

# STB VS BTS

The trade-off  
between promise,  
protection and  
practicality

Contributed by **SULAIMAN SAHEH**

**A**t a national housing policy briefing held in Putrajaya in early October, Housing and Local Government Minister Nga Kor Ming reiterated the government's commitment to reset the fundamentals of how homes are built, sold and safeguarded – signalling a decisive shift in Malaysia's housing delivery model.

The announcement, which outlined new oversight mechanisms, stricter developer compliance standards and enhanced buyer protection measures, brought renewed attention to the debate between Sell-Then-Build (STB) and Build-Then-Sell (BTS) models. More than just a policy preference, the discussion now reflects a broader transformation in how the government seeks to balance promise, protection and practicality amid rising concerns over abandoned projects, developer accountability and homebuyer security.

As of Aug 31, 2025, KPKT's newly established Sick and Abandoned Private Housing Project Task Force (TFST) reported 144 private housing projects that are delayed, 345 sick projects and 108 officially abandoned projects nationwide. For years, the STB system has symbolised both the promise of accessible housing and the practical realities of property development.

Yet, as abandoned projects and buyer disputes persist, many are asking whether that promise can still be kept and how Malaysia can better protect those at the heart of its housing market, the homebuyers. Under the STB model, developers sell residential units before construction is completed. Buyers typically pay a 10% down payment upon signing the Sale and Purchase Agreement (SPA), followed by progressive instalments tied to construction milestones such as foundation, structure, roofing and finishing.

These progress payments are structured under the Housing Development (Control and Licensing) Act 1966 [Act 118], which outlines the payment schedule. In practice, this means homebuyers are financing part of the project's construction through their instalments while developers rely on these funds to manage cash flow and complete the project.

## A system deeply entrenched

This system has become deeply entrenched in Malaysia's housing landscape — convenient for developers, familiar to buyers and long accepted by banks and regulators. Yet as

practical as it may seem, the STB model effectively shifts much of the project risk from developers to homebuyers. Despite that, STB evolved for pragmatic reasons. It remains favoured by many developers and financial institutions because it supports cash flow efficiency and allows projects to begin without the heavy burden of upfront capital.

The model has enabled a wide spectrum of developers, from large listed companies to smaller private firms, to participate in housing delivery. Because buyers' deposits and progressive payments help fund construction, developers are not required to secure full project financing before breaking ground. This flexibility has encouraged more housing supply, particularly in rapidly urbanising areas where demand is high but developer capital may be limited.

STB also allows developers to gauge market interest early. Pre-sales serve as a measure of buyer confidence — if bookings are strong, it signals to banks and investors that a project is viable. For buyers, the progressive payment structure means they do not need to pay the full amount upfront, which can make homeownership more accessible. Early buyers are often rewarded with discounts, rebates or furnishing packages that make purchasing off-plan more appealing — though this practice and its impact on property prices and long-term affordability warrants another discussion for another day. The model's efficiency supports rapid project turnover, sustaining the property sector's momentum. Developers can recycle capital quickly and launch multiple projects over time, which contributes to employment and

economic activity.

## Leaving buyers vulnerable

Yet, the same factors that make STB attractive also create its vulnerabilities. Chief among them is buyer exposure to risk if projects fail. When developers encounter financial strain, mismanagement or cost overruns, construction can grind to a halt — leaving buyers with mortgages for homes that may never be completed. Malaysia has seen this problem time and again. Because the STB model depends on continuous presales and cash inflows from buyers' instalments, any disruption can trigger a domino effect. Developers may face liquidity shortages, forcing work to stop. Buyers, however, remain legally bound to their loans and payment schedules. While developers can restructure financing or launch new projects to stay afloat, individual buyers are already tied up to a financing facility once they have signed the SPA and the Loan Agreement.

## Buying blindly

Another weakness lies in quality assurance. Since buyers pay progressively during construction, they commit to a property they cannot fully inspect. In some cases, financially stressed developers may rush to meet progress milestones to trigger payment claims, compromising workmanship. It is not uncommon for buyers to discover defects such as leaks or cracks upon handover, leading to prolonged disputes before the Housing Tribunal. The STB system can also encourage speculative behaviour. Because

the entry cost is low — typically a 10% deposit, though there are instances of a lesser amount after taking into account amounts due to discounts or rebates — some buyers purchase properties purely for short-term resale rather than long-term occupation. This speculative cycle inflates property prices, widening the gap between genuine homeowners and investors. Moreover, the model's dependence on market sentiment makes it vulnerable during economic downturns. When sales slow down or financing tightens, developers face cash flow stress that can quickly escalate into larger systemic risks.

Recognising these shortcomings, Malaysia introduced a voluntary 10:90 BTS hybrid system in 2007. Under this model, buyers pay 10% upon signing the SPA and the remaining 90% only after the property is completed and the Certificate of Completion and Compliance (CCC) is issued. The idea was to find a middle ground — a practical balance between consumer protection and developers' financial feasibility. However, adoption was limited. Developers, especially smaller ones, faced financing challenges as banks were reluctant to provide full construction loans without pre-sales. As a result, the hybrid model remained a policy ideal rather than a market reality.

## A slow implementation process

Today, the discussion has returned with renewed intensity under RMK13. KPKT's endorsement of BTS reflects the government's target to eliminate abandoned housing projects by 2030 — an ambitious yet achievable goal if reforms are implemented strategically. Large, well-capitalised developers are expected to transition more smoothly while smaller firms will require financial assistance such as soft loans, bridging facilities or credit guarantees. KPKT has noted that the ministry is considering a phased or tiered approach to adoption, beginning with larger developers or joint public-private projects before expanding to the wider market. This gradual rollout could ease financing pressures while maintaining housing supply.

However, policymakers also recognise that shifting fully to BTS will not happen overnight. Malaysia's entire housing ecosystem — from banking frameworks to regulatory approvals — is deeply rooted in the STB model. Thus, reform must be carried out with sensitivity to market realities. Strengthening buyer protection within the existing STB framework may therefore be the most practical short-term path forward. This could include implementing escrow mechanisms to safeguard buyer deposits, enforcing stricter project monitoring and disclosure standards and requiring developers to demonstrate financial capacity before project approval.

Malaysia's housing journey now stands at a turning point — not to immediately abandon the STB framework that has long fuelled accessibility and industry growth but to reimagine it for a more accountable, resilient future. While STB has powered urban expansion and enabled early entry into homeownership, its vulnerabilities have also exposed gaps in trust, governance and consumer assurance. That is why the shift toward stronger safeguards, hybrid models and phases of BTS is not merely a policy adjustment but a recalibration of values: trust before transaction, protection before purchase and practicality before promise. Moving forward, the goal is not to crown one model superior but to build a housing ecosystem that safeguards buyers, empowers responsible developers and upholds long-term market stability. Only when promise, protection and practicality coexist can Malaysia truly deliver homes that are not just built — but believed in. 



**Sulaiman Saheh**  
Director of research and  
consultancy services  
Rahim & Co International