to enclose is allowed from 12.00pm to 6.00am; guard should not block vehicles from entering that particular area; authorities have the right to enter at any time; and land administrator or other utility companies are free to conduct their maintenance work in the GN area.

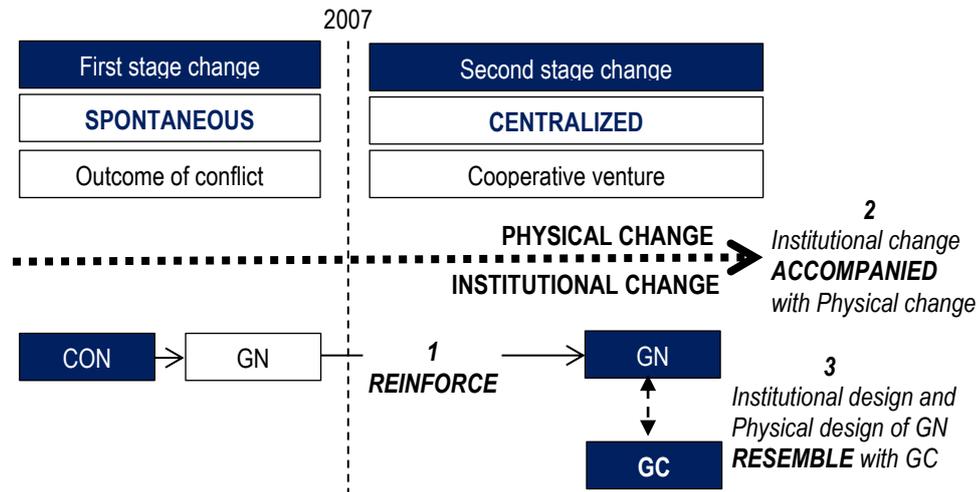
After 2007, perimeter fencing is still not allowed, and guard house sized still not supposedly larger than 1.8m x 2.4m to be built on the road shoulder. The additional requirement is that the temporary physical obstacles such as manual boom gate, cones and security signs, can be consider provided the location is manned by registered security guards 24 hours. Moreover, resident need to apply Temporary Occupation License (TOL) before constructing any structure on gazette road shoulder.

v) *Amenities and facilities*

GC need to allocate space for interaction in the environmental design; Social Impact Assessment (SIA) must be done and need to prepare appropriate landscape for a harmonious environment. In addition, neighborhood with more than one GC schemes must provide centralized public facilities (10% of total development) outside the scheme to encourage integration and increase the sense of place. The minimum area required for a community hall is 2,000 sq ft, only 'functional open space' (children playground, community hall, club house or swimming pool) can be built into the small scheme. This research identifies that developer begin to develop GN using the above requirement and some of them develop GC and GN in the same township.

## 5.4 Unique Patterns between Guarded Neighborhood and Gated Community

This research identified unique institutional innovations that taken place in two (2) dimensions (see Figure 5.3):



**Figure 5.3** Institutional Innovation of CON-GN-GC

### 1) First dimension (CON-GN: Reinforce and accompanied)

Neighborhood innovation of conventional open neighborhood occurs when physical design and institutional design of conventional open neighborhood **REINFORCE** into guarded neighborhood. In addition, both physical design and institutional design need to **ACCOMPANIED** each other (Table 5.0).

**Table 5.0** Change in Institutional and Physical Designs of CON to GN from NIE Perspectives

CHANGE IN INSTITUTIONAL DESIGN OF CON TO GN	
<b>1. Function of Enclosure</b>	<i>Increase the assignment of property rights over share neighborhood spaces and attributes</i> CON begins to enclose in corresponding to the demand for safety through voluntary public policing and security patrol, cooperation between the resident association and local police, and also through restricting or enclosing the main road at night or at certain time.
<b>2. Definition</b>	CONs enclose into GNs after 2007 were mainly corresponding to promote a sense of security and prestige.

	From unclear definitions of GN, state government first defines guarded specifically in their territory. Only after 2007, GN clearly defined and supported by guidelines at the federal level.
<b>3. Policy Context</b>	<i>Apply by try and arrow informal rules and then flow up by changing the existing formal rules.</i> Begin with the absence of regulatory measures and no standard planning guidelines for GN. More difficult when emerge variety of guidelines that differ from one local authority to another. After 2007, clearer policy for CON to transform into GN as the Housing and Local Government Ministry release a set guidelines at the national level.
<b>4. Setting up the Neighborhood</b>	<i>Changing the enforcement characteristics, institutional arrangement structure, collective action and adding more transaction cost to the change made.</i> At the beginning, change deemed to be unlawful as it contravenes the provisions of several acts, namely the National Land Code 1965, the Street, Drainage and Building Act 1974, and the Road Transport Act 1987. Later, for new dev., application can be made by the developer and resident association (RA) consent from at least 85% of the residents, After 2007, they required consent from ‘majority’ of the resident.
<b>5. Management and maintenance</b>	At first, management of GN and GC is being carried out by the developers themselves and developer can lease the public road inside the neighborhood from the local authority. After 2007, communities and developers need to cooperatively well with local authorities to make sure their GN well manage but they are still allowed to appoint a registered security guard.
<b>CHANGE IN PHYSICAL DESIGN OF CON TO GN</b>	
<b>1. Size</b>	<i>Discovery of a more effective alignment between the rights of shared space consumption and the responsibility of territorial governance</i> Particularly focusing into smaller neighborhood size from 8ha or 20 acres and after 2007, neighborhood size was based on the number of units in a scheme (minimum and maximum) and it to be determined by local councils.
<b>2. Location</b>	Limited to the urban area, located inside local authority operational territory and in high crime rate, and not allow to be developed at the areas with rivers and streams.
<b>3. Layout and accessibility</b>	Neighborhood with part of the public bus route cannot reinforce into GN. Closing of the back-lanes and side-lanes is also prohibited.
<b>4. Security features and barriers</b>	Perimeter fencing is still not allowed, and guard house sized still not supposedly larger than 1.8m x 2.4m to be built on the road shoulder, temporary physical obstacles such as manual boom gate, cones and security signs, can be consider provided the location is manned by registered security guards 24 hours
<b>5. Amenities and facilities</b>	If CON has public facilities such as schools, mosques or community halls within the neighborhood, they do not allow to reinforce to GN

2) **Second dimension (GN-GC: Resemble)**

Learning from the previous conventional open neighborhood obstacles, the physical and institutional designs of the guarded neighborhood adopted the same physical and institutional designs similar to that of gated community (Table 5.1).

**Table 5.1** Change in Institutional and Physical Designs of GN Resemble with GC from NIE Perspectives

<b>CHANGE IN INSTITUTIONAL DESIGN OF GN RESEMBLE WITH GC</b>	
<b>1. Function of Enclosure</b>	<i>Maximizing the assignment of property rights over share neighborhood spaces and attributes</i> Emerge new development of CON that equipped with security design and even with private security guard guarded, and developer provide future buyers with several guideline to setting up Resident Association and how to manage the neighborhood.
<b>2. Definition</b>	GN tries to increase their definition to the maximum such as a partially or fully controlled area in existing or new housing schemes with individual land titles.
<b>3. Policy Context</b>	<i>Changing the rules of the game and enforcement characteristics</i> Central government finally amended Strata Title Act 1985 and introduced new law - Building and Common Property (Management and Maintenance) Act 2007 (Act 663) that allow the development of GC. In. 2010, government finally releases a set of Gated Community and Guarded Neighborhood Guidelines at the national level given a path for CON to transform into GN. It is identified that the GN guideline is design almost parallel with GC guideline.
<b>4. Setting up the Neighborhood</b>	<i>Changing the enforcement characteristics, institutional arrangement structure, collective action and adding more transection cost to the change made.</i> Government provide tranquil requirement for CON to transform into GN - registered resident association (RA) to local authorities, required consent from ‘majority’, inform LA on decision to return to the existing CON.
<b>5. Management and maintenance</b>	Communities and developers need to cooperatively well with local authorities to make sure their GN well manage but they are still allowed to appoint a registered security guard.
<b>CHANGE IN PHYSICAL DESIGN OF GN RESEMBLE WITH GC</b>	
<b>1. Size</b>	<i>Enhance into more effective alignment between the rights of shared space consumption and the responsibility of territorial governance</i> New GN developed in a smaller size to avoid difficulties if enclose.
<b>2. Location</b>	Location requirement for development of GC and GN is similar as it is limited to an urban neighborhood, appropriate location, especially in high crime rate areas based on police statistics and in the developed areas with good road accessibilities.
<b>3. Layout and accessibility</b>	GN cannot be erect in neighborhood with part of the public bus route, and closing of the back-lanes and side-lanes is prohibited.

<b>4. Security features and barriers</b>	Perimeter fencing is still not allowed, and guard house sized still not supposedly larger than 1.8m x 2.4m to be built on the road shoulder, temporary physical obstacles such as manual boom gate, cones and security signs, can be consider provided the location is manned by registered security guards 24 hours
<b>5. Amenities and facilities</b>	Developer begin to develop GN using the requirement that the development must provide centralized public facilities (10% of total development) outside the scheme to encourage integration and increase the sense of place. Some developer develops GC and GN in the same township.

## 5.5 Development of Conceptual Framework

According to Research Objective 3, this research plan to develop a conceptual framework for examining the relationship between neighborhood physical design and neighborhood institutional design; and their effect on housing price. In order to develop the framework, the research firstly identifies unique features during the housing neighborhood transformation process in Malaysia over the year 1960-2010. It is identified a unique anomaly when emerge new form of conventional open neighborhood (CON) that are able to transform into guarded neighborhood (GN) without difficulties during the others not. This research then continues to understand how it happens. In this chapter, it is finally found that the unique institutional innovations taken place in two (2) dimensions. First, neighborhood innovation of conventional open neighborhood occurs when physical design and institutional design of conventional open neighborhood reinforce into guarded neighborhood. In addition, both physical design and institutional design accompanied each other. Second, learning from the previous conventional open neighborhood obstacles, the physical and institutional designs of the guarded neighborhood adopted the same physical and institutional designs similar to that of gated community



## **5.6 Summary**

This chapter presents the results of data analysis from the second round data collection. Specifically, it addresses the third objective of the research that is to develop a conceptual framework for examining the relationship between neighborhood physical design and neighborhood institutional design, and their effect on housing price. The following chapter will provide elaboration of the results of a case study.

## **CHAPTER 6**

### **ANALYZING EFFECTS ON HOUSING PRICE THROUGH CASE STUDY**

#### **6.1 Introduction**

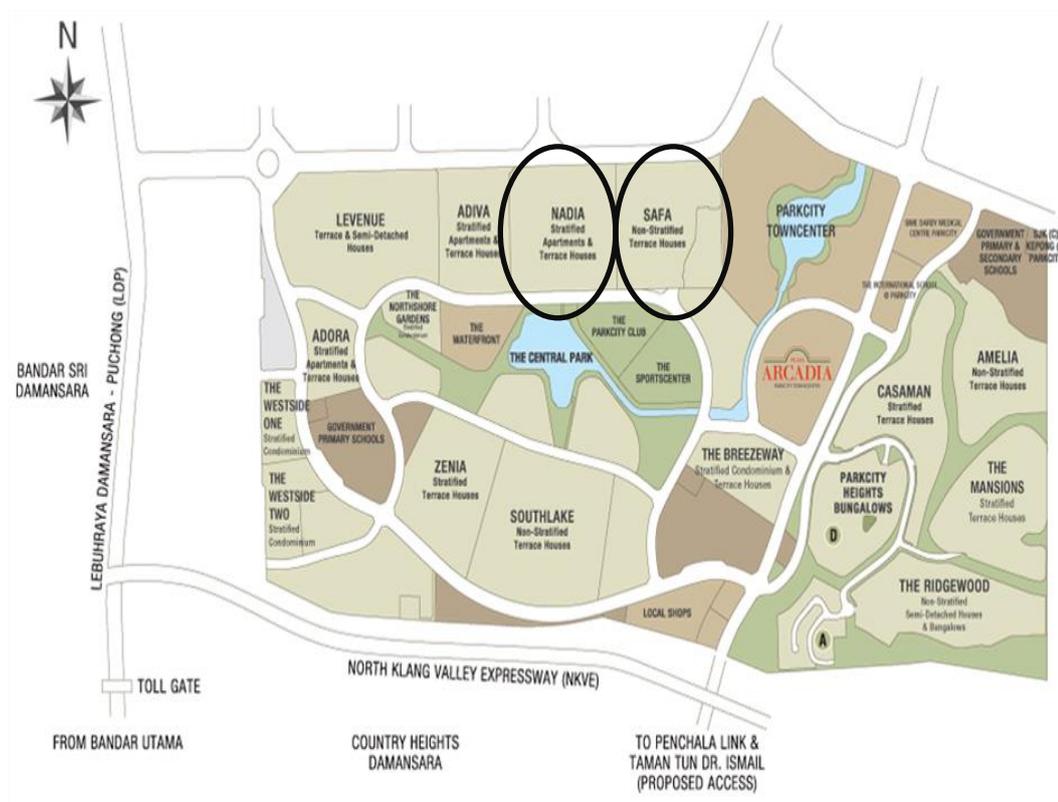
This chapter highlights the third round of data collection on the case study procedure and results. It tends to answer Research Question 3 that is how the dynamic interrelationship between neighborhood physical and institutional design can be addressed to enhance stability of different neighborhood patterns and their contribution to housing price. This quantitative research section begins with the selection of case studies, their significance to the research and highlights the research interrelationship between two (2) neighborhoods. By comparing those two (2) neighborhoods, the related effect on housing price will then be evaluated using a conceptual framework.

#### **6.2 The selection of Case Study**

As the research identified a unique neighborhood form in which CON can transform into GN without much difficulty, there is a need to identify relevant case study to validate the conceptual framework that has been developed in the previous chapter. It was very fortunate that this research manage to identify a unique anomaly when one developer develops two identical neighborhoods in the same township but under

different land titles. The guarded neighborhood (GN) is developed under the individual title while the gated community (GC) developed under the strata title. These differences generated an exogenous allocation of property rights across the neighborhood, enabling the research to measure their effects on housing price.

The township namely Desa ParkCity located in Kuala Lumpur, which covering 473 acres of prime freehold land developed by Perdana Parkcity Sdn. Bhd. It once claimed as one of the fastest growing and best-selling master-planned communities in the nation. Hence, Desa ParkCity represent a successful Malaysian neighborhood development as they won several awards in Low-Rise Residential Category as a Winner FIABCI Prix d 'Excellence Awards 2010, Winner FIABCI Malaysia Property Awards 2009 and ILAM AWARD 2007, 2009 & 2010.



**Figure 6.0** Desa ParkCity Master Plan  
(Source: <http://desaparkcity.com/> Official Website)

Desa ParkCity consists with total of 25 neighborhoods. The entire development will comprise of a 45 acres mixed-use commercial belt, two business parks, a 43 acre central park, a clubhouse, a community center, schools and others (see Figure 6.0). There are several identical neighborhoods build in this township, but under different land titles. The neighborhood that were going to be study under this research are known as Safa, a guarded neighborhood (GN) which is developed under the individual title, and Nadia, a gated community (GC) which is developed under the strata title.

### **6.2.1 Guarded Neighborhood: Safa, Desa ParkCity**

Safa is the second housing neighborhood development in Desa ParkCity, right after Nadia. It is a 2-story terrace house development and was completed in 2004. Safa comprises 171 units of terrace houses in 13 acre vicinities consisting 2-story (135 units) and 3-story (36 units) houses. It is surrounded by landscaped park that connects those houses from one to another.



**Figure 6.1** Layout Plan for Safa and Picture of Safa Houses  
(Source: <http://desaparkcity.com/> - Official Website)

### 6.2.2 Gated Community: Nadia, Desa ParkCity

Nadia is a mixed residential development that consists of 2 and 3-storey linked houses known as Nadia Parkhomes and a condominium known as Nadia Parkfront Condos. Nadia Parkhomes is a new style of terrace houses with 6 acres of park and private garden within a gated and guarded community. It comprises of 165 units of linked houses. On the other hand, Nadia Parkfront Condos comprises of 246 condo units within two condominium towers, with built-up from 635 sf to 2,669 sf. However, the condominium located inside Nadia was not being assessed under this research. Table 6.0 summarized the details between Safa and Nadia.



**Figure 6.2** Layout Plan for Nadia and Picture of Nadia Houses  
(Source: <http://desaparkcity.com/> Official Website)

**Table 6.0** Similarities and differences between Safa and Nadia

<b>Name</b>	<b>Safa</b>	<b>Nadia</b>
<b>Land Title</b>	Individual title	Strata title
<b>Neighborhood Type</b>	Guarded Neighborhood (GN)	Gated Community (GC)
<b>Management</b>	Local Authority	Management Corporation
<b>Security features</b>	With a perimeter fence	With a perimeter fence
<b>Completion Date</b>	2004	2005
<b>Land Area</b>	13 acres	17 acres
<b>Tenure</b>	Freehold	Freehold
<b>Maintenance Fee</b>	RM150/month	RM478-RM730/month
<b>Type</b>	2-storey terrace house	2 and 3-storey linked house
<b>No. of Units</b>	171	165
<b>Built-up</b>	2,254 – 3,607 sf	2,432 sf
<b>Launch Price</b>	From RM600,000	From RM400,000
<b>Sub sale Price</b>	RM1,460,000 - RM3,300,000	RM699,999 – RM2,050,000
<b>Rental</b>	RM2,800 - RM5,500	RM1,700 - RM6,500

### **6.3 Significance of the Case Study of the Research**

The choice of location for the case study is important. This research agrees with Galiani (2009) that formal property rights are endogenous. To fulfill the research objectives in evaluating the scenario in Malaysia, the neighborhood chosen for the case study should be representative of a successful Malaysian neighborhood development, comparative in nature, able to eliminate the selection bias and endogenous. This research has identified a unique neighborhood form in which CON transform into GN without much difficulty. In examining how local institution operates in strengthening existing urban neighborhood, it is interesting to identify a unique anomaly when a developer develops two identical neighborhoods in the same township, but under different land titles. These differences generated an exogenous allocation of property rights across the neighborhood, enabling the research to measure their effects on housing price.

## **6.4 Neighborhood Institutional and Physical Designs**

It is important to relate this case study to the conceptual framework that has been developed in the previous chapter. According to the finding from the previous chapter, this research supports the idea that neighborhood institutional design should accompany the neighborhood physical design in order to stabilize and strengthen the neighborhood institution. This research also previously identified that the GN who are able to transform without difficulties is a GN who already reinforce its institutional and physical design from CON to GN and at the same time accompanied institutional change and physical change each other. Hence, those institutional and physical designs should resemble with GC characteristics. Therefore, due to the similarities and appropriate case study selection between these two neighborhoods, this section will examine in detail and elaborate on how institutional design and physical design in Safa reinforce into GN and at the same time resemble with Nadia (GC).

### ***6.4.1 Institutional design in Safa and Nadia***

#### ***i) Function of enclosure***

Functions of enclosure of both housing neighborhood are similar as both developments promoting gated and guarded living surrounded by landscaped park that connects houses from one to another. Although in a reality, both neighborhoods guarded with similar features including guard house, perimeter fencing and security guard, it is important to understand that Safa was built under the individual title while Nadia was built under strata title (GC). Thus, Safa was supposedly known as guarded neighborhood while Nadia as a gated community.

***ii) Definition***

As Safa was a guarded neighborhood, it was clearly defined as a fully controlled area in new housing schemes with individual land titles. This scheme provided security services with guard houses. It also placed physical obstacles on the roads and stopped residents and the public from entering or exiting the areas with the requirement that the security guard must be in place 24 hours.

***iii) Policy context***

Safa seems able to follow the Gated Community and Guarded Neighborhood Guidelines until the maximum as they can to enhance their security level. Safa has many potentials as it was developed with almost similar characteristics to Nadia, enabling Safa to be easily enclosed and follow the guidelines without much difficulties.

***iv) Setting up the neighborhood***

With the help from the developer, residents inside Safa have formed their Resident Association, namely Safa Residents Association Committee. This association also has their own rules to follow similarly to Deed of Mutual Covenant (DMC) which is normally used by GC development.

***v) Management and maintenance***

Local authorities continued the maintenance of Safa. However, it has been identified that the community and developer very cooperate with local authorities in making sure their well-managed and well-maintained. In addition, they are still allowed to appoint a security guard, but must be registered with the Internal Ministry (KDN). The security fee for Safa was about RM150 per month while, Nadia Parkhomes

need to pay about RM478-730 per month in which they have to pay for both maintenance and security fees.

#### ***6.4.2 Physical design in Safa and Nadia***

##### ***i) Size***

Safa is developed on 13 acres land and consisting 171 units 2-storey terrace houses. While for Nadia was developed on 17 acres and consisting 165 linked houses and two blocks of condominiums. Both neighborhoods have developed with the appropriate size according to the GC guidelines. This will allow Safa to enclose without much difficulty.

##### ***ii) Location***

Both neighborhood was carefully design and develop to suits to the needs of GN and GC development which located in urban area and appropriate location which is especially in high crime rate areas based on police statistics and in the developed areas with good road accessibilities. Safa and Nadia are strategically located on the north side of Desa ParkCity facing the central park that is located outside the neighborhood. The development is limited to the main road at the in front and at the back of the neighborhood allowing Safa to securely enough to enclose.

##### ***iii) Security features and barriers***

When explaining about security features and barriers, developers used term guarded neighborhood for Safa while gated and guarded neighborhood for Nadia. It seems that both neighborhoods follow the current guidelines for development guarded

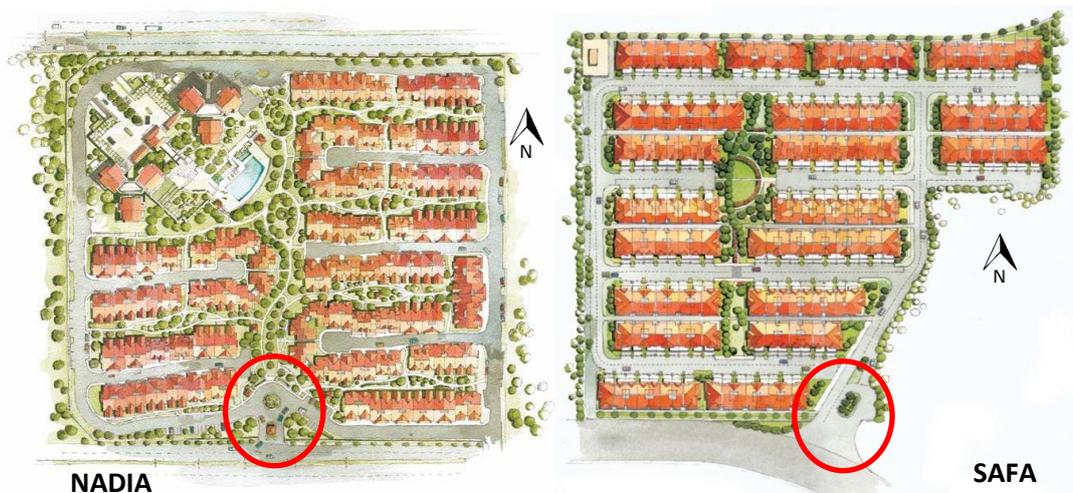
neighborhood and gated community. In addition, Safa enjoys security features and barriers almost similar to Nadia (see Table 6.1).

**Table 6.1** Security features and barriers inside Safa and Nadia

Safa	Nadia
Guarded neighborhood	Gated and guarded neighborhood
Single entry and exit point	Single entry and exit point
24-hour patrolling of uniformed security guards	24-hour patrolling of uniformed security guards
Individual home alarm	Individual home alarm
Security system	Security system with call-assist facilities
Perimeter fencing	Perimeter fencing
	Use access cards at entry and exit points
	Two-way residence-guardhouse intercom system

*iv) Layout and accessibility*

Both neighborhoods have an almost similar housing layout with a single entrance to the neighborhood. Both developments promote gated and guarded living surrounded by landscaped park that connects houses from one to another.



**Figure 6.3** Layout of Safa and Nadia, Desa ParkCity

v) *Amenities and facilities*

Safa only has two amenities and facilities inside the neighborhood that is children's playgrounds and landscaped park. While, Nadia has a verity of facilities including covered parking, playground, 6 acre park, swimming pool and wading pool. Nadia also equipped with management office, saunas with changing rooms, barbecue area, multi-purpose hall, visitor parking bays and pavilions with seating facilities. However, the limited facilities inside Safa are supposed to permitting them to enclose without any conflicts of interest with the outsiders.

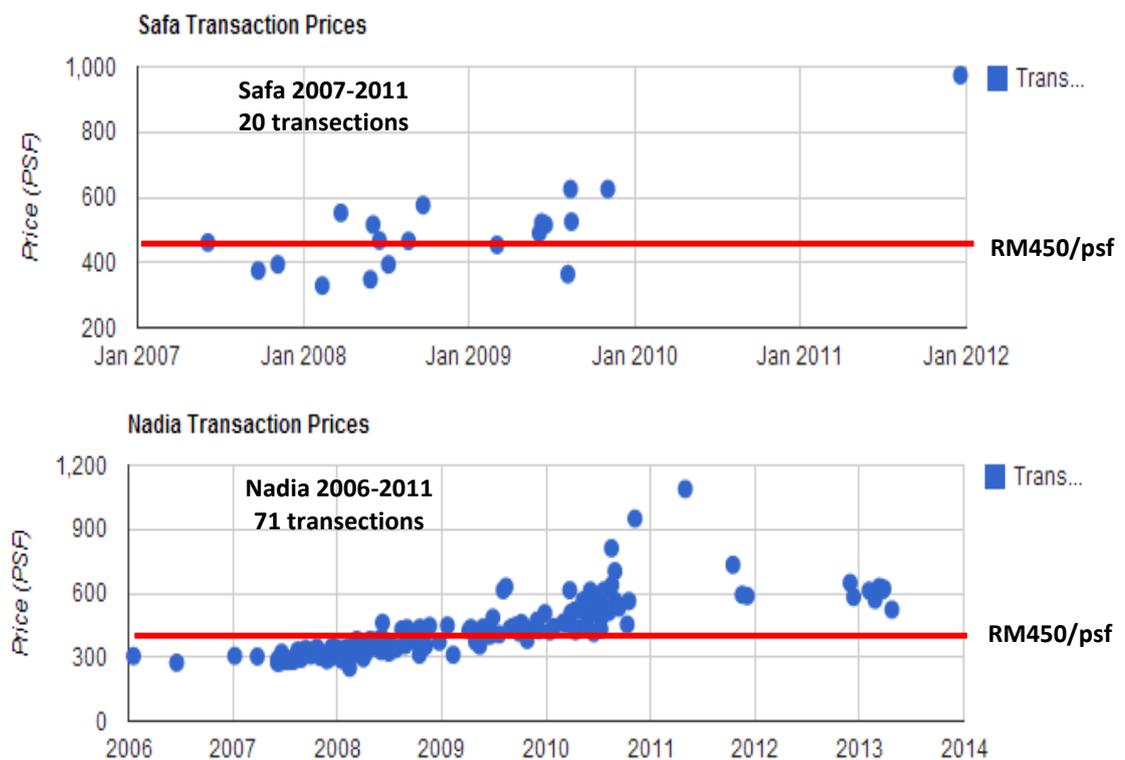
## **6.5 The Relationship between GN – GC Effect on Housing Price**

The above section already discussed on how physical and institutional design in Safa reinforce, accompanied and resemble with Nadia. Safa in which originally is a conventional open neighborhood (CON) reinforces into GN and achieves the most stable and strength neighborhood institution compare to other CONs. Due to the similarities in neighborhood physical and institutional design between Safa and Nadia, it is relevant to access their effect on housing price. Since the physical design and institutional design in Safa (GN) following the dynamic interrelationship suggested in the framework, this research were then try to validate that Safa (GN) will enjoy housing price benefits similar to Nadia (GC).

### **6.5.1 Average sale price and market transactions**

Nadia Parkhomes was launched in June 2002, and the developer claimed that all units were sold out within three days of the launch. It was launched from RM400,000 per unit and has already reached RM800,000 nowadays. After it had

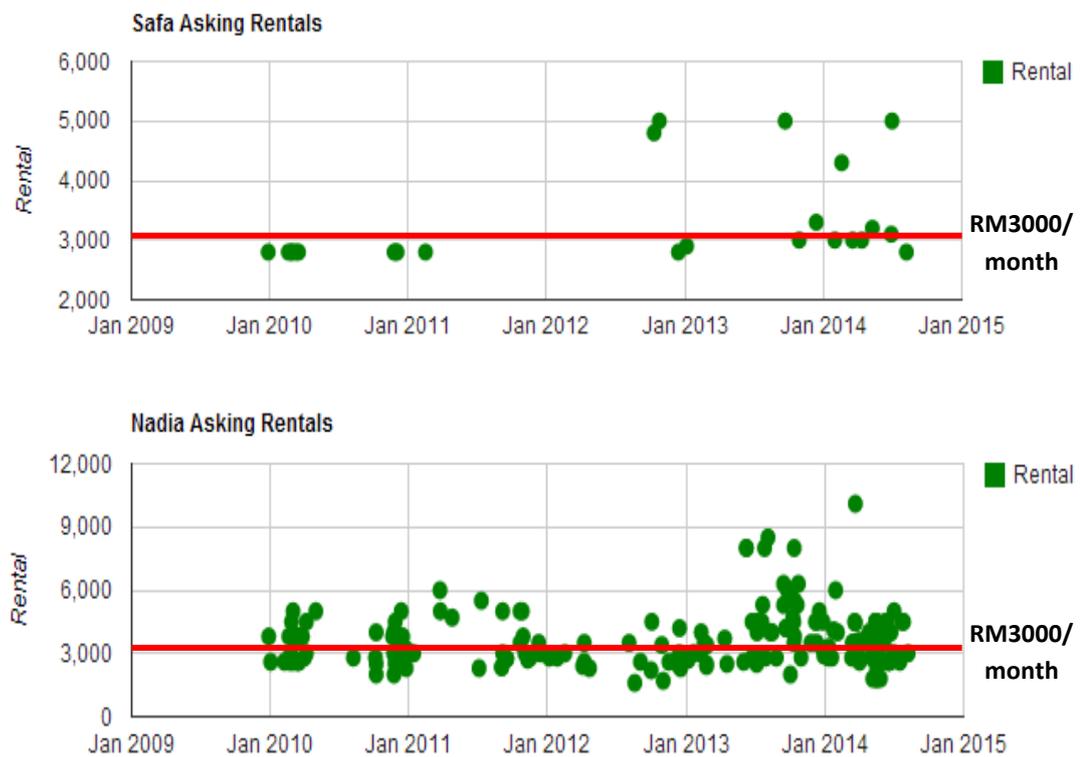
been completed, the price hiked to about RM600,000. Most buyers were satisfied with the quality and workmanship delivered by the developer and also impressed with the landscape and security in the area. Furthermore, according to the data derived from market survey, there were about 71 transactions happen over the year 2006 -2011 in Nadia, with the transaction value of RM274 psf in 2006, rose almost 400% to RM1089 psf in 2011. In Safa, 20 transactions happen over the year 2007-2011. In 2007, the transaction spread at RM461 psf then, it surges for about 210% to RM972 in 2011. The sellers asking price have been often an estimation of the market value of the property. The actual selling price will better reflect its true market price. In order to facilitate a sale the sellers' asking price should be close the market price. Figure 6.4 presents Safa and Nadia average for sale prices derived from market survey, which verified that both of the neighborhood have similar transaction price with about RM450 psf in average.



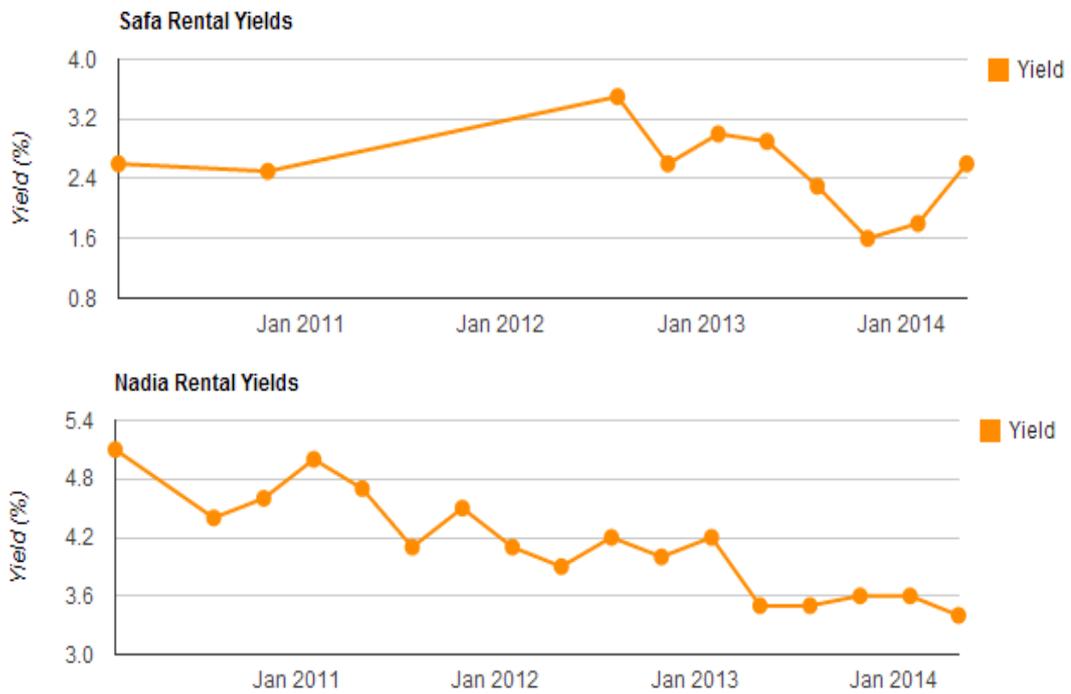
**Figure 6.4** Transaction Prices in Safa and Nadia

### 6.5.2 Rental price and rental yield

Moreover, according to the data derived from market survey, Figure 6.5 shows that the rental asking price for Safa and Nadia was at similar value of RM3000 per month in average from 2009-2015. In addition, Figure 6.6 shows the rental yields for Safa and Nadia which declining in Nadia, but stable in Safa. Rental yields are used to compare properties and their locations against each other. Rental yields also signify the rate of return on investment.



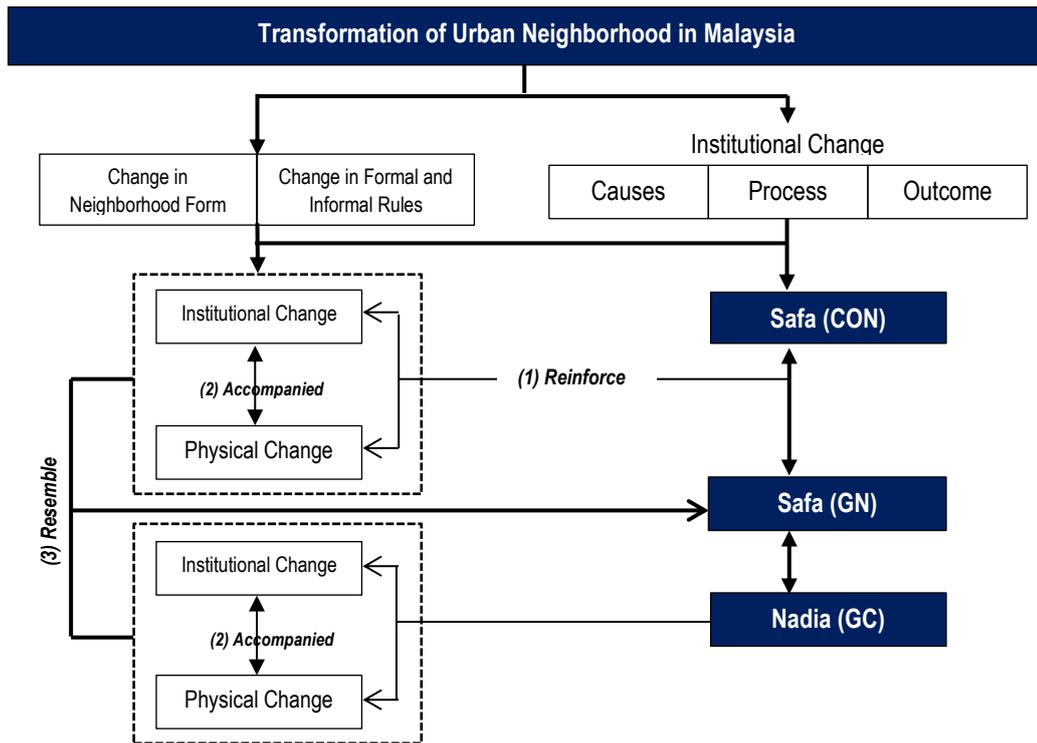
**Figure 6.5** Asking Rentals Price in Safa and Nadia



**Figure 6.6** Rental Yields in Safa and Nadia

## 6.6 Summary

This research supports the idea that neighborhood institutional design should accompany the neighborhood physical design in order to stabilize and strengthen the neighborhood institution. The previous chapter already indicated that GN who are able to transform without difficulties is a GN who already reinforce its institutional and physical design from CON to GN and at the same time accompanied institutional change and physical change each other. Hence, those institutional and physical designs of GN should resemble with GC characteristics. Therefore the above section discusses on how physical and institutional design in Safa reinforce, accompanied and resemble with Nadia. This research believe that Safa in which originally is a conventional open neighborhood (CON) reinforces into GN and will enjoy housing price benefits and strengthen neighborhood institution compare to



**Figure 6.7** Conceptual Framework of Relationship between Neighborhood Physical Design and Institutional Change in Safa (GN) and Nadia (GC)

other CONs (see Figure 6.7). Due to the similarities in neighborhood physical and institutional design between Safa and Nadia, this section able to validates and proved that they will have a similar effect on housing price. By comparing two (2) neighborhoods using the conceptual framework, the details on how institutional design and physical design in Safa reinforce into GN and at the same time resemble with Nadia (GC) have discussed in Section 6.4.

This chapter presents the result of a case study that has been conducted during the third round data collection. Specifically, it addresses the fourth objective of the research which is to evaluate the effects on housing price and generalize the neighborhood patterns through critical comparisons of two neighborhoods, Safa and Nadia, in Desa ParkCity, Malaysia.

# CHAPTER 7

## DISCUSSIONS AND RESEARCH HIGHLIGHT

### 7.1 Introduction

Problem identification and research objectives are highlighted in Chapter 1. These objectives lead to the literature review in Chapter 2 and development of the research methodology in Chapter 3. Chapter 4 reports on the findings of the transformation process in Malaysia; Chapter 5 the findings of details physical and institutional designs characteristics; and Chapter 6 the findings from the case studies. Chapter 7 summarizes all findings and elaborates on the unique features during the transformation process; the relationship between physical design and institutional change; and the details institutional innovation characteristics, before presenting the conceptual framework.

The achievement of the stated objectives is demonstrated in this chapter through a review of research objectives and development processes, presentation of the conclusions of the research questions, the research contributions, the limitation of the research, and the recommendation for future research.

## 7.2 Review of Research Objectives and Development Processes

Research objectives were established when a housing neighborhood and institutional change gap was identified through a literature review in Chapter 2. Specifically, this research sought to achieve the following objectives:

- To identify the emphasis on neighborhood physical and institutional design by reviewing the extensive empirical and theoretical studies of the urban neighborhood and institutional change;
- To examine the unique features of the causes, process and outcome of the neighborhood institutional change in Malaysia;
- To develop a conceptual framework for examining the relationship between neighborhood physical design and neighborhood institutional design, and their effect on housing price;
- To illustrate the effect on housing price and generalize the neighborhood patterns through critical comparisons of two neighborhood through a case study;
- To recommend the conceptual framework as a strategic tool in understanding the interrelationship patterns between neighborhood physical design and institutional changes that are able to maximize housing price benefits and strengthen the conventional open neighborhood institution in Malaysia.

The objectives provided a clear direction for the research. Subsequently, the study was made possible by the adoption of an appropriate research methodology.

Two interrelated approaches to data acquisition have been made and adopted in this research:

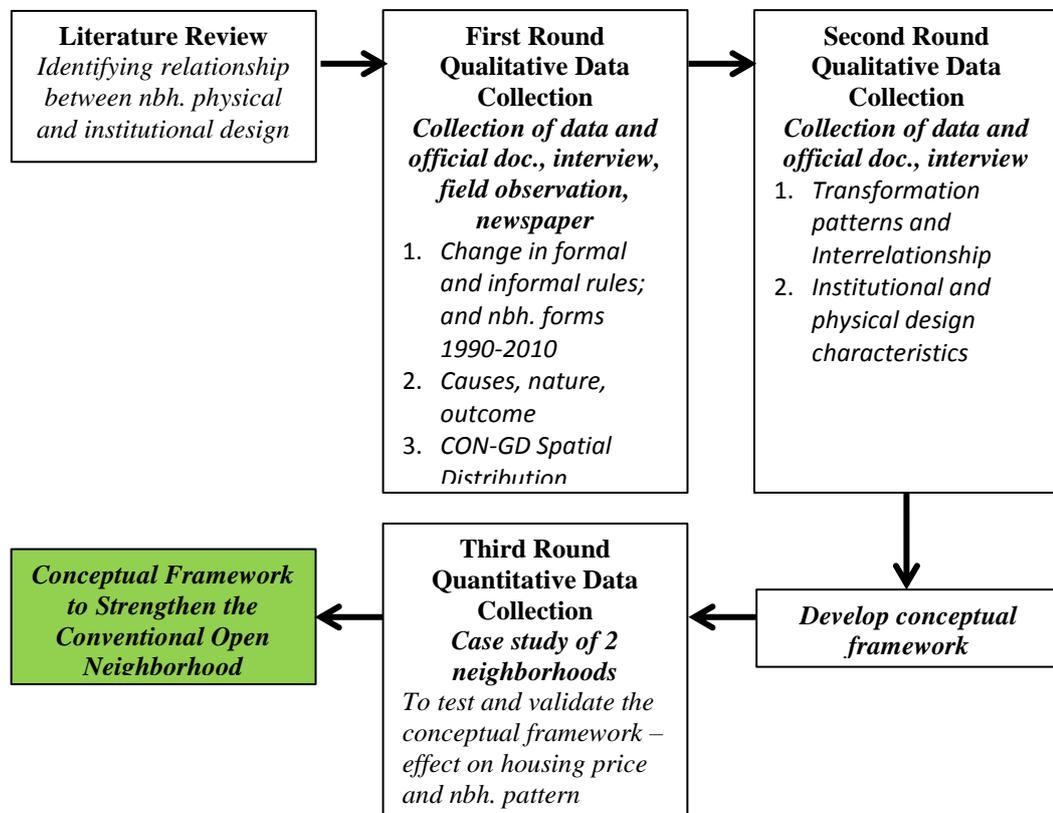
**1) Qualitative technique**

First round data collection - identify unique features during the transformation process

Second round data collection – identify the relationship patterns and characteristics between neighborhood physical design and neighborhood institutional design

**2) Quantitative technique**

Third round (Case study) – evaluate the effects on housing price and generalize the neighborhood patterns (see Figure 7.0).



**Figure 7.0** Third Round Qualitative and Quantitative Data Collection

The historical studies on housing neighborhoods in Malaysia over the year 1960-2010 facilitated to achieve the second objective of the research; the conclusion of the conceptual framework successfully achieved the third objectives; and the findings from the case study have meaningfully met the fourth objective of the research. The triangulation of results derived from the above data collection methods provided a strong basis for the recommendation of conceptual framework as a strategic tool in understanding the local institutional change and provides urban players with objective measure in their efforts to enhance urban neighborhood stability and strengthen the conventional open neighborhood institution.

### **7.3 Discussions on Research Questions**

The primary aim of this research is to identify the dynamic interrelationship patterns between neighborhood physical design and institutional arrangement that are able to maximize housing price benefits and strengthen the conventional open neighborhood institution in Malaysia, in response to the prevailing physical and institutional constraints, particularly by responding to the theoretical foundation of property rights and new institutional economics (NIE). Three questions were posed to address the aim and objectives of this research. The sub sections 7.3.1 to 7.3.3 of this chapter provide a discussion of the result in Chapter 2, 4, 5 and 6 inclusively.

#### **7.3.1 Research Question 1**

***Q1:** What are the unique features identified during the transformation process of Malaysian housing neighborhood?*

The literature reviews in Chapter 2 identifies that not all neighborhoods are able to change under existing neighborhood conventions and laws. Therefore, it is a crucial need to develop and propose other forms of solution. This research supports the idea that the neighborhood physical design should be accompanied by neighborhood institutional design in order to stabilize and strengthen the neighborhood institution. Identifying the unique features of local institutional change and comparing the finding against those of other countries will give more understanding of the existing urban neighborhood institution and its relationship with the process of institutional change.

As the research examined the transformation process of housing neighborhoods in Malaysia over the year 1960 to 2010, results from the study were divided into two sections.

***1) Change in neighborhood forms and change in formal and informal rules***

The first is the result of the unique features identified during the change in neighborhood form. It identifies that conventional open neighborhood (CON) gradually change into guarded neighborhood (GN) after the residents learn that they are able to improve their safety and also increase the property ownership from semi-public to semi-private neighborhood similar to gated community (GC). Meanwhile, gated community (GC) spontaneously emerges from the innovative concept introduced by the property developers who learn this new concept from oversea and incorporating it into the existing concept of CON and high-rise development in Malaysia. Both neighborhood forms, guarded neighborhood (GN), and gated community (GC) are informal forms in the beginning but finally become formal.

During the transformation process, it was identified that gated community (GC) emerge from the combination of the concept of conventional open neighborhood (CON) and high-rise housing development. While, guarded neighborhood (GN) emerge after conventional open neighborhood (CON) learn from gated community (GC) concept. This study also identified that some CON able to transforms into GN without difficulties while the other not.

In addition, extensive change also occurred in both formal and informal rules throughout the year 1990-2010. The changes in rules involved the application of several informal rules at first introduced by market innovations and community actions. However, government intervention finally allows and makes the development of the guarded neighborhood and gated community entirely legal. Both changes are towards to stabilize and strengthen the existing neighborhood institution. Some of the rules nested each other, either rule between community levels, local authorities' levels or at the states levels. Those new rules also nested with the older rules and some other informal rules.

## ***2) The uniqueness from the institutional change perspectives***

Second is the result of causes, process and outcome of change from the institutional change perspective. The main reasons why CON cannot transform into GN is because some CON developed in large size and consisting too residents that hindering to achieve a majority agreement to enclose; CON may accommodate by too many tenants then the owner itself in the neighborhood impeding the decision making process; and hinder by the existing physical design and lack support from the existing neighborhood institutions. It is then identified that the process of

institutional change over conventional open neighborhood in Malaysia emerges in two stages. Spontaneous change happens in the first stage before 2007 due to the outcome of the conflict. Meanwhile, centralized change taking place at the second stages after 2007. It is also identified that the neighborhood institutions that emerge in the second stages having a more efficient form of the neighborhood institution as they are legally right to change.

The result from the latest statistics in 2013 shows that 697 conventional open neighborhoods around Malaysia had already been transformed into guarded neighborhood with 393 neighborhood gain approval from local authorities during 304 neighborhoods did not. Although the government already allows the development of gated communities, there only about 88 gated community neighborhoods developed around Malaysia.

Throughout the study over conventional open neighborhood in Petaling Jaya from 1990 to 2010, it was identified that the emergence of guarded neighborhood (GN) in Petaling Jaya only happens from year 2000 onward, and the number drastically increases from 3 GN in 2000 to 39 in 2010. It is also noticed that the growth of GN is located in a cluster and come out from a smaller size of the neighborhood.

Therefore, for the conclusion of this section, this study identified unique anomaly when emerge new form of conventional open neighborhood (CON) that are able to transform into guarded neighborhood (GN) without difficulties while the others not. This study also finds that those CONs - GNs not only transforms its institutional design and physical design, but also accompanied each other. Hence, it also believed

that those CONs - GNs try to adopt the same physical and institutional designs similar to that of gated community (GC).

**Table 7.0** Reviewing Transformation Process in Malaysia through NIE Perspective

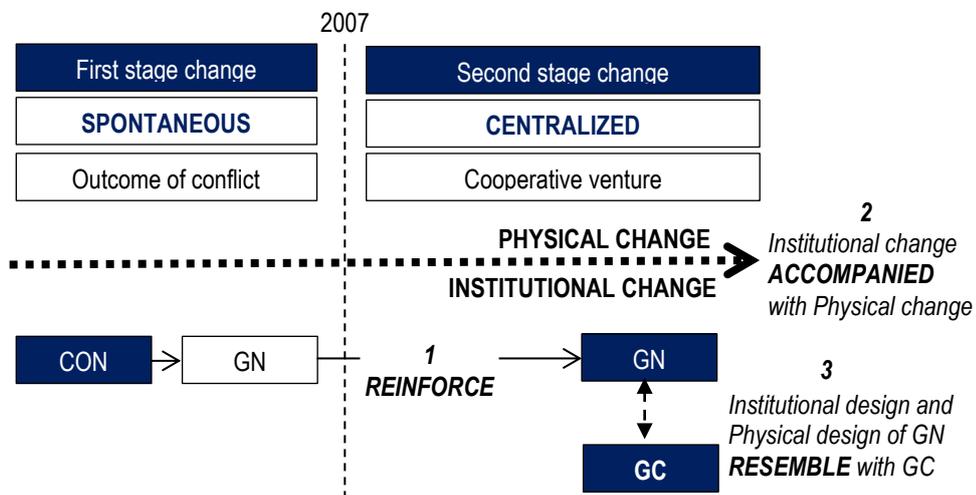
<b>CAUSES OF CHANGE</b>	<b>FINDING IN MALAYSIA</b>
Set-off by endogenous and exogenous causes	<p>Exogenous causes play significant role in driving existing CON institution to transform into guarded neighborhood (GN).</p> <ul style="list-style-type: none"> <li>- due to rising crime rates, traffic congestion, and the movement in the trend for luxury living</li> </ul>
Role of the urban players and collective action	<p><b>Community</b></p> <ul style="list-style-type: none"> <li>- Collective action increases among communities – forming community institutions, marking their boundaries, restricting access and transform their housing neighborhood into GN</li> <li>- The Resident Association - voluntary organization registered as a society under Societies Act 1966</li> <li>- Number of RA registered under Societies Act 1966 (Act 335) increased from 5995 in 2008 to 6795 in 2009 (12%)</li> </ul> <p><b>Market or housing developer</b></p> <ul style="list-style-type: none"> <li>- In early 1990s, housing developers introduce gated community (GC) in Seirramas, Selangor, which promote prestige, lifestyle and security living. They also includes common facilities such of golf courses, club houses and recreation areas, such as in Kajang Country Heights, Tropicana, and The Mines.</li> <li>- Due to lack of legislation, gated development was classified as “unlawful development”.</li> </ul>
Change often does not occur in some neighborhood - institutional inertia	<ul style="list-style-type: none"> <li>- It is legally better to stay as a CON than change to GN.</li> <li>- Some CON develops in large size and with many residents that hindering to achieve a majority agreement to enclose.</li> <li>- Those CON may accommodate by too many tenants then the owner itself impeding the decision making process.</li> <li>- Existing physical designs which not suitable to transform into GN, while others have difficulties to change for the reason of lack support from the existing neighborhood institutions</li> </ul>
<b>NATURE OF THE PROCESS</b>	<b>FINDING IN MALAYSIA</b>
Institutional changes may emerge from centralized process, or spontaneously	<ul style="list-style-type: none"> <li>- Spontaneous change happens in the first stage before 2007 due to an outcome of a conflict.</li> <li>- Centralize change taking place at the second stages after 2007 with cooperative venture among urban players.</li> <li>- Neighborhood institutions that emerge in the second stages have a better form of a neighborhood institution</li> </ul>

Role of urban players - government, the markets, and voluntary community action can all assign property rights over shared neighborhood goods	<ul style="list-style-type: none"> <li>- Communities in CON taking spontaneous action as a necessity to protect themselves from criminal intrusion by setting up security patrols and barriers within their own neighborhoods even though the legality of taking such action may come into question</li> <li>- Market such as REHDA and PEJUTA advising, suggesting and urging the central government to consider amending or changing the existing laws to suit the current needs</li> <li>- It takes about three years for the central governments negotiated with the markets and to come carefully out with the new law and guidelines</li> <li>- Community action, market innovation, making the transformation process took place more than ten years before the government took action.</li> </ul>
Level of Change in Institutional Change Process	The transformation process is similar to the Second Level of Change in institutional change process according to how quickly they change (Williamson, 2000) - Constrain by the institutions of “embeddedness” which change may take decades or centuries. In Malaysia, it took 20 years to change the formal rules in 2007.
<b>OUTCOME OF CHANGE</b>	<b>FINDING IN MALAYSIA</b>
When equilibrium view or balance of institutions will be achieved	<ul style="list-style-type: none"> <li>- Emerge two types of housing neighborhood in Malaysia which is guarded neighborhood (GN) and gated community (GC).</li> <li>- Both are a landed housing neighborhood but assign to different land titles, guarded neighborhood with individual title while gated community with strata title.</li> <li>- Up until May 2013, about 697 CON around Malaysia have already been transformed into guarded neighborhood (GN), only about 88 gated community (GC) neighborhood developed around Malaysia</li> <li>- In 2010, from about 83 neighborhoods developed as CON in Petaling Jaya, 39 neighborhoods or 47% of its already change into guarded neighborhood – drastic increases between 2000-2010, from smaller neighborhood size</li> </ul>
<b>CHANGE IN NBH. FORM, FORMAL AND INFORMAL RULES</b>	<b>FINDING IN MALAYSIA</b>
	<ul style="list-style-type: none"> <li>- Conventional open neighborhood (CON) gradually change into guarded neighborhood after the residents learnt that they are able to improve their safety</li> <li>- Gated community (GC) spontaneously emerge from the innovative concept introduced by the property developers</li> <li>- Both neighborhood forms, guarded neighborhood (GN), and gated community (GC) are informal forms in the beginning but finally become formal</li> <li>- emerge a unique neighborhood form of conventional open neighborhood that are able to transform into guarded neighborhood without difficulties</li> </ul>
Change in both formal and informal rules	<ul style="list-style-type: none"> <li>- Involved the application of several informal rules at first introduced by market innovations and community actions.</li> <li>- Government intervention finally allows and makes the development of the guarded neighborhood and gated community entirely legal.</li> <li>- New rules also nested with the older rules and some other informal rule</li> </ul>

### 7.3.2 Research Question 2

**Q2:** *How does the characteristic of the neighborhood physical and institutional designs interrelate between different neighborhoods form to strengthen the neighborhood institution?*

The research identified (in Chapter 4) that the process of institutional change over conventional open neighborhood (CON) occurs in two stages and emerge new form of conventional open neighborhood (CON) that are able to transform into guarded neighborhood (GN) without difficulties. This question was answered according to the data derived from observation, personal interviews and relevant official documents of the second stage survey. This research identified unique institutional innovations that taken place in two (2) dimensions (see Figure 7.1).

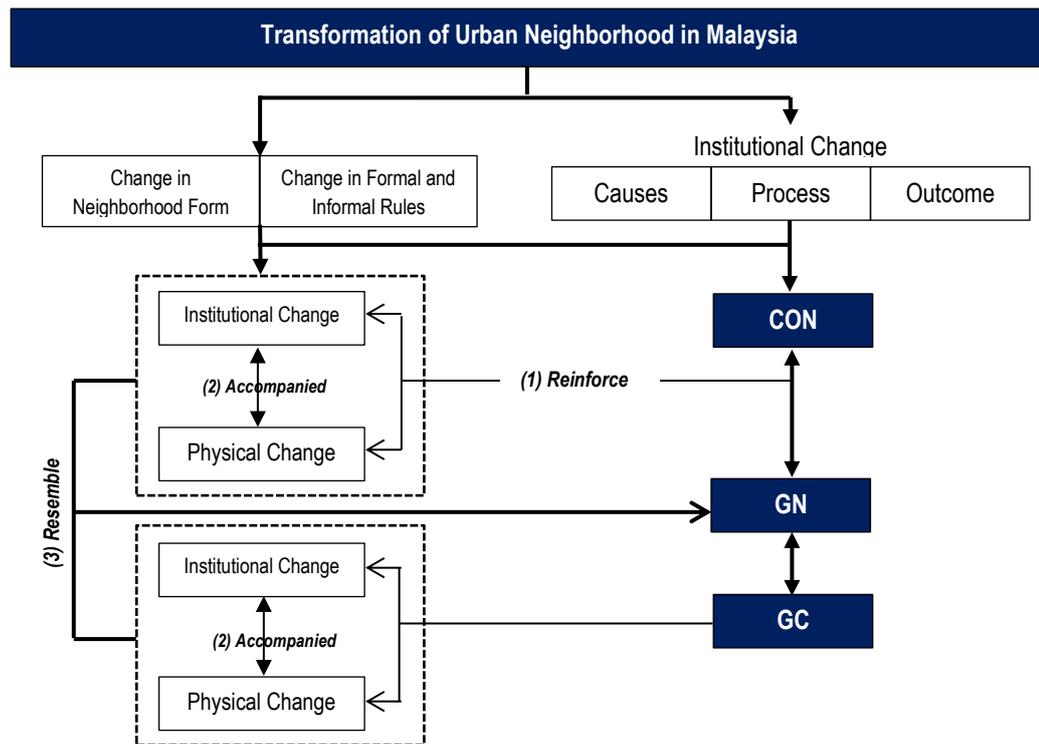


**Figure 7.1** Institutional Innovation of CON-GN-GC

First, physical design and institutional design of conventional open neighborhood reinforce into guarded neighborhood. In addition, both physical design and institutional design need to accompany each other during the transformation process.

Second, learning from the previous conventional open neighborhood obstacles, the physical and institutional designs of the guarded neighborhood adopted the same physical and institutional designs similar to that of gated community. The detail characteristics of physical and institutional design have been discussed in Chapter 5.

On the above finding, a conceptual framework for examining the relationship between neighborhood physical design and neighborhood institutional design; and their effect on housing price has finally developed in Chapter 5 (see Figure 7.2)

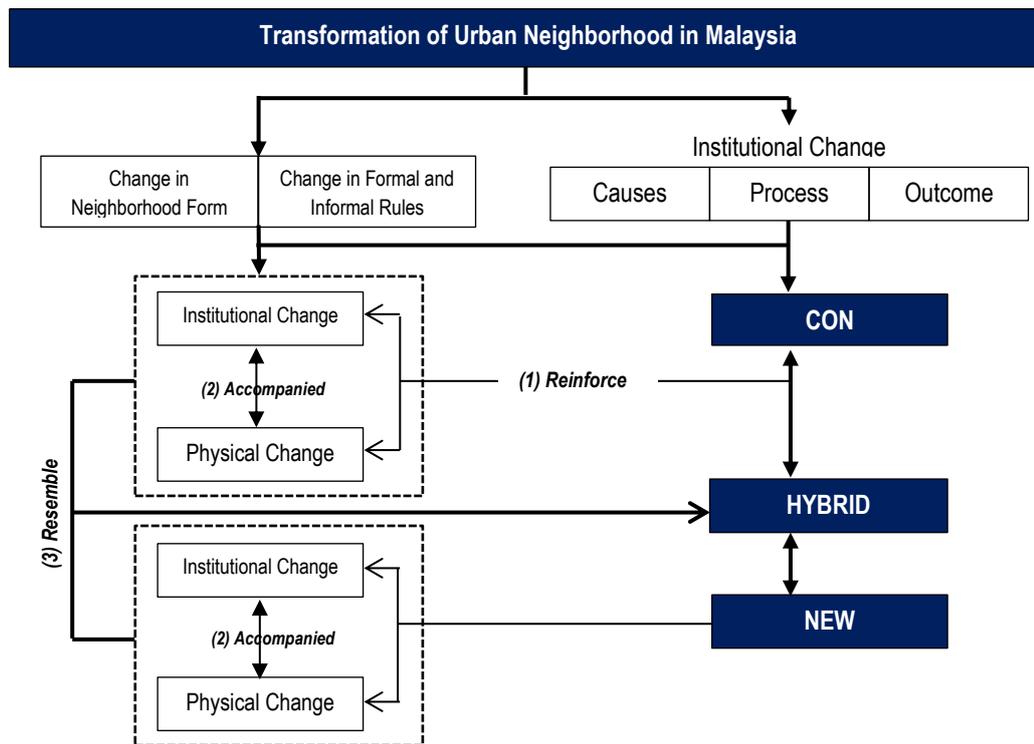


**Figure 7.2** Conceptual Framework of Relationship between Neighborhood Physical Design and Institutional Change in Malaysia

### 7.3.3 Research Question 3

*Q3: How can the dynamic interrelationship between neighborhood physical and institutional design be addressed to maximize housing price benefits and strengthen the conventional open neighborhood institution?*

Finally, based on the case study (Chapter 6), this research conclude that the dynamic interrelationship can be achieved if CON able to reinforce its institutional and physical design from CON to GN and at the same time accompanied institutional change and physical change each other. Hence, those institutional and physical designs should resemble with GC characteristics.



**Figure 7.3** Conceptual Framework of Logic Relationship between Neighborhood Physical Design and Institutional Change

The examples on how Safa (GN) stabilized and strengthened its institutional design are identified as follows:

- 1) Function of enclosure** - Functions of enclosure of both housing neighborhoods are similar as both developments promoting gated and guarded living surrounded by landscaped parks that connect houses from one to another. Although in reality, both neighborhoods guarded with similar features including guard house, perimeter fencing and security guard, it is important to understand that Safa was built under the individual title while Nadia was built under strata title (GC). Thus, Safa was supposedly known as guarded neighborhood while Nadia as a gated community.
- 2) Definition** - As Safa was a guarded neighborhood, it was clearly defined as a fully controlled area in new housing schemes with individual land titles. This scheme provided security services with guard houses. It also placed physical obstacles on the roads and stopped residents and the public from entering or exiting the areas with the requirement that the security guard must be in place 24 hours.
- 3) Policy context** - Safa seems able to follow the Gated Community and Guarded Neighborhood Guidelines until the maximum as they can to enhance their security level. Safa has many potentials as it was developed with almost similar characteristics to Nadia enabling Safa to be easily enclosed and follow the guidelines without much difficulties.
- 4) Setting up the neighborhood**- With the help from the developer, residents inside Safa have formed their Resident Association, namely Safa Residents Association Committee. This association also has its rules to follow similarly to Deed of Mutual Covenant (DMC) which is normally used by GC development.

**5) Management and maintenance** - Local authorities continued to maintenance Safa. However, it has been identified that, community and developer very cooperate with local authorities in making sure their well-managed and well-maintained. Moreover, they are still allowed to appoint a security guard, but must be registered with the Internal Ministry (KDN). The security fee for Safa were about RM150 per month while, Nadia Parkhomes need to pay about RM478-730 per month in which they have to pay for both maintenance and security fees.

The overall change in institutional and physical designs from CON to GN through NIE perspectives are shown in the Table 7.1 below.

**Table 7.1** Change in Institutional and Physical Designs of CON to GN from NIE Perspectives

<b>CHANGE IN INSTITUTIONAL DESIGN OF CON TO GN</b>	
<b>6. Function of Enclosure</b>	<i>Increase the assignment of property rights over share neighborhood spaces and attributes</i> CON begins to enclose in corresponding to the demand for safety through voluntary public policing and security patrol, cooperation between the resident association and local police, and also through restricting or enclosing the main road at night or at certain time.
<b>7. Definition</b>	CONs enclose into GNs after 2007 were mainly corresponding to promote a sense of security and prestige. From unclear definitions of GN, state government first defines guarded specifically in their territory. Only after 2007, GN clearly defined and supported by guidelines at the federal level.
<b>8. Policy Context</b>	<i>Apply by try and arrow informal rules and then flow up by changing the existing formal rules.</i> Begin with the absence of regulatory measures and no standard planning guidelines for GN. More difficult when emerge variety of guidelines that differ from one local authority to another. After 2007, clearer policy for CON to transform into GN as the Housing and Local Government Ministry release a set guidelines at the national level.
<b>9. Setting up the Neighborhood</b>	<i>Changing the enforcement characteristics, institutional arrangement structure, collective action and adding more transaction cost to the change made.</i> At the beginning, change deemed to be unlawful as it contravenes the provisions of several acts, namely the National Land Code 1965, the Street, Drainage and Building Act 1974, and the Road Transport Act 1987.

<b>10. Management and maintenance</b>	<p>Later, for new dev., application can be made by the developer and resident association (RA) consent from at least 85% of the residents, After 2007, they required consent from ‘majority’ of the resident.</p> <p>At first, management of GN and GC is being carried out by the developers themselves and developer can lease the public road inside the neighborhood from the local authority.</p> <p>After 2007, communities and developers need to cooperatively well with local authorities to make sure their GN well manage but they are still allowed to appoint a registered security guard.</p>
<b>CHANGE IN PHYSICAL DESIGN OF CON TO GN</b>	
<b>6. Size</b>	<p><i>Discovery of a more effective alignment between the rights of shared space consumption and the responsibility of territorial governance</i></p> <p>Particularly focusing into smaller neighborhood size from 8ha or 20 acres and after 2007, neighborhood size was based on the number of units in a scheme (minimum and maximum) and it to be determined by local councils.</p>
<b>7. Location</b>	Limited to the urban area, located inside local authority operational territory and in high crime rate, and not allow to be developed at the areas with rivers and streams.
<b>8. Layout and accessibility</b>	Neighborhood with part of the public bus route cannot reinforce into GN. Closing of the back-lanes and side-lanes is also prohibited.
<b>9. Security features and barriers</b>	Perimeter fencing is still not allowed, and guard house sized still not supposedly larger than 1.8m x 2.4m to be built on the road shoulder, temporary physical obstacles such as manual boom gate, cones and security signs, can be consider provided the location is manned by registered security guards 24 hours
<b>10. Amenities and facilities</b>	If CON has public facilities such as schools, mosques or community halls within the neighborhood, they do not allow to reinforce to GN

The examples on how Safa (GN) stabilized and strengthened its physical design are identified as follows:

- 1) **Size** - It is identified that Safa is developed on 13 acres land and consisting 171 units 2-storey terrace houses. While for Nadia was developed on 17 acres and consisting 165 linked houses and 2 blocks of condominiums. Both neighborhoods have been developed with the appropriate size according to the GC guidelines. This will allow Safa to enclose without much difficulty.
- 2) **Location** - Both neighborhood was carefully design and develop to suits to the needs of GN and GC development which located in urban area and appropriate location which is especially in high crime rate areas based on police statistics and

in the developed areas with good road accessibilities. Safa and Nadia are strategically located on the north side of Desa ParkCity facing the central park that is located outside the neighborhood. The development is limited to the main road at the in front and at the back of the neighborhood allowing Safa to securely enough to enclose.

- 3) Security features and barriers** - When explaining about security features and barriers, developers used term guarded neighborhood for Safa while gated and guarded neighborhood for Nadia. It seems that both neighborhoods follow the current guidelines for development guarded neighborhood and gated community. Moreover, Safa enjoys security features and barriers almost similar to Nadia.
- 4) Layout and accessibility** - Both neighborhoods have an almost similar housing layout with a single entrance to the neighborhood. Both developments promote gated and guarded living surrounded by landscaped park that connects houses from one to another.
- 5) Amenities and facilities** - Safa only has two amenities and facilities inside the neighborhood that is children's playgrounds and landscaped park. While, Nadia has a verity of facilities including covered parking, playground, 6 acre park, swimming pool and wading pool. Nadia also equipped with management office, saunas with changing rooms, barbecue area, multi-purpose hall, visitor parking bays and pavilions with seating facilities. However, the limited facilities inside Safa are supposed to permitting them to enclose without any conflicts of interest with the outsiders.

The overall change in institutional and physical designs of GN resemble with GC through NIE perspectives are shown in the Table 7.2 below.

**Table 7.2** Change in Institutional and Physical Designs of  
GN Resemble with GC from NIE Perspectives

<b>CHANGE IN INSTITUTIONAL DESIGN OF GN RESEMBLE WITH GC</b>	
<b>6. Function of Enclosure</b>	<i>Maximizing the assignment of property rights over share neighborhood spaces and attributes</i> Emerge new development of CON that equipped with security design and even with private security guard guarded, and developer provide future buyers with several guideline to setting up Resident Association and how to manage the neighborhood.
<b>7. Definition</b>	GN tries to increase their definition to the maximum such as a partially or fully controlled area in existing or new housing schemes with individual land titles.
<b>8. Policy Context</b>	<i>Changing the rules of the game and enforcement characteristics</i> Central government finally amended Strata Title Act 1985 and introduced new law - Building and Common Property (Management and Maintenance) Act 2007 (Act 663) that allow the development of GC. In. 2010, government finally releases a set of Gated Community and Guarded Neighborhood Guidelines at the national level given a path for CON to transform into GN. It is identified that the GN guideline is design almost parallel with GC guideline.
<b>9. Setting up the Neighborhood</b>	<i>Changing the enforcement characteristics, institutional arrangement structure, collective action and adding more transection cost to the change made.</i> Government provide tranquil requirement for CON to transform into GN - registered resident association (RA) to local authorities, required consent from 'majority', inform LA on decision to return to the existing CON.
<b>10. Management and maintenance</b>	Communities and developers need to cooperatively well with local authorities to make sure their GN well manage but they are still allowed to appoint a registered security guard.
<b>CHANGE IN PHYSICAL DESIGN OF GN RESEMBLE WITH GC</b>	
<b>6. Size</b>	<i>Enhance into more effective alignment between the rights of shared space consumption and the responsibility of territorial governance</i> New GN developed in a smaller size to avoid difficulties if enclose.
<b>7. Location</b>	Location requirement for development of GC and GN is similar as it is limited to an urban neighborhood, appropriate location, especially in high crime rate areas based on police statistics and in the developed areas with good road accessibilities.
<b>8. Layout and accessibility</b>	GN cannot be erect in neighborhood with part of the public bus route, and closing of the back-lanes and side-lanes is prohibited.
<b>9. Security features and barriers</b>	Perimeter fencing is still not allowed, and guard house sized still not supposedly larger than 1.8m x 2.4m to be built on the road shoulder, temporary physical obstacles such as manual boom gate, cones and security signs, can be consider provided the location is manned by registered security guards 24 hours
<b>10. Amenities and facilities</b>	Developer begin to develop GN using the requirement that the development must provide centralized public facilities (10% of total development) outside the scheme to encourage integration and increase the sense of place. Some developer develops GC and GN in the same township.

Due to the similarities in neighborhood physical and institutional design between Safa and Nadia, this research finally able to validates conceptual framework and proved that they will have a similar effect on housing price. This research draw that the dynamic interrelationship patterns between neighborhood physical design and institutional changes able to maximize the housing price benefits and strengthen the conventional open neighborhood institution in Malaysia in response to the prevailing physical and institutional constraints, particularly by responding to the proposed theoretical foundation of property rights and the new institutional economics (NIE).

#### **7.4 Research Contributions**

The research contributions could be viewed from two different perspectives; the contributions of academic knowledge and the urban players.

##### ***7.4.1 Contribution to academic knowledge***

This research proposes a theoretical foundation of property rights and new institutional economics on which to initiate the analysis of the transformation of physical design and institutional arrangement in urban neighborhood development in Malaysia. Moreover, this research has not been examined in Malaysia through the property rights and new institutional economics (NIE) perspective. This field of study is important for researchers in urban design, housing neighborhood, community development, property rights over public space and new institutional economics. This study added to the existing body of knowledge with respect to:

- 5) Support the idea of urban design should be accompanied with institutional design through appropriate relationship between neighborhood physical and institutional designs derive from a unique case study in Malaysia, particularly by responding to the proposed theoretical background of property rights and the new institutional economics (NIE). This research is very significant as it addresses the actual problems facing by the conventional open neighborhood as this topic has not been examined in Malaysia through the new institutional economics (NIE) perspective. It is also believed that there is no other research done particularly to address the above matters from the other part of the world.
- 6) The framework can be used to study the similar problem at other region around the world by considering the differences over legal and political environment. It can also be apply to study other types of development such as commercial or infrastructure development in order to test either it can help to increase property price benefit or strengthen the development stability.

#### ***7.4.2 Contribution to the urban policy-makers***

The outcome of this research is the framework as a strategic tool to better understand how the local institutional change operates to strengthen the conventional open neighborhood in light of the institution and physical constraints.

- 1) The framework will help to improve understanding among various urban players on how to strengthen the CON.

- 2) Provide a dynamic interrelationship and detail physical and institutional design characteristics that help facilitate collaboration and communication of all urban players of similar problem in order to change the rules of the game.

## **7.5 Limitations of the Research**

Despite its contributions, limitations of this research should be pointed out. Undoubtedly, this research only focusing understand how local institutions work to stabilize and strengthen the conventional open neighborhood institutions. It is due to the Malaysian preferences for this type of housing development and due to the high number conventional open neighborhood change into guarded neighborhood across the country. Researcher may use the similar approaches and apply to the specific neighborhood forms from the perspective of other countries.

Giving the fact that the field observation and case study are from Malaysia, the framework are specifically applicable to Malaysian housing neighborhood context rather than to that of regions of the world. This is because different countries have different legal and political environment that might be unique or specific. Nevertheless, learning from the example from this study can provide a good source of references to the other regions.

## **7.7 Recommendations for Future Research**

The limitations of this research discussed above present some opportunities for future research.

This research focuses only on the conventional open neighborhood. It will be worthwhile for future researchers to expand this study to cover types of housing neighborhood or to examine similar conventional open neighborhood but from different regions of the world.

Furthermore, this research focuses only on the Malaysia housing neighborhood. It will be worthwhile for future researchers to expand this study to cover other regions of the world by considering different legal and political environment.

It is also worth to apply the conceptual framework into other types of urban development (commercial or infrastructure) in order to test either it can help to increase or strengthen the development stability.

## **7.8 Conclusion**

The aim of this research is to identify the dynamic interrelationship patterns between neighborhood physical design and institutional arrangement that are able to maximize housing price benefits and strengthen the conventional open neighborhood institution in Malaysia, in response to the prevailing physical and institutional constraints, particularly by responding to the theoretical foundation of property rights and new institutional economics (NIE). Long-term urban neighborhood evolutionary change has been anticipated, involving the emergence of community conventions or government regulations that better define rights and responsibilities and either result in the formation of formally constituted collective consumption organizations or to a fragmentation of public spaces into smaller title units of private property rights (Webster, 2003). Economists have long suggested neighborhood

privatization as a possible solution to urban problems. Past studies have often focused on the emergence of gated communities and their implications. However, those researches have yet to address the actual problems of existing urban neighborhoods, especially the conventional open neighborhood, and have failed to connect the advantages of the gated development in reinforcing existing neighborhoods. Past literatures have also focused on the physical and topological designs of gated communities, without further addressed the requirements of institutional arrangements. Therefore, this research looks at the challenges of gated communities from a different perspective. This research focused on highlighting the importance of stabilizing and strengthening the conventional open neighborhood from the physical and institutional perspective in response to the preference of existing government, property developers and home buyers in Malaysia for this type of development.

The combination of the economic theory of property rights and new institutional economics (NIE) is the most suitable approach to be used to examine the emergence of new institutions and the process of institutional changes. This research examined the institutional transformation of the urban neighborhood in Malaysia. Although the law is relatively strict on transforming conventionally open into guarded neighborhood, this research has identified a unique neighborhood form that can transformed without many difficulties. In examining how local institution operates in strengthening existing urban neighborhood, this research found a unique anomaly when one developer can develop two identical neighborhoods in the same township, but under different land titles. To address the research gap, this reserch focused on the identification of the relationship between neighborhood physical design and

neighborhood institutional design in a conventional open neighborhood on how they are associated with each other to strengthen the neighborhood institutions. This research finally identified unique institutional innovations that have taken place in two dimensions.

- 1) First, in order to avoid further neighborhood conflicts for conventional open neighborhood reinforce into guarded neighborhood, their physical and institutional designs accompanied each other.
- 2) Second, learning from the previous obstacles, the physical and institutional designs of the guarded neighborhood adopted the same physical and institutional designs similar to that of gated community.

Finally, this research demonstrated the relationship between the neighborhood physical design and neighborhood institutional design in a conventional open neighborhood through recommending a conceptual framework and provides urban players with an objective measure in their efforts to enhance urban neighborhood stability and strengthen the conventional open neighborhood institution.

# APPENDICES

## Appendix A – Covering Letter for Field Survey (1)



01 February 2010

### To Whom It May Concern:

I am writing to support Mrs. Siti H. Misnan's application for the research visit to Malaysia scheduled for April 1, 2010 through Jun 30, 2010 to conduct her PhD research on the institutional change in Malaysian housing- enclosing old neighborhoods.

Mrs. Siti Hajar is carrying on her PhD course at Department Building and Real Estate, The Hong Kong Polytechnic University, Hong Kong. As her supervisor, I am aware of her keen motivation and capability of performing her research about the subject. Indeed, the data collection and the interviews proposed in this visit occupy the important parts of her Ph.D. thesis. I have no doubt that Mrs. Siti Hajar will have a lot of needful data and many findings on this subject of her work in Malaysia.

I am confident that she will make full and efficient use of the research period. I will be delighted to support and assist Mrs. Siti Hajar in her work.

Yours faithfully,

.....  
Edwin. H. W Chan, (Professor, Dr.)  
Department of Building and Real Estate  
The Hong Kong Polytechnic University

# APPENDICES

## Appendix B – Sample of Interview Question



### A CASE STUDY OF A NEIGHBOURHOOD ORGANIZATION AND THE EMERGENCE OF GUARDED NEIGHBORHOOD

#### INTERVIEW FORM

Thank you for your participation in this interview session. Concern about the rising crime rate and the growing number of “guarded neighborhood” in our cities, the aim of this study is to investigate how different institutional arrangements in assigning the property rights within an existing conventional open neighborhood can have an effect on institutional behavior and its property value. Based on the literature review, the terms “CON”, “GN” and “GC” adopted in this study are defined as follows:

**Conventional open neighborhood (CON):** all individuals share public realm that is a spatial domain within *de facto* and *de jure* economic or legal consumption rights over local public goods attribute within a city. (*Existing landed housing estate with individual land title; manage by local authority; have RA or neighborhood watch*)

**Guarded neighborhood (GN):** A club-like as a spatial domain within *de facto* and *de jure* economic or legal consumption rights over local public goods attribute are shared within a group. (*Existing landed housing estate with individual land title, but try to change to private neighborhood with fencing and barrier; manage by local authorities or private security company; have RA or neighborhood watch*)

**Gated community (GC):** Private realm with the spatial domain within a *de facto* or *de jure* assignment of exclusive economic or legal consumption rights over private goods and local public good attributes. (*Old or new landed housing estate with strata title; manage by JMB or MC, have RA or private security*)

### **Section 1: General Information**

(1) Name of organization / firm (Optional)

(2) Name (Optional)

(3) Designation

(4) Total years of experience in the construction industry (personal)

### **Section 2: General Questions**

1. Familiarity with gated and guarded issue in MBPJ territory?
2. Your experience on why and how existing neighborhood evolution processes happen?
3. Any neighborhood evolutions that I have not mentioned?
4. How do you see the percentages of CON, GN and GC emergent in MBPJ territory?

### **Section 3: Institutional Change**

#### **Player: Government, Community, and Market**

1. Top-down and bottom-up approach,
2. Partnership, networks, learning the process, negotiations

#### **Rules: Formal rules and informal rules**

1. Existing formal rules for guarded and gated community

What do you think about existing guidelines?

New guidelines for Development of Guarded and Gated Community Scheme by LPHS

DBKL: RMA (Road maintenance agreement) by what the developer 'lease' the road space from the DBKL and carry out maintenance work.

What do you hope the future guidelines could be?

## 2. Informal rules

Negotiation, waits for next amendments?

Application procedure for development (new and existing development), guard house, barrier (operating time)

### **Enforcement**

Legal and illegal action, how to deal with it? Type of enclosure?

Legal disputes

Legal charge?

### **Role of history**

Decentralize or centralize processes

### **Causes and conflict**

Exogenous, endogenous

### **Process of change**

Spontaneous or centralized?

Role of politics

### **Outcome of the change**

Enclosure Impact

1. Crime rate level
2. Property value: housing price, land price, and rental price
3. Cost: Extra fee or charge for GN and GC?
4. Any incentive for CON?

### **Neighborhood profile**

1. Community Profile

Races, Legal Expatriate

Group by monthly household salary

2. Organization Profile

Institution type: JKKK, PP, RT, PS

Enclave types

How many members? Any problem?

Partnership?

#### **Section 4: Organizational Studies**

##### **Voluntary associations and networks**

1. Make a list of other organizations or individuals who have voluntarily assisted the organization in a major way.
2. Overall, have outside organizations played a significant role in the target organization's life history?

##### **Relationship to city government**

1. Does the target organization have any relationship with specific official or offices in city government?
2. Is the relationship, formal or informal?
3. Has this relationship been productive?
4. Are there any examples of city government having thwarted the emergence of community organizations?
5. Has the city made any structural changes in its organization to be more supportive and competent with respect to neighborhood preservation and revitalization goals generally?
6. Overall, has the city government played a significant role in the target organization's life history?

##### **Outcomes**

1. During the lifetime of the organization, has there been any tangible evidence of neighborhood improvement?
2. Has there been any evidence of the organization having blocked or prevented some change in the physical condition of the neighborhood?
3. What do residents feel about the target organization?
4. Do residents feel that the target organization has addressed the neighborhood's problems?
5. Have the activities of the target organization resulted in increased residential activity?
6. Are there any particular instances of a resident having become more influential outside the neighborhood because of the target organization?
7. Is there increased unity or fragmentation in the neighborhood since the founding of the organization?

**Race and social justice**

1. How has the organization dealt with neighborhood problems?
2. How has the target organization responded to patterns of neighborhood transaction – that is, displacement, integration, and segregation?
3. How problem of race or ethnic division arisen in the target organization?
4. Over time, have there have been any changes in the organization’s policies or activities about any of the issues in the preceding four questions?
5. How has the organization enhanced community leadership or increased the involvement of residents?
6. Does the organization have a capability of dealing with multiple issues simultaneously?
7. During the lifetime of an organization, what situations, is any, threatened the survival of the organization?
8. Are there any specific incidents that best characterize the work of the organization?

**Section 5: Further Comments**

Please state any other relevant point that I have not mentioned in this questionnaire:

--

Would you be interested in receiving a copy of the analyzed results of this survey and have a follow-up discussion with the researchers? If yes, please provide the following contact information.

Name (Optional):	
Email or Address:	

**Thank you very much for your time and cooperation in responding to the request for information. All answers will be treated as confidential.**

# APPENDICES

**Appendix C – Sample from Observation Survey:  
Conventional Open Neighbourhood List in Petaling Jaya. 2010**

	Section		Neighborhood (Name)	No	Status (CON /GN)	Year Launch	Year Enclose	Enclosure type*
1	Sec. 1	1	Section 1 (PJ Old Town)		CON	1953	0	0
2	Sec. 1A	2	Section 1A (Taman Nam Fong) Sec. 18		CON	1953	0	0
3	Sec. 2	3	Section 2 (PJ Old Town)		CON	1953	0	0
4	Sec. 3	4	Section 3 (PJ Old Town)		CON	1953	0	0
5	Sec. 4	5	Section 4		CON	1953	0	0
6	Sec. 5	6	Section 5		CON	1953	0	0
		7	Gasing Indah - Taman Petaling	1	GN	1990	2009	1,2
7	Sec. 6	8	Section 6		CON	1953	0	0
8	Sec. 7	9	Section 7		CON	1953	0	0
9	Sec. 8	10	Section 8		CON	1953	0	0
10	Sec. 9	11	Section 9		CON	1960	0	0
11	Sec. 10	12	Taman Jaya		CON	1960	0	0
12	Sec. 11	13	Section 11		CON	1960	0	0
13	Sec. 12	14	Section 12		CON	1960	0	0
14	Sec. 14	15	Section 14		CON	1960	0	0
15	Sec. 16	16	Section 16		CON	1970	0	0
16	Sec. 17	17	Section 17		CON	1970/ 2000	0	0
		18	Taman Lee Yan Lian		CON	1970	0	0
			Taman Lee Yan Lian (GN)	2	GN	1970	2006	1,2,4
17	Sec. 18	19	Taman Nam Fong		CON	1970	0	0
18	Sec. 19	20	Section 19		CON	1970	0	0
19	Sec. 20	21	Taman Paramount		CON	1970 /2000	0	0
20	Sec. 21	22	SEA Park		CON	1970	0	0
21	Sec. 22	23	Section 22		CON	1970/ 2000	0	0
22	SS1	24	Kampung Tunku		CON	1980	0	0
			Kampung Tunku (GN)	3	GN	1980	2007	2
23	SS2	25	Taman SEA		CON	1980	0	0
			Taman SEA (GN)	4	GN	1980	2007	2,4 (SS2 D, 1)
24	SS3	26	Taman Universiti, Seaport, Subang	5	GN	1980	2006	1,2
25	SS4	27	SS4A (Kelana Jaya)		CON	1973	0	0
		28	SS4B (Kelana Jaya)	6	GN	1973	2005	1 with guard house, open
		29	SS4C	7	GN	1973	2005	1 with guard house, open
		30	SS4D	8	GN	1973	2005	1 with guard house, open
26	SS5	31	SS5 (Kelana Jaya)		CON	1973	0	0
		32	SS5B		CON	1973	0	0
		33	SS5C		CON	1973	0	0
		34	SS5D	9	GN	1973	2006	with open boom gate
27	SS7	35	SS7 (Kelana Jaya)		CON	1973	0	0

	Section		Neighborhood (Name)	No	Status (CON /GN)	Year Launch	Year Enclose	Enclosure Type*
28	SS9	36	SS9 (Sungei Way)		CON	1973	0	0
29	SS9A	37	SS9A (Sungei Way)		CON	1973	0	0
30	SS20	38	Damansara Kim	10	GN	1973	2006	1,2,4 (Zone D:1)
31	SS21	39	Damansara Utama	11	GN	1973	2004	1,2
32	SS22	40	Damansara Jaya	12	GN	1990	2007	1,2
33	SS23	41	SS23	13	GN	1990	2007	1,2,3
		42	Taman SEA (Baru)	14	GN	1990	2007	1,2,3
34	SS24	43	Taman Megah	15	GN	1990	2009	4
35	SS25	44	Taman Bukit Emas		CON	1990	0	0
		45	Taman Mayang	16	GN	1990	2004	1
		46	Taman Emas		CON	1990	0	0
36	SS26	47	Taman Mayang Jaya	17	GN	1990	2006	1,2,3
37	PJU1	48	Taman Bukit Mayang Emas	18	GN	1995	2007	1,2,3
38	PJU5	49	Sunway Damansara	19	GN	2000	2000	1,2
		50	Parkville Townhouse	20	GN	2006	2006	1,2,3
		51	Camar Sec. 4	21	GN	2004	2006-2008	1,2
		52	Seksyen 6, KD		CON	2005	0	0
		53	Seksyen 6 (A), KD	22	GN	2005	2006	1,2,4
		54	Seksyen 5, KD (Seri Utama)	23	GN	2006	2005	1,2
		55	Damansara Emas, Sek. 5	24	GN	2005	2005	1
		56	Bayu Perdana 1/2	25	GN	2009	2009	1
		57	Seksyen 7, KD		CON	2000	0	0
		58	Seksyen 8, KD	26	GN	2005	2005	1,2
39	PJU6	59	BU1	27	GN	1991	2006	1,2
		60	BU2	28	GN	1991	2006	1,2,3
		61	BU3	29	GN	1993	2006	1,2,4
		62	BU4	30	GN	1994	2006	1,2
		63	BU6	31	GN	2004	2006	1,2
		64	BU7	32	GN	2004	2006	1,2
		65	BU10	33	GN	2004	2006	1,2
		66	BU11	34	GN	2006	2006	1,2
		67	BU12	35	GN	2006	2006	1,2
40	PJU7	68	Mutiara Damansara	36	GN	2002	2004	1,2,3
41	PJU9	69	Bandar Sri Damansara	37	GN	1996	1996-2002	1,2,3,4
42	PJU10	70	Damansara Damai	38	GN	1995/2000	2000	1,2
		71	Taman Desa Riang		CON	1990	0	0
		72	Saujana Damansara	39	GN	2001	2005	1
43	PJS1	73	Taman Medan Perjasa		CON	1985	0	0
44	PJS2	74	Taman Dato Harun		CON	1980's	0	0
		75	Taman Medan		CON	1980's	0	0
45	PJS3	76	Taman Medan Baru		CON	1980's	0	0
		77	Taman Buana Perdana		CON	1980's	0	0
		78	Taman Petaling Utama		CON	1980's	0	0

	Section		Neighborhood (Name)	No	Status (CON /GN)	Year Launch	Year Enclose	Enclosure Type*
46	PJS4	79	Taman Indah Jaya		CON	1980's	0	0
		80	Taman Lindungan Jaya		CON	1980's	0	0
47	PJS5	81	Taman Desaria		CON	1980's	0	0
48	PJS10	82	Taman Seri Subang		CON	1980's	0	0
		83	Taman Dato Hormat		CON	1980's	0	0

\* 0: Not Enclose 1: Security patrol, 2: boom-gate, 3: Fencing 4: Oil-drum

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