

INSTITUTIONAL FACTORS AFFECTING A TRANSITIONAL CITY:
AN INTEGRATED PERSPECTIVE ON HOUSING MARKET DEVELOPMENT
IN YANGON, MYANMAR

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Thethan Soe

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Thethan Soe, Ph. D.

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This dissertation examined the development of the housing market in a transitional city that recently went through unprecedented political and economic changes. In Myanmar, the existing financial structure is underdeveloped, the legal system is compromised and the property rights regime is largely undefined. Despite these shortcomings, a countless number of transaction deals have been witnessed, along with competitive implementation of development projects and the growth of agents and brokers within the housing industry. Therefore, this study utilized mixed methodologies and searched for an integrated understanding of general mechanisms that shape the economic activities of market agents in Yangon.

It was discovered that the institutional context of urban development is more complex than was initially expected. Government institutions dominate the societal space and have the largest influence upon the legal, social and economic spheres. Through institutional analyses of transaction and development processes, it was found that the majority of the institutions fail to create a conducive environment for the housing market. However, homebuyers and developers are able to work around

institutional constraints by utilizing social networks and forging informal arrangements. A variety of strategies and creative approaches to business allow them to establish trust, build personal relationships and complete their tasks successfully.

Based upon the qualitative and quantitative findings, the event-sequence models were presented in order to explain the actual workflow of homebuyers and developers. The institutional context was unpacked, along with a proposal for a theoretical model of institutional forces that constantly push and pull the economic activities of market agents. An integrated market model was suggested to shed further light on the market process for pre-sale housing units. Driven by the links between institutional mechanisms and social agencies, this model explains the unique structure of the market operating in Yangon.

BIOGRAPHICAL SKETCH

Thethan Soe grew up in Myanmar. From a young age, he was committed to his studies, and received his Bachelor of Arts in Architecture from Lehigh University in 2008. He then joined the Department of City Planning at the University of Pennsylvania and went on to complete a Master of City Planning in 2010. He later pursued a doctoral degree in city and regional planning at Cornell University, graduating from the Ph.D. Program in 2015. During the course of his doctoral studies, he was awarded several grants and fellowships to support his research, including a Jack Kent Cooke Graduate Fellowship, an M-POWER research fellowship, a summer research fellowship from the Judith Reppy Institute, a grant from the Economy and Environment Program for Southeast Asia and several travel grants from Cornell. While conducting fieldwork in Myanmar, Thethan was a research fellow with the Mekong Program on Water, Environment and Resilience. He also became involved in the initiative towards the sustainable development of Ayeyarwaddy River with the Stockholm Environment Institute. His research interests currently include housing policy, land market, economic development and environmental planning.

This dissertation is dedicated to my parents.

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Chapter 1: Introduction

1.1 Statement of Problem

A typical housing market brings together agents who are willing to engage in transactions by selling and purchasing properties. This exchange leads to market values that are constantly adjusted by supply and demand forces. The home price that consumers are willing to pay depends on such factors as income, expectations, and the prices of complementary and substitute goods. If prices decrease, there will be higher demand for housing units. At the same time, suppliers operate to maximize their profits by adjusting to tax regulations and investing the optimal level of capital, labor, and other resources into the production process. The quantity of housing stock supplied will increase when housing prices increase. In theory, competition among a large number of suppliers brings housing prices down to an efficient point at which the market price equals the marginal cost of producing units and meets consumer willingness to pay. These general conditions, however, take place in a market that is uniquely attached to distinct spatial characteristics. Unlike other goods, housing units located near parks, markets, convenient transportation options, employment and other features could fetch a higher price than those without any of those locational features.

The housing market plays a key role in the growth of national wealth. Possession of valuable assets such as housing provides households with the ability to leverage credit for newly productive enterprises and other investments. Having an adequate amount of housing stock improves the productivity of urban areas, since it enables people to live near employment centers and commute to work efficiently. The state of housing could also affect the environment; poorly built housing will place an

enormous burden on natural resources such as land, water, fuel, etc. Because of these interrelations between real estate and economic growth, the effective management of land and the housing sector is integral to successful urban development in the broadest sense. In an ideal situation, every household should be able to have access to a piece of land and develop it under regulations, as the city government is the primary overseer of urban land. Regulations should provide a set of mechanisms that enable land seekers to survey land, register ownership of land titles, and exchange user rights lawfully.

Housing and land reforms have been implemented around the world, not only to address slum conditions and squatter settlement, but also to achieve greater political, economic, and social ends. However, a strong financial structure, political stability, and government support are preconditions for the formation of functional housing and land markets. In particular, stimulating a market requires a complex set of institutional mechanisms and fine coordination among several actors, since housing development involves a chain of resource mobilizations among households, state agencies, and private developers. All these key stakeholders have to grapple with issues such as where housing is to be developed, how land is to be acquired, and how development should proceed. If there is an efficient institutional setup on the ground that facilitates land market mechanisms, it should encourage actors to participate in economic activity, stimulate the market as a whole, and leverage limited public resources to the greatest extent possible.

Myanmar presents a unique case of a transition economy in which the financial structure is poor, the legal system is compromised, and property rights are largely

undefined. For the last half-century, successive governments have placed tight controls on market operations and created bottlenecks for the development of public infrastructure. The socialist era from 1962 to 1988 in particular witnessed the downfall of Myanmar's economy from being the richest in Southeast Asia to one of the poorest in the world. Guided by what was called *Burmese Way to Socialism*, the Revolutionary Council implemented mass nationalization of businesses in various sectors and completely banned the formation of new private enterprises in 1963 (Than, 2006, p. 113; Turnell, 2009, p. 226). When the Burmese Socialist Party Program (BSPP) came to power in 1974, they tried to loosen regulations and free up the economy. However, the BSPP demonetized currency notes, wiping out the savings of millions of people. This period was characterized by the development of satellite towns and growing squatter areas inside and outside urban areas. By the late 1980s, the prevalent economic hardships led the people to stage a nationwide uprising and bring down the socialist government.

In 1988, the military seized power and military rule began. The State Law and Order Restoration Council and its successor the State Peace and Development Council followed a marketization approach to repair the deteriorating economy. They laid out regulations to encourage the participation of the private sector in the national economy and the inflow of foreign direct investment. In the housing sector, the central government had controlled all administrative issues such as land use, development, and occupancy. In collaboration with private investors, the military regime developed several high-profile estates as well as governmental housing projects. A few resettlement projects, products of the *Hut-to-Apartment Approach*, were also

implemented to accommodate informal settlers near industrial zones. However, the wider economy was dominated by state-owned enterprises (SOEs). Personal connections with the generals largely determined who received lucrative contracts and exclusive licenses. At the same time, human rights violations by the government brought about a plethora of economic sanctions, which were soon manifested in a stifling business environment for developers.

After decades of stagnation, the military junta unexpectedly stepped down in 2010 and paved the way for a quasi-civilian government to come to power. This new government has been implementing various institutional changes and focusing on platforms such as inclusive development, poverty reduction, and private sector growth. If guided by sound economic policies and comprehensive political reforms, Myanmar, given its rich natural resources and abundant labor force, has significant potential for rapid growth in a relatively short time. However, the severely underdeveloped housing and land sectors present myriad challenges, which could render it profoundly difficult if not impossible for the country to leapfrog development stages. The regulatory support for urban transition is limited, for example, only a handful of local professionals are qualified enough to tackle planning issues. There is also a minimal understanding of housing issues, as the restrictive research environment and the overwhelming lack of quality data do not help generate knowledge about the built environment.

Yangon offers a significant case to study for Myanmar as whole. As a commercial center of the country, Yangon is home to important economic activities in various sectors including manufacturing, agriculture, banking, trade, and construction.

The net economic production of Yangon is estimated as \$8.8 billion, comprising about 22% of the country's gross domestic product (Japanese Internal Corporation Agency, 2013). Made up of 33 townships, Yangon is also the largest city in the country, with a population of more than five million (Figure 1.1). The growing population and the massive inflow of migrant workers have created a high demand for housing and urban services. According to the Department of Buildings, the housing need was estimated to be about 30,000 units but the supply was only approximately 7,000 units. The state of public works in the city is poor, as successive governments have failed to make meaningful investment in infrastructure projects. Additionally, many colonial buildings in the downtown area are under threat from rapid urbanization arising from a continuing clash among governmental priorities, private interests, and preservation advocates.

Figure 1.1: Location and Map of Yangon



Source: Britannica and Google Maps

Dramatic shifts in the political landscape have brought about unprecedented

changes in Yangon at the local level. The number of foreign visitors has skyrocketed, leaving almost all local hotels fully booked and expensive. Investors flock to urban areas and scramble for space in good locations for their businesses. Many of them have also started to speculate in the housing market and engage in countless transactions and development deals; the real estate frenzy reached a peak in 2013, with housing prices growing by almost 100 percent from the previous year. The majority of urban households were priced out of low-income rental options and could no longer obtain housing at an affordable rate. The possible existences of a housing bubble has become a sensational topic in traditional and social media. Local people were worried about the large investors cashing out and exiting the market altogether, which would cause a ripple effect across the economy as a whole due to the downward pressure on prices. With new housing projects being launched every week, the quality of housing stock for the existing population has become a crucial concern among policymakers and politicians.

At the moment, Myanmar is at a crossroads, leaving behind its central command economy and marching toward a market-oriented economy. Given this important moment, it is crucial to examine the context-specific institutional arrangements needed to facilitate future development of its housing sector. In order to do so, it is necessary to develop an institutional understanding of the housing market in Yangon. Institutional perspectives gained from a study could help lay out both formal and informal rules of games to nudge norms in positive direction and enable the building industry to work efficiently. They could also feed valuable data and analysis into the policy-reform process and help establish a starting point for

collaborative relationships between the state and the private actors. At the same time, civil society could gain empirical knowledge from this study regarding land management practices and housing development strategies. This study could stimulate interest in young researchers and help break down barriers to conducting research within the context of urban planning.

1.2 Objectives of Research

This project is one of the first significant studies undertaken to develop an integrated perspective of urban development in Yangon, Myanmar. The primary objective of this research is to advance our understanding of the housing market from an institutional point of view. This study also aims to inform policy planning with respect to urban development through an analysis of housing transactions and land development. Specifically, this study examines the following four sets of research questions:

1) How could the larger institutional context be defined for urban development? In what political, legal, social and economic environments do market agents operate?

2) Demand: What is the procedure involved in carrying out housing transactions? What are key institutions and how do they shape the process of purchasing properties? How do homebuyers overcome institutional constraints and carry out feasible transactions?

3) Supply: What are the key mechanisms and driving forces that structure relations between institutions and the developers? How do they deal with constraints

imposed by the institutional framework when they attempt to implement development projects?

4) Demand: Is the demand for housing attributes found in Yangon representative of a housing market in a transition economy? Do people make rational decisions when carrying out housing transactions? What are the implicit values of housing characteristics? Supply: What are the prevailing norms and current practices among the developer community? How does the community cope with institutional shortcomings and forge its way to lucrative development deals? Which factors account for their productivity?

1.3 Organization of Dissertation

The dissertation is organized into nine chapters.

Chapter 1 introduces research problems in terms of research background, objectives of research, research questions and organization of dissertation.

Chapter 2 provides theoretical background and literature review from four areas of scholarship – economic sociology, institutional economics, property rights and property market. Gaps in the existing literature are identified.

Chapter 3 presents a discussion of a research design starting with theoretical perspectives and the overall research framework. Mixed-method design is employed to gain a comprehensive view of market phenomena. Different methodologies are triangulated and utilized to gather the relevant set of data and address each research question.

Chapter 4 presents the findings for the first set of research questions about the

institutional context of urban development in Yangon. Institutional context is discussed in terms of political, legal, social and economic sub-environments which envelope the market structure and influence the development patterns.

Chapter 5 focuses on the institutions of housing transactions to answer the second set of research questions. Analysis is organized along four steps in the process of acquiring housing - finding, negotiating, financing and titling. Emphasis is placed upon discussion of institutional factors that facilitate and complicate transactions.

Chapter 6 tackles the third set of questions and discusses institutions of housing development. The economic actions of developers are securitized to deduce institutional dimensions of development process. The ways they craft informal arrangements to bypass institutional constraints are thoroughly discussed.

Chapter 7 extends analysis into housing market through a quantitative approach. A hedonic price model is constructed to estimate the implicit values of housing characteristics. An original survey of developers is discussed to present the prevailing perceptions and trends of current practices. A regression model is also implemented to explore the relationship between the productivity of developers and other explanatory characteristics

Chapter 8 integrates the findings from earlier chapters and presents general models for transaction and development processes. A general framework for enabling and constraining aspects of market institutions is also developed.

Chapter 9 presents the conclusions drawn from findings of the overall study. Policy implications to the housing sector, reflections on research methodology and topics for future research are discussed.

Chapter 2: Literature Review

This research on institutions of the housing market touches upon a variety of literature. It particularly involves four areas of scholarship: economic sociology, institutional economics, property rights, and property development and market. In economic sociology, a great number of research studies explain the market phenomenon from the following three perspectives: social networks, fields or institutions and performativity. They not only tackle the resource dependence issues among actors, but also explore the role of social relationships in facilitating market activities. Literature in institutional economics improves the neoclassical view of markets by incorporating social and institutional constructs of the model. Within institutional economics, there are two strands of theories—new and old. Old institutional economics scrutinizes how institutions help minimize uncertainties and reduce transaction costs while the new institutional approach sheds light on bounded rationality and explicitly considers friction costs. Since property rights regime is one key component of institutional economics and an important aspect with regard to understanding housing market, related property rights literature is reviewed. Also, the effects of assignment of property rights on housing investment and community development are particularly discussed. Property development literature is also analyzed so as to gain a theoretical understanding of prominent models. The literature review reveals four major gaps in the existing research, which this study will attempt to bridge.

2.1 Economic Sociology

Important concepts related to the role of social institutions and cultural practices within the market stem from the field of economic sociology. Economic sociology refers to the study of the material conditions of life, and in particular, how they are produced and reproduced through social mechanisms such as power, norms and networks (Fligstein, 2001). Renowned scholars such as Max Weber, Harrison White, Neil Fligstein and Pierre Bourdieu among others made efforts to construct a theory of markets. Existing literature on the sociology of market could be divided into three groups, depending on which approach is applied when explaining the market phenomenon (Fourcade, 2007). The first camp refers to the concept of fields in observing how agents do not deviate from market conventions (Dobbin 1994; Fligstein 1990, 2001; Powell & DiMaggio 1991), while the second group uses network analysis and accounts for relational ties in supporting behaviors of markets (Burt 1992; Granovetter 1974, 2005; White 1981, 2002). The last stream of research focuses on performativity in regard to understanding the influence of technology, artifacts and calculative devices on markets (Beunza & Stark 2004, Callon 1998, Callon & Muniesa 2005, MacKenzie & Milo 2003, MacKenzie 2005). These views stand in contrast with the neoclassical perspective of markets, which operates without any social interactions (Lie, 1993).

Market activities take place when people have relevant skills, raw materials or money that is required for exchange with other people so as to acquire new goods or services. These exchanges can either be small transactions taking place between two people, or huge transactions comprising international trade of goods and services and

capital, along with the migration of people from/to the locations where labor is needed (Mugford et al., 2010). Max Weber has identified that the earliest type of market had a very unique sociological structure. In the far past, the earliest form of trade was performed through barter, and money was later used as a medium of payment to people outside one's own community. Markets then began to acquire a multifaceted social structure and required both political and legal regulation (Hall & Soskice, 2001). Internal markets, in contrast to external ones, are attributed to the fact that they are located within the community (Smelser, 2005). Community members in internal markets trade with one another and not just with foreigners. This signifies a dramatic change in the economic ethics as the use of a monetary medium further facilitated trade and increased the scope of goods and the services associated.

The institutional view of markets maintains that state policies dictate a range of acceptable behaviors of actors (Scott, 2008). Scott (2001, pp.53-57) identified three types of guidelines: regulative, normative and cultural-cognitive. Regulative guidelines are rules and sanctions, the normative ones focus on prescriptive and evaluative measures while cultural-cognitive guidelines refer to the perception of risks within a cultural context. These rules make up the social structures in which market agents operate and exert influence upon. The shift here is that actors do not just seek to maximize profits, but also stabilize their position in the market (Fligstein, 2001). The four different devices that facilitate structured exchange are property rights, governance structures, rules of exchange and conceptions of control. Understanding market as a field or institution is advanced by Bourdieu's concepts of field of action and habitus. Field of action is a social space where actors keep an eye on one another

and search for successful behavior (Dimaggio & Powell, 1983; White, 1981). At the same time, habitus turns actors into social agents in a collective environment and helps them deal with uncertainties.

The way agents physically assemble in one place at the local and regional level helps form the overall structure of the market. This organization leads to exchange opportunities and further competition among agents (Ingram et al, 2005). Capitalist economies are primarily comprising many markets that have different degrees of competition (Leyshon and Thrift, 2009). Although certain variation in competition can be attributed to the characteristics of the goods being marketed, the competitive aspect of market is created by a confluence of agents, quality of their good or services and the state policies. For instance, agricultural markets are usually much more competitive than those intended for luxury products, but the amount of transactions occurring within that sector is also dependent upon the regulatory support. Weber further pointed out that the economy achieves momentum when the satisfaction of wants emerges from exchange activities, which are driven by self-interest and co-operation of agents (Swedberg, 2005).

A market could be presented in many different forms as it may be designed, intentionally created, or even an unintended consequence (Grant and Vidler, 2003). Several research studies focus on the role of the Government within the market (Ranger-Moore et al, 1991, Dobbin & Dowd 2000, Fligstein 1990, Haveman & Rao 1997, Ingram & Rao 2004, Ingram et al. 2005). These studies highlight the regulative aspect of the Government as they have the power to create opportunities for actors, as well as establish constraints in markets. However, Beckert and Zafirovski note that the

state is not an essential condition for market to exist as seen in the cases of thriving illegal markets across the world (2013, p. 430). Some markets have formal regulations which are governed by the state, while others are self-regulating (Epstein, 2005). In self-regulating markets, agents play an active role in establishing their own rules and renegotiating their relationships with the state (Powell and Smith-Doerr, 2005). However, for a market to be fully functional, there should be price fluctuations which respond to the choices and decisions made by buyers and sellers (Karpik, 2010). There is also a need for some modification in the amount that is offered by sellers and that purchased by buyers as a response to price change. The level of economic activity in markets has differed widely among diverse societies.

A basic understanding of market as the exchange of market of goods or services presumes that the individual agent, who is the major decision maker, is external to self and their exchange relations with other agents are means of realizing goods. In a developing economy, which has a limited market scope and division of labor, agents participate in various types of interrelated transactions. Different agents strive to maximize utilities and exchange resources at prices that are most favorable to them (Lichbach and Seligman, 2010). For instance, landlords and tenants not only engage in transactions on the housing market, but also interact with other agents from the labor market, the credit market and the insurance one. On the other hand, in an economy with more integrated markets such as that of developed countries, transactions take place in diverse specialized markets among agents. Contracts that appear to be unprofitable at arm's length could become viable in interconnected transactions (Yongqin, 2013).

Resource dependence is another key area of concern in the sociological study of markets. Emerson (1962) explained that resource dependence occurs in an exchange when one side of exchange is more dependent on the goods or services exchanged than the other side. Dependent parties are less powerful in the negotiation process. Thus, they are vulnerable in regard to obeying the directives of the supplier or customer. Several scholars demonstrated that ownership linkages between powerful firms are capable of dictating the actions of subsidiaries in corporate world and financial industry (Lincoln et al, 1996; Burt 1980; Stuart et al, 1999). Therefore, resource dependency plays a key role in assigning power and structuring market relationships.

Understanding of markets, as outcomes of performance practices, is based upon the fact that actors are not just recipients of social structure, but they also shape the market (Kjellberg & Helgesson, 2007). There are three types of practices including exchange, normalizing and representation. Firstly, exchange practices facilitate cumulative processes and establish modes and agents of exchange (Callon & Muniesa, 2005). Secondly, normative practices are formal rules and regulations that shape the market activities, and finally, representations refer to market images and mental models which strengthen conventions and encourage concrete activities (Kjellberg & Helgesson, 2006, p. 843). Research on performativity of market emphasizes how state actors create markets and shape the behaviors of agents in order to fit the written regulations (MacKenzie, 2005; MacKenzie, Muniesa & Siu, 2007). MacKenzie (2005) argued that economic representations are not objective shots of a camera; rather they work as an engine to drive the market. He further defined performativity in three

aspects: generic, effective and Barnesian. Generic performativity implies that the intended outcome may or may not happen when actors use the economy theory and adjust prices. Effective scenario arises when the expected effects on the market take place, and finally, Barnesian performativity occurs when the market processes are adjusted to closely conform to the theoretical presentations.

One of the pioneers, Granovetter, argues that people are heavily embedded in cultural norms and their actions may not fall out of patterns (1985). His concept of “embeddedness” gained momentum in explaining the role of social relationships in economic life and subsequently led to the greater understanding of social networks. A network refers to a connected group of agents who make decisions on both production and consumption based on the acts of other agents within the same social setting (Biggart, 2002). Markets are perceived as a set of social networks that include the norms and values that are evident in their infrastructures, the participants’ actions and interactions (Machado, 2011). In addition, the behavior of economic actors could easily deviate from the courses of action that state-mandated rules stipulate. Many social groups founded on personal connections act as organizers of market-oriented economic behavior in accordance to informal norms that reflect the private expectations and individual interests (Potts et al, 2008). However, if norms are decoupled from state-mandated rules, there may be inefficient use of resources whenever the agents collude to secure resources from the Government. In all command economies, individuals and firms would usually seek to reduce shortages of the formal economy by opting to engage in black-market activities and barter trading (Nee and Opper, 2012).

For sociologists, market transactions are not the typical impersonal exchange portrayed in microeconomics textbook. They occur within the context of long-lasting, unfinished contracts, and in this regard, they are repeated, personalized and are based upon trust and confidence (Uzzi 1996; Yamigushi & Cook 1993, Biggart & Beamish, 2003). Trust becomes a significant mechanism for actors when they encounter a great deal of uncertainty in their day-to-day activities (Cheshire & Cook 2004; Kollock 1994, 1999). The long-standing contracts originate from continuous interactions and shared interest, which are improved by different forms of inferred cooperation (Antonelli and Amidei, 2011). Kollock (1999) stated that reputation particularly reduces resource dependence and enhances trust between agents. The transactions are facilitated by strong user-producer interactions whereby both parties work together to build trust and dissuade each other from cheating. By choosing to partner with someone reliable, actors could minimize risks and ensure their own long-run survival.

Social networks facilitate access to useful information, which in turn sustains the effective allocation of capital. Studies of market information focus on the financial industry. With quality information, a financial intermediary can identify the capital that would be required to achieve the returns wanted, while maintaining its capacity to face financial consequences of any unexpected events that could challenge its stability (Krippner, 2011). Banks usually take part in gathering and processing information concerning clients and markets. This allows them to manage and control various risks. Markets allow the agents to play a direct role in processing information to enhance the unbundling and reallocation of risks, as well as the effectual use of capital. Hence, banks and markets compete and supplement each other in economic intermediation.

This competition pressurizes individual agents to proficiently make use of capital that is at their disposal, and leads to a system-wide distribution of capital resources (Archer and Abdel, 2007).

Since trade is usually voluntary, the popular assumption is that trade only occurs when all agents engaging in it become better off. The major question is whether the economy reaches equilibrium through the behavior of arbitrating agents who take advantage of the opportunities created by disequilibrium (Lindblom, 2001).

Speculating agents can definitely engage in trade, not merely for their belief that their utility will increase by each trade as they expect complete a chain of trades. However, market agents are likely to resist trade if the costs of exchange are higher than the expected benefits. Some agents engage in exchange on the basis of bonding and bridging social capital. This is also defined as informal exchange in the succeeding, and the balance in monetary market exchange. Engaging in market transactions will require searching for partners of trade, and this involves costs. According to Markandya (2002), search costs carried out by one agent reduce the search costs by other agents—a fact that creates an externality. Particularly, agents who engage in property transactions would have to bear search costs but, at the same time, have access to a variety of housing units.

2.2 Institutional Economics

In theoretical economics, the simple definition of the term *market* is that of a situation in which a good or service is exchanged voluntarily and regularly among a large number of buyers and sellers (Lindblom, 2001). Within the context of land or

housing market, the main commodity that people exchange is not property, but the right to use property in a specific way. It is natural for people to establish a property rights regime to limit the range of available choices in decision-making (North, 1991). Therefore, land ownership principles have an impact on who is deemed fit to have a claim on the land. The way we value each other's use of land relative to our own also shapes our notions of social norms, which again determine the process of land development (Kim, 2002, p.11). On the other hand, *institutions*, which are socially constructed, play a vital role in reducing the risks involved in market transactions, since they can provide a stable structure to all agents (North, 1990). Many previous studies of land markets indicate that institutions have a significant impact on the behavior of individuals. They identified a complex set of motivations, which are reactions to more than just the price mechanisms and market characteristics. Since the roles of institutions are integral to the activation of market functions, there is a need to understand how they can be integrated into land market theories.

Property rights and preference ordering are two major issues that must be considered when attempting to understand the urban land market within an economy. Both concepts, which address who can own land and how its use is determined, are based on legal theory (Kim, 2002, p.12). Locke first theorized that it is a natural right to own property and that ownership is justified by the labor used to obtain the land, so that other people within the society can focus on productive efforts for the common good. Land market development is reinforced by monetary systems and urbanization patterns. People came to view land not only as a factor of production, but also as a commodity to be exchanged within the society. Similar to land, private property and

estates are also seen as a scientific form of claims and obligations which are enforced by a system of laws and courts (Hohfeld, 1923). The role of property rights is also envisioned as a mechanism to protect property owners from invasion or expropriation by others.

The market determines the order of individual preferences by means of price, while the price and the size of goods tend to be positively correlated, and the largest parcel of land would generally be tied to the highest price. It is argued that everyone acting in their best interest so as to create personal wealth will lead to greater national wealth (Smith, 1910). If everyone bids a price that he considers will give them the highest profit, the person who bids the highest price could most efficiently capitalize on the asset. Hence, everyone could maximize efficiency by closely matching what is wanted with what is affordable. In an ideal scenario where people can access a full range of choices and full information, everyone will be able to maximize their utility and choose the right amount of goods or services to purchase and produce, nothing more and nothing less (O'Sullivan, 1989).

One of the three theoretical streams that are relevant to the development of housing market theories is the traditional mainstream, or the neo-classical, economic theory. People in this camp believe that goods and services are produced and exchanged among agents who have complete knowledge, and whose tastes are exogenous to the market. These agents are also uninfluenced by informal and formal rules. Therefore, they have access to a full range of options to choose from in deciding whether to participate in the market. There is no friction when people make transactions. Hence, the only cost of exchanging goods or services is the price itself.

The amount of the transacted commodity and its price can be predicted if information on the demand curve, the supply curve, and the nature of the market is known.

Looking at the land market through the lens of the neo-classical model, two major shortcomings can be detected. First, mainstream economics ignores the roles of institutions because they argue that social or political factors cannot be integrated into testable economic land market theories. Neo-classical economists tend to present institutional dimensions as “a sort of *deus ex machina*: the failed prediction is attributed to the existence of a particular rule or practice” (Needham et al, 2011, p.164). Their existence is acknowledged as an anomaly in an ad hoc manner, so that the theory takes recognized institutions into account. Second, neoclassical thinking does not consider important aspects of the land’s location. Every piece of land has unique neighborhood characteristics, which have a major impact on the market’s functions. For instance, competition among suppliers would be restricted if the plots they are trying to sell are located in a poor neighborhood or near undesirable land uses.

In order to challenge the neoclassical model, institutional economics establishes a fundamental premise that there is no way to separate economics from the political and social systems in which it is deeply embedded. People in this camp oppose the idea that those acting in their best interests will lead to maximizing profit and unleashing market activity once legal norms are established to give them protection from expropriation. They argue that institutions, which are socially constructed, could place constraints upon human behavior and mediate economic transactions in significant ways (North, 1990). Social structures also determine the

level of production and transaction costs, which in turn define the range of the profitable and feasible choices in economic decision making (North, 1991). In certain ways, institutional economic thinking grounds the neoclassical economic model of “omniscient players engaging in the frictionless trade of homogenous widgets” (Kim, 2002, p. 34).

Institutional economics can be further categorized into old and new theories. On the one hand, old institutional economic theories focus on the interdependence of institutions and actors. This thinking is mainly derived from the Historical School, which “called for an inductive approach, in accordance with which the individual causes of any phenomenon are first investigated in order to provide the data for generalizations, so far as there can be any” (Hiemann, 1966, p.177). Thorstein Veblen was one of the leading figures in the field of old institutional economics. He used the notion of “conspicuous consumption” to argue that what a person demands is not determined in isolation, but is influenced by others and by prevailing customs and expectations (Veblen, 1899). Another important concept related to old institutional economics is the “institutionalized individual” or “cultural animal,” which means that human behavior is affected by specific situational contexts (Dequech, 2002).

The old institutional economic theories only explain the economic organization of market with reference to transaction costs. They do not necessarily challenge the classical assumptions about rational behaviors and tendency towards stable equilibrium. However, the strengths of old institutional economics are particularly relevant to land market theories. Ely came up with a social theory of private property and land, stating that “real estate is established and maintained for social purposes,”

and there is much historical evidence to support his statement (Ely, 1914, pp. 165).

However, the micro-oriented view of old institutional economics becomes its own weakness. Although a theoretical study focusing on a single land market could give a deep understanding of the market functions and predict possible effects of changes on their dynamics, the theory will not have much applicability to other problems. Land theories studied with this approach have been defined as “partial ones,” since they are not generalizable to markets in other segments (Needham et al, 2011, p.164).

Williamson coined the term “new institutional economics,” which has an underlying assumption that market operations have friction and transaction costs arise to prevent the market from functioning perfectly (Williamson, 1975). Institutions need to be in place to facilitate the exchange of commodities among agents, as well as reduce transaction costs within the economic systems. Proponents of new institutional economics still accept the traditional principles of the marginalism and deductive theory. However, institutional details are incorporated into the overly abstracted assumptions of standard neoclassical analysis (Needham et al, 2011). They attempt to go into detail and define the role of entities, such as the firm and the state, so that their understanding of the economic analysis can be applied in real-life problems on a large scale (Furubotn and Richter, 1991). Land market research with this approach places institutional explanations at the center of the study and looks at how market processes work (Alexander, 2001; Webster and Lai, 2003; Needham and deKam, 2004; Buitelaar, 2004; Jaffe, 2006).

Williamson suggested the following three fundamental problems that face economic actors: bounded rationality, opportunism and asset specificity (Williamson,

1975). Firstly, bounded rationality simply means that decision makers have limited rationality due to the different aspects of information, time and cognitive abilities. In most cases, people tend to make satisfactory decisions instead of looking for optimal outcomes. Secondly, opportunism alludes to the fact that agents have to make economic decisions in the face of asymmetric information and costly transactions. Therefore, they have an incentive to hide their true preferences and distort data, which could inhibit transactions if contracts are not enforced. Finally, asset specificity refers to the fact that some goods or services are more specialized or harder to deploy than others. Therefore, considerable costs are incurred by buyers and sellers since they need to find the right commodity and negotiate with each other. All three concepts could pose major problems to market functions. This is where institutions could come in and facilitate market transactions by providing information, mitigating risks and lowering transaction costs.

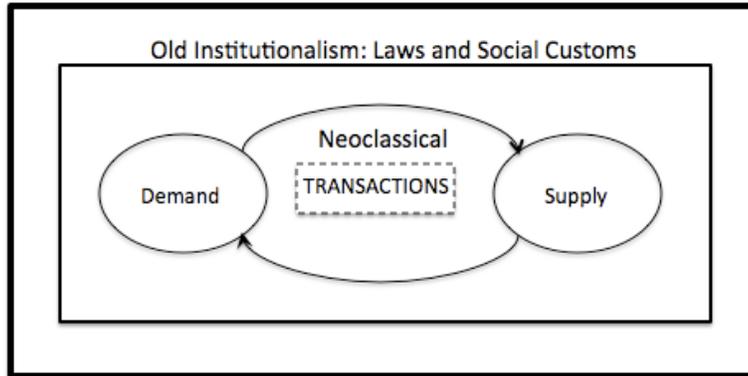
The notion of asset specificity presented by Williamson is particularly relevant to the land market. Like any other market, price mechanisms are used to conduct land transactions among buyers and sellers. Despite the many factors that can distort market functions, in an ideal state, changing market conditions should be continually reflected by land prices (Williamson, 1998). Players would then have incentives not only to optimize the type of land use on a particular site, but also locate complementary uses near each other for added benefits and shared costs. However, each parcel of land is a unique asset, because every site has its own locational attributes, such as neighborhood characteristics and proximity to urban amenities. High asset specificity could imply high transaction costs, which could be mediated by

efficient institutional arrangements. In particular, land market institutions could help identify owners, enforce property rights, disseminate market information, facilitate finance, support infrastructure development, train administrators and provide professional services.

One of the most important institutions for a land market is the property rights regime. One branch of institutional economics asserts that a system of ownership rules, established through norms and sanctions, could fix most market problems (Hart, 1995; Demsetz, 1995). Since systems of property rights dictate what resources are exchanged and what amount of control is given to the individuals, they help address some of the bounded rationality and opportunism problems. On the other hand, there is another group, within the new institutional economics, which does not like the idea of having property rights regimes as the only viable solution for the market (Kim, 2002). They promote a transaction cost approach, which focuses on the analysis of costs and risks that could impede efficient market transactions. “Transaction cost economics aims to identify the institutional arrangement that most efficiently assists transactions between agents in a changing environment” (Kim, 2002, p.28). Both the transaction cost approach and the property rights approach critique the neoclassical model and stress the need for institutions to assist with market transactions. The property rights approach helps provide information on the market and facilitates the risks involved in the transactions. However, it emphasizes ownership principles, and does not address other aspects of market operations.

Figure 2.1: Derivation of Theoretical Framework

New Institutionalism: Political Structure, Property Rights and Transaction Costs

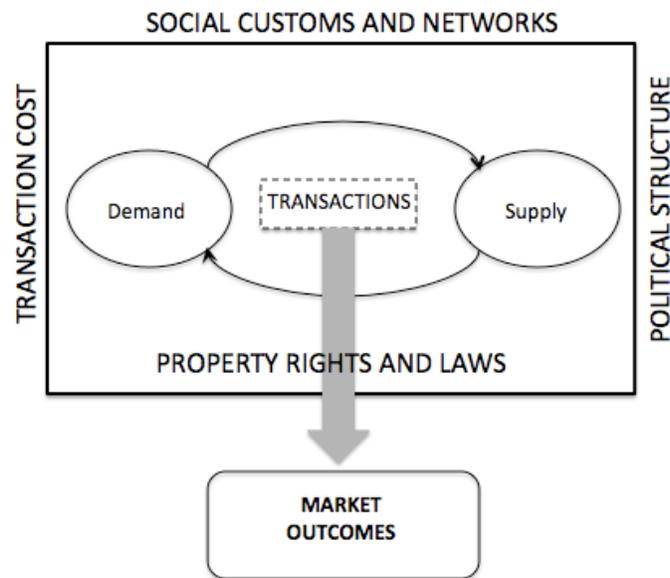


Literature in institutional economics shows that institutional factors affect the internal functions of land markets, thus controlling the outcomes of those markets.

Figure 2.1 summarizes what we have learned from three theoretical streams. At the center of the diagram is the interplay of demand and supply forces within a land market, which is the foundation of neoclassical thinking. With the development of understanding about institutions, this simplified economic activity is shaped by laws and social customs, which are key concepts of old institutional economics. What the school of new institutional economics adds to this framework are new dimensions of institutions, which include property rights, transaction costs and political structure.

The combination of all these four institutional factors leads to market transactions and then influences market outcomes (Figure 2.2). If we managed to understand any changes in these institutional variables, we would be able to predict the market outcomes and facilitate positive conditions for efficient performance of the market.

Figure 2.2: Theoretical Framework for Land Market Research



2.3 Property Rights

Property rights are commonly known as institutions, which place constraints upon human behavior and determine the cost of exchange and production, thereby defining the range of profitable and feasible economic choices (North 1991). Lack of property rights undermines tenure security because households with unclear titles are vulnerable to the loss of future income derived from their property. The occupants of dwellings, without formal titles, have a high risk of eviction. The first type of predation, common in a transitional economy, is the case of public predation, where government officials directly confiscate property from individuals. The second type is private predation, which implies the expropriation of property by other citizens. This can occur in a variety of forms, from attempting to seize property to dishonoring a property contract (Williamson & Kerekes 2011). Poor property rights regimes, which

fail to clearly delineate those who can enjoy the benefit of use, do not offer protection to owners, thus having significant effects on their housing investment decisions.

To dwellers, property rights are essentially a bundle of rights, which allows them to exercise the exclusive right to use, develop, consume, sell, mortgage, transfer, and exchange their possessions with other entities. If tenants feel that their rights are threatened, they will not invest in the property, because any improvement they make risks being expropriated. There will be no economic incentive for them to make an investment in long-term improvement, such as adding units or improving the existing structures. When tenants are assigned land titles, they realize that they have a formal claim on their land and thus cannot be evicted from their land without any compensation. This stability frees up the households to capitalize on their property by making investments in their houses and saving money in the long run. In some ways, an improvement in property rights means the internalization of externalities by protecting the owner's rights to pursue and retain their investment returns (Demsetz, 1967). As seen in many informal settlements, granting property rights to tenants has been one of the best ways to motivate them to upgrade their houses (Dowall & Clark 1991). In other words, removing such threats as eviction and expropriation can increase the subjective payoff from long-term investment and other productive activities.

Property with an unclear title has lower opportunity costs as the owner will have a limited range of improvements he can make and restricted access to the pool of potential buyers. The type and level of financing available will be limited at the same time, since land titles are commonly required as collateral for financing property

upgrades. The assignment of property rights will be likely to stimulate long-term and bigger investments instead of short-term and smaller ones (De Soto 2000).

Additionally, the land on which people live, without formal titles, is not usually zoned for complementary uses. In case of industrial pollution, the households would not be able to do anything to remove the undesirable surrounding uses of the land in order to have a positive impact on their property values. Their property values would decrease and the location would be undesirable to potential buyers. Granting property rights can mitigate this situation by enabling them to save money, sell the land title, and move to another residential neighborhood (Feder & Nishio, 1998; Trewin, 2011). Alternatively, a factory might have to shut down and move out of the community, because the assignment of property rights involves specifying who is responsible for the consequences of their actions.

Network externalities occur when the pure individual act of joining a network creates benefits for all the other participants in the network. Most of the network externalities associated with land titles could be identified as indirect externalities, since the land market does not function in the same way as physical two-way communication (Demsetz, 1967). In other words, the assignment of land titles will not directly benefit the existing titleholders, since they are not physically connected like telephone users. The holders of land titles can then be thought of as forming ‘a virtual network’ because they have close market relationships (Katz & Shapiro, 1994; Arthur 1989, 1990). A system related to the land market could be any combination of complementary goods or services, such as housing, transportation, access to credit, neighborhood improvement, and child education. Those who participate in the system

can be said to form a virtual network and add value to the overall externalities.

Private ownership also provides a means for collecting tax revenues to fund community-wide benefits, such as infrastructure improvements and public works building (Alchian, 1965). It also provides incentives for households to invest in community assets because these improvements will be capitalized in the value of the housing assets. Since a group of families knows that they are not moving anytime soon, they will start thinking about investing in their community. For example, having a park nearby could be an interesting option for the community members. This would not only offer a nice place for families and children to gather, but also present itself as a great amenity to be captured in their land values. Over time, the benefits of individual private ownership provide increasing returns to the dwellers seeking proper land titles and specializing in their productive skill sets through voluntary exchange. Improved tenure security will also pave the way to the development of entrepreneurship, capital accumulation, and investment that efficiently allocates scarce resources and ultimately facilitates a broader process of economic growth (Mises 1920; Hayek 1945).

The lack of land titles significantly hinders the pace of community development. One of the major barriers for land use in informal settlements is the high cost of the delivery of urban services and infrastructure (Durand-Lasserve & Selod 2008). Since tenure formalization identifies the beneficiary of services and secures land transactions, a simple state of clear ownership allows individuals and households to maximize the value of their land. Formalization also comes with better planning and administration, which could lower the cost of service provision and allows the

household to have easier access to a better quality of life (USAID, 2007). The efficient provision of services generates tax revenue for the city government, which can reinvest the funds in the development of land and other housing projects. Additionally, granting land titles improves market efficiency by reducing the uncertainty associated with transactions. The dwellers with titles will have more power to transfer use or ownership rights to their land and enjoy opportunities for trade gain with other community members. Furthermore, those who have lower productivity would have monetary incentives to transfer the land to those who are able to make more productive use of it. This would also improve the overall resource allocation, labor specialization, and create a broader process of economic growth.

Weak property rights induce undesirable effects in those neighborhoods, which are reflected in lower rent and sale prices. The land on which people live without formal titles is usually not zoned for complementary uses. Also, households suffering from industrial pollution would not be able to do anything to remove the undesirable surrounding uses of the land in order to have a positive impact on their property values. This is why once property rights are assigned people have a clear understanding of who is bearing gain and loss from such an arrangement. Ideally, this provides incentives for socially desirable land development. For example, if an owner knows that what he chooses to do with their land will affect its value, he will likely engage in cost-saving maintenance and entrepreneurial activity. In order to capitalize on the potential land value, owners would also have an incentive to invest in the type of land development that is of high demand within that particular neighborhood (Galini & Schargrodsky, 2010). Since land titles are associated with the responsibility

for any unlawful use of land, owners will be likely to follow land use regulations and engage in the environmentally sound usage of land. Titling would enable the informal settlements to be integrated into the formal market and encourage further healthy competition in the land market (Deininger & Feder 2005).

A variety of institutional mechanisms has been applied to govern common resources, including private property arrangements, public ownership, state management and others. One of the most important and common mechanisms is ‘common ownership and management’, which can be traced back to the practices used in ordinary households across the world. Variations in property rights regimes create different incentive structures among users, which leads to different outcomes in common resource management. Many scholars studying the commons have attempted to formulate the conditions under which users of resources cooperate to achieve efficient management (Ostrom 1990; Bland & Platteau 1996). Findings from these studies have been applied to changes in decentralization, privatization, and legal reform policies oriented towards the establishment of private property rights. These trends have an underlying assumption that the participation of communities and private actors through market-based principles and robust property rights regimes could lead to a more efficient outcome and steer the society towards a better future.

Given the recent environmental disasters and climate changes, people have started to pay more attention to the sustainability of common resources such as forests, pastures, water, and fisheries. The underlying cause of common resource problems is usually identified as weakly defined and enforced property rights. The major challenge with the public good and common ownership is that private users do not consider how

their decisions to consume will create social benefits and costs to the whole resource system (Ostrom, 1990). In most cases, markets cannot adequately produce socially desirable public goods which are difficult to price or assign properly. Without the implementation of certain policies to govern common sources, users would continue their harmful consumption patterns until sources are depleted. Theoretically, the depletion of the commons occurs when the aggregate short-term production levels are very high and the long-term investment levels are very low (Libecap 2009). Due to the lack of a price signal, which reflects true opportunity costs, users cannot bargain with one another and keep on exploiting the resource. This leads to the prevalence of free-riding problems associated with public goods.

Some theorists have illustrated that both formal and informal institutional arrangements significantly influence human behavior. Hardin (1982) suggested that one straightforward way to ameliorate the situation is to divide the resource and assign a portion to each user for exclusive use. Each user will then have an incentive to conserve his share since he will be the only person who has to bear the cost of over-consumption. Other theorists' arguments are drawn from the same work of property rights and institution theorists (Bates 1989; Knight 1992; Libecap 1990; North 1990). Focusing on the impact that informal norms have on human actions, they abstractly conceptualized property right institutions as sets of enforceable rules, which facilitate or constrain human behaviors. These rules can be designed to accommodate access, use, exclusion, and management, as well as the monitoring, sanctioning, and arbitration of the behavior of users with respect to specific common resources (Schlager & Ostrom 1992). Since these rules affect the governing patterns of use, they

have become the integral mechanisms through which policies are crafted to guide resource management work throughout the world (Alcian & Demsetz 1973; Furubotn & Pejovich 1974).

If there is no enforcement of property rights at the state level, communities have an incentive in creating an alternative system of institutions. The transformation of illegal dwellers into landowners is just one direct benefit of such legal institutions, since they can bring about several wider social benefits. Granting land titles can empower vulnerable groups, because individuals can earn dignity and respect as property owners and break free from constraining social relationships. They will no longer need to rely on other stakeholders who benefit from this informality and insecurity. At the same time, children, who usually serve as house sitters, will also have a chance to do labor work and provide additional income for the family. Several studies even suggest that land ownership improves the health of household members, as well as the education level of the children at home (Galiani and Schargrotsky 2004; Field 2003; Banerjee 2004). Land titles issued to women or couples jointly provide bargaining power to the former with regard to the family decision-making process. Improved tenure security also empowers the community to organize self-help projects and participate as partners in NGO-sponsored urban development projects (Deininger & Feder 2005). Overall, an improvement in the property rights system provides incentives for personal investment and better living conditions through public building programs.

Even if there are some titling programs set up at the state level, the households in the informal settlement should not just sit back and wait for implementation to

come to their neighborhood. A successful tenure formalization process requires active community participation at different stages of the process, ranging from mobilizing community support through to identifying cost recovery (Magigi & Majani, 2006; Imparato & Ruster 2003). Additionally, there have been several reports on the negative effects of tenure formalization (Durand-Lasserve & Selod 2008). Land titling specifically allows the owners of regularized plots to reap the majority of the capital gain, while the poorest households end up being evicted. Some households might not be able to cope with the formalization costs, as well as the cost of development imposed upon them. Tenure formalization could increase the rents and push some poor households to less desirable locations. The integration of an informal settlement into the land market could further marginalize some forms of informal arrangements, such as customary land tenure. Because of all of these unexpected outcomes, community ownership and group titling have been suggested as a viable alternative to the provision of private ownership. As long as such an arrangement is coupled with incremental upgrading, it will improve the tenure security and maintain the existing social cohesion (Boonyabanha 2005).

2.4 Property Development and Market

Key theories, related to property development and market, were developed in the 1970s, 1980s and the early 1990s. Scholars have used different theoretical, conceptual and analytical frameworks and explained development and market process in specific contexts. Land development process, in particular, has been studied and presented in the form of theoretical models. However, the models are rationalized with

diverse terminologies and are not generalizable to different situations. Gore & Nicholson (1991) and Healey (1991) have particularly provided a comprehensive review of these land development models. Both of them covered similar set of models developed between the 1970s and 1980s. Healey (1991), on the one hand, gave a more comprehensive overview and categorized these models into four types: equilibrium models, event-sequence models, agency models and structural models.

Equilibrium models are driven by demand and supply. Operationalization of this model is based upon the neo-classical economics and widely used in the real estate literature (Harvey, 1981; Fraser, 1984). They are helpful in explaining the development process for standard types of project in places where large development companies do not have influence upon the market activities. However, these equilibrium models fail to take into account different types of demand, non-economic interests of actors, uncertainty, distortions, and the complexity of the development process itself (Healey, 1991, p.223).

Event-sequence models describe development as a simple production process in multiple stages. Cadman and Austin-Crowe (1978) break down the development process into the following four events: evaluation, partition, implementation and disposal. Goodchild and Munton (1985) present development as a seven-stage procedure – setting up circumstances, purchasing land, preparing land, setting up development scheme, arranging finance, constructing and putting tenants. The major weakness with these models is that they greatly focus on potential bottlenecks in each activity and do not explain why the process takes place in a particular form (Healey, 1991, p.224).

Agency models emphasize the role and actions of development actors within the process. According to Craven (1969), Kaiser and Weiss (1970) and Drewett (1973), developers should be seen as catalysts for development since they assemble resources, put them into the production, create products and strategize to market them to the consumers. Incorporating a wider range of agents and roles, Bryant et al. (1982) started to propose linkages between the agency model and the event-sequence one. Goodchild and Munton (1985) particularly emphasize the relation between the three key roles of the developer, planner and landowner and the two events of identification and initiation. On the other hand, Barrett et al. (1978) proposed a model in which many types of agency could assume the role of developers, and the development process could take place within the context of demographic, economic and political change.

Structural models view the development process from the perspective of political economy. Ambrose (1986) portrays development as a product of power relations between the state, construction industry and finance sector. Ball (1983) argued that firms, with different organizational structure and interests to respond to economic and political context, drive the development industry. Boddy, a Marxist economist, (1981), argues that development is structured by industrial capital, commercial capital and interest-bearing capital. In the similar vein, Harvey (1985) showed that three circuits of capital affect the production process, and that the relationship between production, finance capital and the state is the key factor to the failure or success of the built environment.

Healey (1992) herself developed the most prominent model, a ‘structure-

agency' model, in the property development research (Figure 2.3). This model aims to understand the full complexity of events and agents involved in different types of a development process. Her model is made up of four components. Firstly, a mapping exercise would be conducted to explain the events in the production process of development project. Secondly, an analysis would be undertaken to identify the agencies, their roles and power relations. Thirdly, an assessment would be carried out to understand the strategies and interests of actors, as well as the resources, rules and ideas governing the development process. The last stage would be to theorize the nature of modes of production and regulations, as well as the relation between them. She applied her model to the development process in Hebburn Riverside and showed that the agents derive all necessary resources for the development from the financial system and the interrelation of supply and demand. Although Healey's influential way of thinking spawns off new research in property development, several critics have pointed out her work's shortcomings. Hooper (1992) argued that Healey's work failed to resolve the conflicts between claims for the construction of grand theory and goals to address local specificity. Guy and Hannebery (2000) pointed out that her analysis does not explain how the economic process frames market mechanism and development practice.

Figure 2.3: Healey’s Institutional Model

Roles in consumption 1. Material values: production, consumption, investment 2. Property Rights 3. Guardian of environmental quality		
Factors of Production Land Labor Capital	Events in the development process Identification of development opportunities / land assembly / Project Development / Site clearance / Acquisition of finance / Organization of construction / Organization of infrastructure / Marketing / Managing	Products/Outputs <i>In buildings</i> – material values, bundles of property rights, symbolic values <i>In production process</i> – profits, jobs, demand for related goods or services <i>Impact</i> – wider economic, political, environmental, sociocultural effects
Roles in production 1. Land: ownership rights, use/development rights 2. Labor: physical production, supplier organization 3. Capital: money, raw materials/machinery		

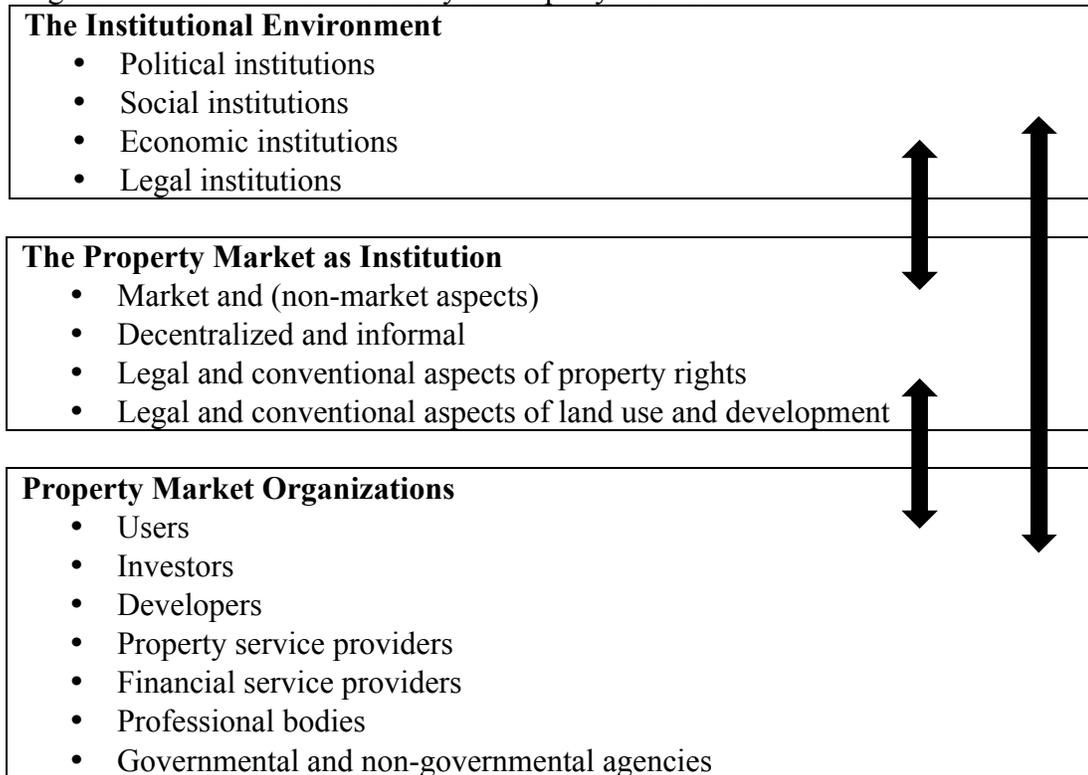
Source: Healey (1992, p. 42)

Another popular model known as the Structure of Building Provision (SOP) was proposed by Ball (1983, 1986, and 1998). ‘Structure’, here, means the network of relationships associated with the provision of building. Ball specifically refers to organizations and markets, which make up the structure of provision and shape each other in creating constraints and rules for the built environment. Each structure in different contexts has unique institutional and social relations, and there are dynamic changes within each structure instigated by market forces, technology, tastes, policies and other factors. SOP is not a theory of explanation but rather provides a great methodological tool to integrate institutions into the analysis of the development process. Ball (1998, p.1514) explicitly argued, “Contingent contexts are the core of the SOP approach. Defining what a SOP is has to be treated... Which institutions and relations should be included, and which distinctions are unimportant and can be ignored, depend on the questions being asked.” However, Guy and Henneberry (2000)

criticized that the SOP does not address “what shapes what” since Ball maintained a clear distinction between economic and social spheres. They argued that the interrelated aspects could be the drivers of the process as opposed to explaining from a single perspective.

Guided by the economic Transaction-Cost Theory (TCT), Alexander (2001) suggested the transaction cost model to analyze the government intervention in the production of built environment. The main argument is that assignment and enforcement of property rights in land are essential for the efficient operation of markets. First, it is important to conduct an institutional analysis by tracing relevant transactions, identifying relevant parties and analyzing key transaction dimensions. Alexander primarily referred to transaction as the unit of analysis and focused on transaction costs, which affect land purchase, financing, development, disposition, construction and property transfer. Costs exist because market agents have to encounter a variety of hazards stemming from bounded rationality, uncertainty, opportunism and others. He claimed that the Government’s administrative support is the best way to minimize uncertainties and lower transaction costs. There are several types of planning that could help modify the market information – indicative planning, developmental planning and regulative planning. For property market, a detailed institutional and transaction analysis is required to identify the best form of governance to manage the land development process.

Figure 2.4: Institutional Hierarchy of Property Markets



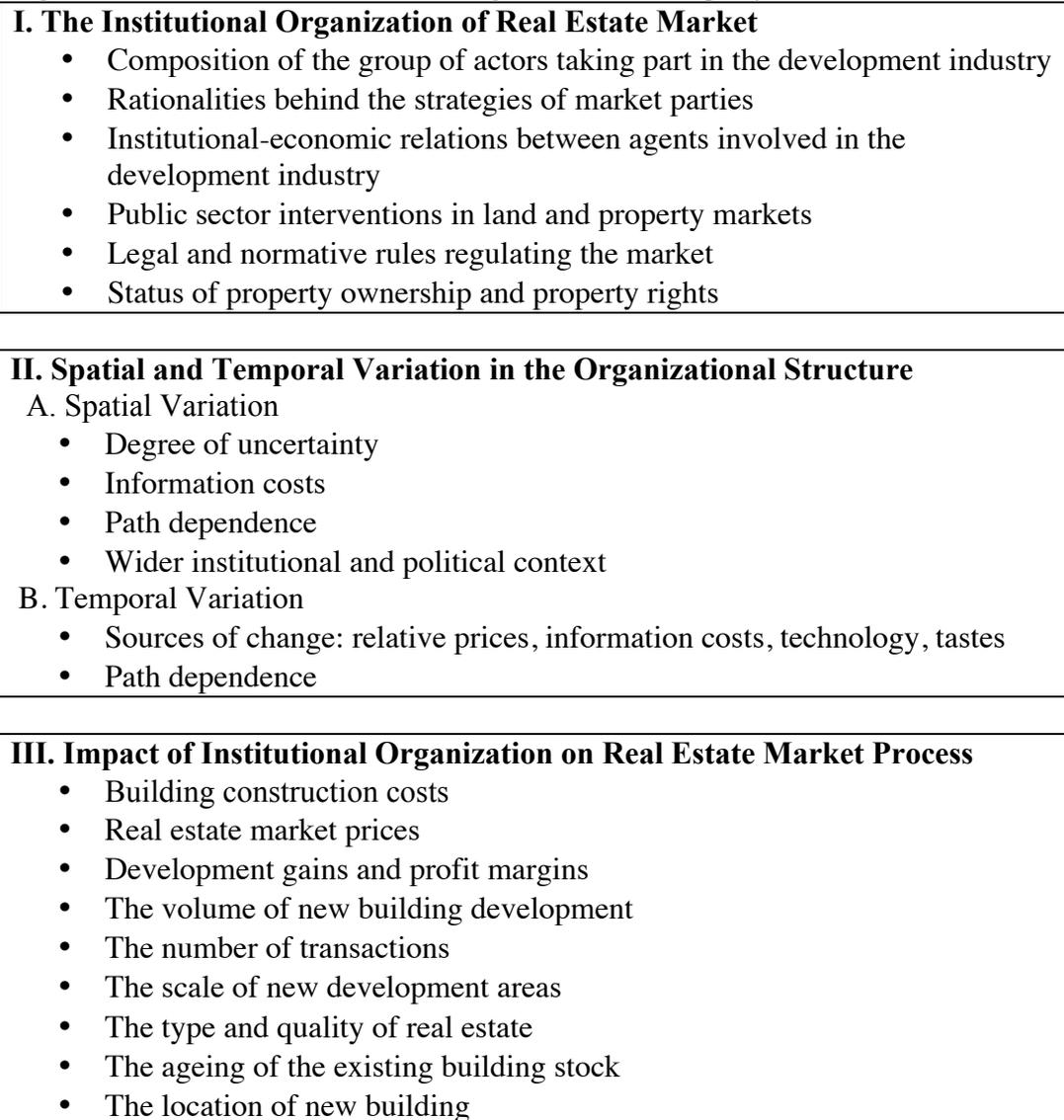
Source: Keogh and D' Archy (1999, p. 2047)

The property market has been studied from an institutional perspective. Keogh and D' Archy (1999) developed a hierarchical institutional framework to analyze property market (Figure 2.4). At the top level, the political, social, economic and legal rule and conventions shape the market. At the middle level, the market operates as an institution, which is driven by legal and conventional aspects of property rights and land use. Finally and at the bottom level, there are several market actors and organizations that define and change the structure of the market. All levels are linked to one another and go through dynamic changes in response to external shocks and actions. One important point raised in their research is that the market does not just allocate resources and determine values; rather it is interactively shaped by the

economic activities of agents. In order to properly assess the property market, the institutional approach makes it possible to investigate the environment and mechanism that directly affect the bounded efficiency. It also offers an understanding that not all social groups equally benefit from existing institutional arrangements, as there will be winners and losers. The framework also helps differentiate changes that are only feasible on paper from those that are socially and culturally acceptable.

Krabben (1995) proposed another conceptual model to explain the spatial and urban dynamics of the real estate development process. According to Krabben and Beokema (1994) and Krabben and Lambooy (1993), Healey's institutional model failed to explain the institutional elements in dynamic forms as well as the local differences in property development. Krabben applied the concept of path dependence and institutional change (North, 1990) and the social character of market (Hodgson, 1998) to the process. He presented a more comprehensive model by integrating the temporal and spatial variations into the institutional organization of real estate market (Figure 2.5). There are five major arguments raised in his research - 1) uncertainty and information asymmetry have a huge impact on the decisions of market agents, 2) actors with different interests and strategies influence the outcome of local development processes, 3) various informal rules, such as norms, trust and habits, shape the individual behavior and decision-making, 4) institutional changes in the organization of the real estate market lead to new relations within the market and strategies among actors, policies in the public sector, changes in development costs and market prices, and 5) taking the path dependency into consideration is essential to understanding the process of development activities.

Figure 2.5: Krabben's Institutional Organization of Property Market



Source: Krabben (1995, p. 86)

2.5 Research Gaps

One of the gaps in the existing literature is that issues related to demand and supply are rarely addressed at the same time. Thus, the understanding of the market is skewed. Although the goal of most related studies has been to develop the functional market, they have significantly focused on the role of the state. Most studies pay more

attention to how states should modify market outcomes by establishing a property rights regime or tenure formalization process. Our understanding of the role of market actors within the urban planning context is limited, since very few studies have touched on its role and contribution to the housing sector. Even those studies that have shed light on private market agents tended to demonstrate bias, since they have only focused on the producers on the supply side of the market. However, the issues on both sides of the economic environment need to be explored and the way institutional mechanisms work in the whole market system should be deciphered, because all agents have to deal with the same political, legal, and social structures. A balanced view of land markets is particularly important if we need to understand how our research on market institutions can contribute to the transition policy programs that are primarily concerned with eliminating market imperfections and failures to increase operating efficiency.

The second gap lies within new institutionalism, which is not an integrated intellectual enterprise. The five key dimensions of new institutionalism include (1) power and political interests, (2) property rights and law, (3) social norms, (4) social networks, and (5) transaction costs (Kim, 2002). It has been problematic to determine how to unify these separate, yet related, streams of institutionalism literature. The first three factors—political structure, legal structure, and social norms—exist at the macro-level, since they make up the institutional environment in which all market agents must operate. The two micro-level factors—social networks and transaction cost minimizing arrangements—play out within personal relationships and agent activities. The main issue that arises with these separate lenses is that most studies

present an incomplete nature of inquiry, as they look at only aspects of institutions and explain their field-specific issues. For instance, power is the major area of interest for political scientists in explaining international treaties, while social networks offer the institutional lens commonly used to examine organizational conflicts and struggles. A unified framework would give us a more thorough and complete understanding of how these institutional factors work together to support market activities.

The third gap is related to the dearth of contemporary property market literature that focuses on the methodological application of institutions. This shortage is due to the traditional ad hoc way that the role of institutions is introduced in the scholarship, which happens only if the outcome does not correspond with the prediction. Minimal research has placed institutional explanations at the center of their analyses and considered how market processes work. Specifically, only two major studies appear to have attempted to tie institutional factors to actual land market mechanisms. First, Kim (2002) carried out the most comprehensive study on the role of institutions in the development of the land market in Vietnam. She discovered that several institutional factors joined together and coalesced into a development-friendly environment: the social norm of being open to making new relationships created an institutional arrangement for making business transactions feasible, while the vast social networks helped spread information and referrals to promote engagement in market activities. However, Kim's work focused almost exclusively on the functions of large private firms and left out the demand side of the market. Second, Needham, Segeren, and Buitelaar (2009) explored new ways of theorizing land markets by taking institutional factors into account. Based on the insights from institutional economics,

they developed a theoretical framework and applied it to the Dutch land market. They concluded that a partial theory about the particular market segment that incorporates the effect of institutions does a more accurate job of explaining the phenomenon and arriving at policy recommendations than a general sweeping theory does. However, this study stands on more theoretical ground than practical ground. The researchers placed tremendous emphasis on the effects of legal structures and completely neglected the role of social networks in mediating business transactions.

The fourth gap is the lack of Myanmar-related robust social science research. Since the previous secretive government neither promoted the culture of research at the university level nor welcomed foreign scholars to conduct research within the country, there is a severe paucity of professional urban planners and few research studies on urban development. Since the land market operates at the very local level, the lack of research on the planning process creates more challenging barriers for researchers. This restricted research environment has been exacerbated by a sense of fear among the majority of the Burmese people, who are never exposed to any type of academic inquiry. At the moment, Myanmar is at a crossroads, leaving behind its central command economy and marching toward a market-oriented economy. Given this important timing, it is crucial to examine the context-specific institutional arrangement needed to facilitate future development. This study will feed valuable data and analysis into the policy-reform process and help establish a starting point for collaborative relationships between the state and the private sector. Civil society will also gain empirical knowledge regarding land management practices and housing development strategies.

SUMMARY

The review of related literature from four areas of scholarship—economic sociology, institutional economics, property rights and property development and market—yields a wealth of theoretical insights into understanding the role of institutions in housing market. Economic sociology explains that social constructs, such as trust, norms, rules, and ties, mediate economic transactions in significant ways. Institutional economics argues that every exchange is associated with transaction costs and institutional factors could also affect them and influence the internal functions of market agents. One of the traditional institutions, which is the property rights regime, has important implication for the stimulation of an economy since secure titles could reduce the risks of eviction and positively affect investment decisions. At the same time, the property market literature reveals that a multi-stage development process is intertwined with institutional factors and agents have dynamic relationships with market institutions. Generally, there are four major gaps in the existing literature. A balanced view of market is rarely maintained as most studies focus on the role of government in modifying market outcomes. Institutional understanding of the market is fragmented as scholars use different theoretical lenses to study the market phenomenon. Additionally, severe paucity of contemporary property market literature and social science research in the Burmese context adds much more compelling reasons as to why it is worthwhile to pursue this research project.

Chapter 3: Research Design

As in many contexts of developing countries, the range of data available in Yangon is both limited and of relatively poor quality. Crafting a strategic research design is paramount not only in obtaining relevant information, but also in gaining an understanding of how institutional factors shape the housing market. This chapter looks at several important issues with regard to choosing the research methodologies used in this study. The content could be divided into three parts. Firstly, the way the epistemological standpoints (i.e. constructivist and pragmatic) influenced the overall structure of the research plan has been explained. Secondly, a sequential mixed-method design has been presented and the ways in which it could assist in coming up with a comprehensive analysis of market phenomenon has been justified. Thirdly, different methodologies were selected to answer each set of research questions. These include library and archival research, key information interviews, a hedonic model analysis and survey research.

3.1 Theoretical Perspectives

This research study is guided by the constructivist and pragmatic epistemologies, which in turn influence the inquiry strategies presented and the specific research methods that have been selected for this dissertation. First, as a constructivist researcher, I am interested in the institutions of the housing market in Myanmar, which is governed by several multifaceted aspects varying from social and political through to economic factors. Since I am particularly concerned with the

process of transacting and developing housing, my main focus on the specific context, which is Yangon's institutional environment in this case, allows me to fully understand the socially constructed rules and norms that guide the lives of market agents. Since Myanmar's urban transition is new and barely researched in the literature, it is appropriate to adopt the constructivist perspective to both explore and learn about the changing environment as much as possible. Having asked open-ended questions allowed me to listen to diverse narratives of individuals and capture the complexity of their views. This constructivist approach particularly helps me infer subjective meanings of their experiences in dealing with and overcoming different institutional constraints.

Pragmatic assumptions match up perfectly with the purpose of this research. This position will provide an overarching concept around which I can employ multiple theoretical perspectives in my quest to acquire integrated knowledge of the urban development in Myanmar. Committing to one kind of philosophy would undermine the very purpose of my research and limit my understanding of the situation. However, on the other hand, employing a mix of assumptions will allow me to neutralize the biases inherent in each position and gain a balanced and comprehensive understanding of the full picture. Similarly, I believe that neither the qualitative nor the quantitative method has the upper hand, since each approach has its own advantages and weaknesses. The most important thing is the research problem at hand, and, when engaging in research, we should feel free to draw on available methodological approaches, which, without doubt, can help us understand the problem. Selecting and mixing different methods can also assist in giving a greater overall impact to a study

compared to both qualitative and quantitative research.

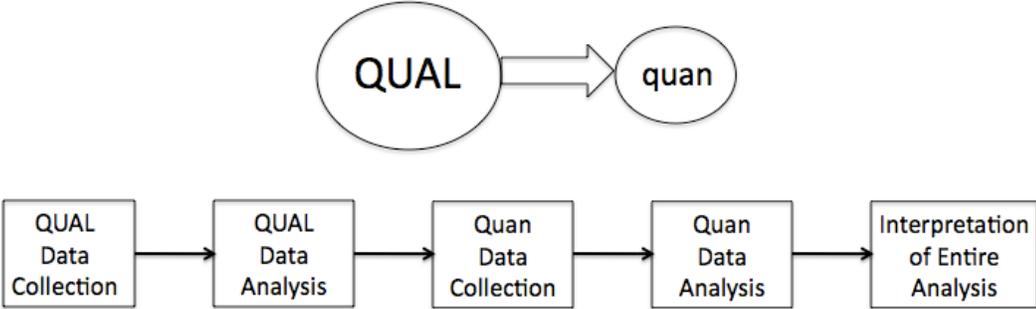
As a pragmatist, I believe that we need not seek the absolute truth or objective reality; rather, we should only be guided by practical experience and observation. This pragmatic paradigm allows me to place emphasis on the actions, situations and consequences relating to my inquiry. Instead of focusing on antecedent conditions, I am more interested in analyzing applications and coming up with solutions to the research problem. In other words, I would like to figure out how to explain the meaning of a phenomenon comprehensively and justify new findings about it. Based on those findings, I would like to strive for ways to improve situations through policy recommendations or learning lessons that will be of benefit to future generations. One of my objectives in this thesis is to provide policy recommendations for housing market reforms, in the context of Myanmar where many supposed market fundamentals are currently missing. Generating this new knowledge will require an analysis of diverse sets of data, and alternating between specific results and their general implications.

3.2 Research Design

My study employs a sequential mixed-method design, which aims to achieve a broader perspective of the housing market in Yangon (Figure 3.1). By triangulating data sources, I employ mixed methodologies and combine the strength of each approach so as to provide a comprehensive analysis of the research problem. The first phase of qualitative data collection and analysis was followed by the second phase of quantitative data collection and analysis, which builds on the results of the former. I

combine the data and develop instruments between the qualitative data analysis and the quantitative data collection.

Figure 3.1: Sequential Exploratory Design



Although my research design is composed of mixed methods, it is predominantly qualitative. The larger qualitative study conducted on the institutional context of Yangon and the experiences of market agents is reinforced by quantitative data and the results from the hedonic analysis and the survey research on the larger number of development firms. Therefore, the research strategy is implemented in such a way that the primary qualitative method guides the project and builds to the secondary quantitative approach. Priority is given to the qualitative information, from which I generate themes about the experiences and actions of both developers and homebuyers, while the results of the primary method help develop instruments and contribute to the secondary survey method. This sequential approach is particularly useful to my study since I was uncertain about which instruments were important and needed to be tested quantitatively. Furthermore, this strategy allows me to effectively explore a market phenomenon initially and expand upon the narratives of market agents.

3.3 Research Methodologies

My research design incorporates multiple types of qualitative and quantitative data, which combine to portray a fully complete picture of institutions of Yangon's housing market. I gathered these data during my stay in Yangon between May 2013 and August 2014, with frequent visits to key informants and project sites. Since I was well aware of the severity of data limitation, I worked to generate my own primary data, chiefly through library and archival research, semi-structured interviews, as well as a survey.

3.3.1 Qualitative Approach

Question Set 1: Library and Archival Research

How could the larger institutional context be defined for urban development? In what political, legal, social and economic environments do market agents operate?

The institutional context of urban development should be understood as an environment made up of social, legal, political and economic forces, which shape the base and rules of interactions among individuals. I plan to utilize the secondary data analysis to investigate the institutional dimensions of urbanization and land use in Myanmar. This particular part in the study is important as the country itself is relatively unknown in the academic world, and not many reports are available on the institutions of urban transition in Myanmar. It is also necessary to both define and understand the larger institutional framework in which communities are embedded prior to looking into the economic actions of market agents at the individual level.

I have made extensive use of libraries in Myanmar and the United States. The National Library of Myanmar, in particular, was highly important for my study; its holdings included volumes on the history of the country, as well as development post-independence. I have also visited the archives in Yangon, including the National Library's newspaper and periodical archive, the State Archives of Yangon, and the library of Yangon University. In addition, I have utilized the outstanding Southeast Asia Program collection at Cornell University. I have had access to several development reports from prestigious organizations such as the United Nations, the World Health Organization, and UN-Habitat. I have also kept a close eye on the weekly publications of real estate journals and magazines to stay abreast of the latest market trends and news about development deals. Furthermore, I have obtained related data from a variety of sources, including public and private firms in the industry, households, land brokers, real estate agents, property lawyers, local banks, and government officials at all levels.

Question Set 2 and 3: Semi-structured Interviews

Demand: What is the procedure involved in carrying out housing transactions? What are key institutions and how do they shape the process of purchasing properties? How do homebuyers overcome institutional constraints and carry out feasible transactions?

Supply: What are the key mechanisms and driving forces that structure relations between institutions and the developers? How do they deal with constraints imposed by the institutional framework when they attempt to implement development projects?

I have used semi-structured interviews to garner qualitative data in order to

address the second and third set of questions on institutional factors that shape the process of acquiring and developing housing. Purposeful, in-depth conversation was an effective way to glean information about individual activities and perceptions, which, in turn, allowed me to gain detailed insights into development and transaction issues from the perspective of the participants themselves. I was also able to get detailed information on a variety of inter-linkages and institutional arrangements, which market agents create in order to minimize risks and transaction costs. This exploratory method helped me not only understand how these market agents deal with the current institutional framework but also detect other important issues that I might not have anticipated before.

My qualitative approach to understanding the institutions of the housing market is influenced by Kim (2002). She conducted a thorough analysis of the institutions that support the activities of private development firms in Vietnam. However, there are fundamental differences between her ideas and mine in regard to the application of institutions. The focus of observation was entirely different as she studied large-scale development firms, whereas I was more concerned with small and medium-scale household developers. Kim identified four key areas of the development process and completely overlooked the implementation phase, which was taken into consideration in my study. Likewise, she solely focused on housing development and left out the issues related to the demand side of the market. On the other hand, I looked into institutional factors of housing transactions and maintained a more balanced and objective perspective, which proved to be more effective in assessing the emergence of market phenomenon in a given developing country.

Key Actions of Agents

For a typical housing market, the most important agents on the demand side are homebuyers, whereas on the supply side, the most important ones are developers. The market operates in a way that requires many tasks and decision-making processes on the part of these agents. An efficient market should have a minimal amount of friction, which can prevent homebuyers from purchasing housing units and developers from supplying an adequate amount of housing stock. In order to successfully carry out transactions and developments, both aforementioned parties encounter a series of actions. Four key actions can be identified on the demand side and five key steps are observed to be critical for suppliers (Table 3.1). These areas are essential for the supply and demand forces and the stimulation of the market as a whole. These are also key issues, since all agents have to accomplish all steps in order to buy a house legally or to carry out a land-development project successfully. Failing to pass a certain step will stall one’s efforts in the transaction and stop them from moving to the next phase of the deal.

Table 3.1: Key Economic Actions for Development of Land Market

<p>Key Actions on Demand Side</p> <ul style="list-style-type: none"> 1) Finding the house/land 2) Negotiating market price 3) Financing the house/land 4) Obtaining a title 	<p>Key Actions on Supply Side</p> <ul style="list-style-type: none"> 1) Finding the land 2) Negotiating price for compensation 3) Financing the project 4) Processing permits and approvals 5) Implementing the project
<p>Macro-level Institutions: Politics, Laws and Social Norms Micro-level Institutions: Social Networks and Institutional Arrangement</p>	

As mentioned in the literature review section, there are five institutional lenses:

- 1) power and political relationship
- 2) laws and policies
- 3) social norms
- 4) social

networks and 5) transaction cost-minimizing institutional arrangements. The first three factors operate at the macro level while the last two work at the micro level. Politics, laws and social norms particularly make up the institutional environment in which agents have to operate. At the micro level, agents utilize social networks and informal arrangements to minimize transaction costs and bypass challenges. I have used the comparative analysis of these two institutional frameworks and applied them to each key economic action on both the demand and supply sides of the market. I have also attempted to examine how institutional factors shape the key actions of economic agents and how agents, in turn, deal with the presented constraints.

Demand Agents - Homebuyers

Since my plan was to carry out an institutional analysis of the housing market, I had to carefully choose those agents who are key drivers of the unfolding market phenomenon. With regard to homebuyers, there are many sub-groups of agents within the market, purchasing and selling properties of various quality grades. Yangon's property market could be generally categorized into three property classes (Table 3.2). In the local context, the building that has an elevator is considered a condominium. It tends to have more than seven stories, and its units demand a lot higher premium price than the regular apartments. According to my personal observations, Class B properties make up about 80% of the ongoing housing transactions, which could be further segmented into several subclasses with a combination of different characteristics. I have also checked and confirmed the validity of this typology with key informants associated with housing transactions such as real estate brokers,

lawyers, building officials, as well as the cases themselves. In regard to my study, I have targeted homebuyers, who had purchased Class B properties over the past 2 years and since 2010.

Table 3.2: Property Classes

Class	Price Range (\$)	Type	Market	Quality
A	90,000-200,000	Condo; Apart	15%	High
B	30,000-90,000	Apart	80%	Medium
C	10,000-30,000	Apart; Afford House; Hut	5%	Low

Table 3.3: List of Homebuyers Interviewed

Buyer #	Township	Type
1	Tamwe	Pre-sale
2	Yankin	Apartment
3	Thaketa	Apartment
X1	Bahan	Pre-sale
4	Botataung	Pre-sale
5	Latha	Pre-sale
6	Lanmadaw	Apartment
X2	Insein	Apartment
7	Maugone	Apartment
8	Ahlonge	Apartment
9	Sanchaung	Pre-sale
10	Pazundaung	Apartment
11	Bahan	Apartment
12	Yankin	Apartment

After I had developed some parameters about the subgroup of homebuyers, I chose certain appropriate cases to represent this group. Using a snowball sampling method, I selected twelve homebuyers who successfully transacted Class B properties (Table 3.3). When choosing these homebuyers, I first secured relevant information from my own social networks through relatives and friends, and asked them to put me in touch with eligible individuals from that particular segment of the market. I asked for referrals from the interviewees and requested them to relay my interest in meeting with other homebuyers they are acquainted with. I purposely sampled the suggested

interviewees in order to produce as much variance as possible in terms of the age and gender of homebuyers, as well as the value, location and type of properties bought. As a point of reference, I have also examined two property buyers, whose deals fell apart along their way to closing the deals. These two individuals helped me clearly see the differences between those who know their way around the risky process of purchasing housing and those who do not.

Next, I conducted one-hour, on-site, in-depth interviews with them to gather different types of information about housing transactions. My strategy for these interviews was to start with a broad and stimulating question and then move on to narrowly focused questions so that informants could feel free responding to my requests, and also so that I could follow up with specific questions on some of the details that they had offered. I had prepared an interview guide in advance by brainstorming questions and organizing them along four key actions of homebuyers. Firstly, I tried to build up initial rapport with the informants. I made sure I explained the reason why I was interviewing them in the first place and asked them basic factual questions about themselves, their work and family. Then, I started asking about the neighborhood, as well as units in terms of physical characteristics, desirable attributes and property value. Next, I systemically retraced the process of transacting housing unit step by step and asked more detailed questions on how each phase was carried out. During the interview, I let my informants go any direction they wanted with the conversation. This allowed me to discover many surprising details about their resourcefulness and creativity in purchasing properties. To avoid biased answers, I made sure my questions would neither lead them nor specify the subject matter I was

looking forward to getting from them. I phrased all my questions in an open-ended way and made sure they were all clear and straightforward.

Supply Agents - Developers

Picking the right sub-group of developer is essential for my quest to understand the institutional dimensions of housing development. The developers in Yangon could be found in the form of small-scale household developers, medium-scale developers, who might be independent or operate within a firm, and large-scale developers, who are usually attached to their own large firms (Table 3.4). In this study, I decided to focus on small and medium-scale developers because the product type that they produce is the most commonly transacted and exchanged among homebuyers. Small developers usually start out as general contractors for individual houses and transition into full-fledged developers once they have access to enough capital for the comprehensive development activities. Experienced developers set up their own office, employ full-time employees and operate within informal firms. Both household developers and medium-scale ones, which make up for the majority of the developer population, are the backbone of housing supply in Yangon.

Table 3.4: Developer Type

Scale	#Employees	Existence	Products
Large	>8	Formal firms	Condo; High-end Apt
Medium	3-7	Household; informal/formal firms	Apart; Serviced Lots & Houses
Small	1-2	Household; informal firms	Apart; Serviced Lots & Houses

Table 3.5: List of Developers Interviewed

Developer #	Township
1	Yankin
2	Thaketa

3	Tamwe
X1	Kyaukdata
4	Botataung
5	Pazundaung
6	Bahan
X2	Latha
7	Lanamdaw
8	Ahlone
9	Insein
10	Pabedan
11	Sanchaung
12	Dagon

Based on the criteria I had developed about the sub-group of developers to study, I selected twelve appropriate cases to represent this sub-group (Table 3.5). Moreover, I utilized extensive networks of my friends, relatives and former colleagues to build up a pool of informants. Through a snowball sampling approach, I managed to contact other developers through referrals from my key informants. When choosing these developers, I made sure they were diverse across the range of characteristics. I purposely sampled them to get a great variety in terms of age, gender, location and work experience of the developer. As a point of reference, I also interviewed two developers, who had run-ins with the regulations in the past. Inclusion of these two individuals in the sample helped me to identify the major differences in responses of productive and stagnant agents to the existing institutions.

Throughout the interview, I established a close relationship with the developers by visiting their offices and project sites on a regular basis. As an academic, it was relatively easy for me to connect with them since they had expressed a huge amount of interest in learning about housing market through my research. I not only acted as an informal consultant for their businesses, but also worked as a colleague to share useful

information about vague regulations and laws. When conducting interviews, I retraced the five key stages involved in the process of developing housings. Firstly, I asked them basic questions about their business, background, and projects they had implemented so far. I then referred to my interview guide and systematically asked open-ended questions about their development activities. However, I tried not to restrict the direction of the conversations I had with my informants since my intention was to allow them to unreservedly express the development process from their own perspective. Only when certain issues need to be clarified did I follow up with more focused questions. This exploratory interview approach allowed me to capture the complexity of both their experience and richness of their interaction with institutional factors.

In addition to completing my training on conducting ethical research using human participants, I had my research plan reviewed and approved by the on-campus Institutional Review Board (IRB). An *informed consent form* was developed for the informants to sign before they engaged in my research, to ensure that their rights were protected. I actively took notes during conversations and recorded all interviews on a voice recorder. As a result, at the end of these meetings, I was able to obtain a large quantity of interview notes. I used a traditional hands-on approach in coding the data, opting to store all of my data in Word and Excel as I started organizing and coding. I also kept multiple copies of my data and notes from my observations, on which I could easily highlight, label and scribble my thoughts in the margin. I then combed through all of these and used them in order to collate the myriad of notes I had obtained. I then further refined my data by sorting it into themes and patterns as they

emerged. I later moved on to the analysis stage, with the goal to understand how each agent progressed through the transaction process and identify specific institutional factors that shaped their actions.

The snow-ball sampling method I used in this study has several limitations. It is necessary to note that I may have oversampled the group of informants representing the same socio-economic class as mine and who were part of my network. Although I ensured that the informants came from different backgrounds and had diverse characteristics, the sample I obtained through referrals might share a strong similarity in traits and possibly represent a small subgroup of the entire population. Since the majority of the local population including those in my network are Buddhist, the sample I have drawn is made up entirely of Buddhists. This means that members of other religious groups, such as Muslims and Christians, might have different experiences when they try to buy land or housing from Buddhist sellers. Given the recent communal tensions between Muslims and Buddhists, I believe the former operate within their own networks and utilize different ways to overcome the several unique challenges which they face.

3.3.2 Quantitative Approach

Question Set 4: Hedonic Price Model and Survey Research

Demand: Is the demand for housing attributes found in Yangon representative of a housing market in a transition economy? Do people make rational decisions when carrying out housing transactions? What are the implicit values of housing characteristics?

Supply: What are the prevailing norms and current practices among the developer community? How does the community cope with institutional shortcomings and forge its way to lucrative development deals? Which factors account for their productivity?

This section was built upon the findings from the first qualitative phase and expanded the analysis into housing transactions and development through a quantitative approach. In order to estimate the implicit values of housing amenities, I have conducted a hedonic price model analysis and explored the relationship between property values and various housing characteristics. I have also surveyed a large number of developers to document the prevailing norms and current practices among the developer community. Utilizing this sequential design enabled me to not only test the significance of the issues mentioned by the key informants, but also check the relevance of other potentially important issues among a large population of developers.

Demand - Hedonic Price Model

In order to thoroughly investigate housing transactions, I have implemented a hedonic pricing model. The hedonic approach is extremely useful for the analysis of different properties with individual features, which could not be observed directly in the market. It allows one to measure the effects of those characteristics on the overall market value. In a context where the market information is scarce, having this model is tremendously helpful in predicting transaction prices and estimating the structure of the implicit prices the consumers face when purchasing units.

Implementing a hedonic model involves collecting price data on buildings

along with a variety of their different attributes. I have manually collected data from property listings published in a real estate journal called Golden Hexagon between January and February 2014. However, the listings do not mention the exact address of each unit; they only mention the name of township and road classification where the units are located such as thoroughfare, road, street and alley. Along with the price data, there is a variety of interior and exterior physical characteristics available for each property put on sale, as well as other spatial factors such as being close to the market and/or on the corner of a building.

First, I entered all property data into Microsoft Excel. After cleaning up the data, I recoded much of them into dummy variables to indicate the presence of different amenities on site. Second, I transferred the whole database into the Statistical Package for Social Sciences (SPSS) so as to implement a regression analysis. From these regression results, I was able to determine the correlation between each characteristic and property values. A degree of confidence was deduced for each relationship and then the significant correlations were used in setting up pricing models. I managed to compute a total of three models – the base version with interior physical characteristics only, the extended version with the addition of exterior physical characteristics and finally the full version with the addition of spatial variables. The details of the models are further discussed in Chapter 7.

Some restrictions might apply due to the source and characteristics of the input price data. The structural characteristics of properties might include faculty information as sellers report them through their local real estate agencies. Only a limited set of unit characteristics was available for estimations. For instance,

information such as age of the unit, the presence of nearby green space and the access to public transportation is not available. Also, there is no precise information of distance for all neighborhood amenities, which could only be coded as dummy variables. Additionally, there is no socio-economic factor for each neighborhood where the units are located. For example, income, jobs, and demographic characteristics could have a considerable degree of influence on price.

It is necessary to clarify that obtaining a great amount of data on actual housing transactions was not feasible. This is due to the fact that transaction values are rarely recorded or reported – let alone done with accuracy and completeness. In fact, many buyers even choose to forge a second copy of contract with much lower transaction values, in order to deal with possible tax inspections. Besides, real estate agents do not keep data on prior transactions and track price trends. Neither does the YDCD have any comprehensive source of housing market information. Although the asking price data does not necessarily present *revealed preferences*, it reflects *expected preferences*. Personal observations show that the majority of the equilibrium values could be approximated as about 90% of the asking price. Therefore, asking prices could be considered as reasonable proxy for actual transaction values.

Supply- Survey Research

Based on the findings from these in-depth interviews, I have developed survey instruments to be administered to a larger sample in the second phase of the study. This approach allowed me to make inferences about the characteristics of the developers and generalize them to a larger population. Since my intention was to

examine how institutional factors tend to shape the emergence and activity of individual developers, this cross-sectional survey focused on the mechanisms that structure the relation between institutions and developers. The questionnaire used enabled me to not only analyze the trends of the operational decisions in five key areas of development activities, but also probe into other potentially important issues, such as supplier relations, customer relations and business norms. I have chosen the face-to-face interviewing approach as it is well known for being able to accommodate complex questionnaires and reach hard-to-contact population, involving developers in my case. Through the survey, I managed to garner a great deal of personal and self-reported data on individual developers, the quality of their interactions with institutional factors, and their work environment. Overall, this portion of survey research aims to expand on and test the internal workings of the micro-level mechanisms that affect the process of housing development.

The survey was conducted on a sample basis and covered randomly selected developers in the study area. The *unit of analysis* for my study is developers, and all small and medium-scale developers, who do not get involved in the development of condominiums, are considered in the *sampling frame*. Since there was no database to check the exact number of developers within the city, I used secondary statistics to come up with an estimated figure for this working population. According to the Department of Engineering (Housing), they had issued a total of 4296 permits for the year 2013. Since some developers have more than one construction project going on at the same time, the actual number of developers could be conservatively approximated by 80% of permit applications. In this case, the number of developers came down to

about 3436, which is considered to be a small population in statistics. I then established a condition where a 99 percent level of confidence would be satisfactory along with a margin of error (ME) that would not exceed +/- 10 percent. The actual size (n) for the survey was computed as follows:

$$n = \left[\frac{Z_a \sqrt{p(1-p)}}{ME_p} C \sqrt{\frac{N-n}{N-1}} \right]^2$$

$$n = \frac{Z_a^2 [p(1-p)] N}{Z_a^2 [p(1-p)] + (N-1) ME_p^2}$$

$$n = \frac{Z_a^2 (.25) N}{Z_a^2 (.25) + (N-1) ME_p^2}$$

$$n = \frac{(2.575)^2 (.25)(3436)}{(2.575)^2 (.25) + (3435)(0.1)^2} = 158$$

The design of the sample used in this study was based on the two-stage cluster sampling approach. A hierarchy of sampling units was established with the first grouping of townships in districts and the second grouping of individual developers in selected townships. This approach is highly appropriate for this study since it was impossible to conduct traditional random sampling on the cumbersome amount of the entire developer population throughout the city. The first stage is the random selection of two sample townships in each district. Yangon is made up of 33 townships divided into four districts. From this list of townships, I used Excel to randomly pick two townships in each district. The selected townships are as follows:

- a) South Okkalapa and Thingangyun in the Eastern District
- b) Ahlone and Kyimyindaing in the Western District

- c) Tamwe and Thaketa in the Southern District
- d) Kamayut and Insein in the Northern District

The second stage involved random sampling of 158 respondents in the selected townships. Random selection was done with the help of six field interviewers. They have picked the first non-condominium construction site encountered walking in the right direction from the major bus stops on the thoroughfares and roads. From then on, every three other construction site was to be selected. However, streets and alleys do not have bus stops. The interviewers were supposed to walk in the right direction from the bus stops on the road and choose the closet streets to start the randomization process. Similarly, they had to pick the nearest alleys located on the right side of the streets they had chosen earlier. At each construction site, they asked for permission to see the developer in charge and interview them if available. In the event that there was no qualified respondent for the property selected by this randomization process, the one immediately following was to be selected. This incident has occurred several times for various reasons such as the fact that the site was in a questionable status, the developer was out of town, or that they had participated in the survey. The reason could also be that the developer found on the site was involved in the development of condominiums before. In order to achieve an adequate representation of the sample, the number of samples was selected, almost evenly, within different road classes in each township (Table 3.6).

Table 3.6: Number of samples in selected townships

District	Township	# Sampling
Eastern	South Okkalapa	20
	Thingangyun	20
Western	Ahlon	20
	Kyimyindaing	19
Southern	Tamwe	20
	Thaketa	20
Northern	Kamayut	20
	Insein	19
	TOTAL	158

Several shortcomings in my sampling methods should be acknowledged.

Firstly, since it was almost impossible to know the exact number of the developers operating in Yangon, it was relatively difficult to calculate the statistically correct amount of sample size. I have tried my best to deduce the number of the small and medium-scale developers from the number of the construction permits granted in the year 2013. Secondly, the random selection of developers took place in the thoroughfares, roads, streets and alleys that are near major bus stops. Many development projects are being implemented in sites that are far away from the public transportation. It is likely that my survey over-sampled those developers whose projects were located in good locations. Thirdly, I am not quite certain that it was the best way to randomly choose townships in each district. Since townships could have substantial differences, in terms of size, homogeneity of their populations and the level of development activity, if there were official records, which indicate the characteristics of each township, it would be better to establish a list of townships based upon their growth or urbanization rate. A cluster can then be selected from each of these groups to ensure an adequate representation of different townships.

Based on the findings from the qualitative study, a questionnaire was

structured to elicit descriptive, behavioral and attitudinal information about the developers. The survey first asked introductory questions about the respondents' age, gender, year of schooling, work experience, and the number of units produced. Obtaining these socioeconomic characteristics was an important step in assisting me with understanding the larger population presented in the sample. Then, specific questions were asked to collect detailed information about the operations of developers. These are organized along five stages of the development process, ranging from finding land through to the implementation of a project. These behavioral questions were interspersed with additional probes, which mainly focused on the respondents' attitude and perspective in regard to critical issues such as trustworthiness of people, social status, court system and others. Most of the questions have closed-ended response choices, which effectively accommodate comparisons among the respondents, as well as filter out irrelevant responses. Related questions are placed together within the questionnaire so that the participants could focus and give clear answers on specific issues all at once. In order to minimize the risks of patterned responses, the survey frequently included those questions that vary substantially in terms of wording.

Also, to validate the quantitative data, I first conducted a content validity test so that the question items could measure the content they are supposed to capture. Moreover, I pilot-tested the survey on ten different developers so as to improve the questions, format, and scales. Their comments and suggestions were incorporated into the final instrument revisions.

To effectively implement the survey, I hired and trained six assistants in the

field. They were particularly trained to build rapport with the respondents since building trust and getting genuine answers are extremely important in conducting a survey. I also made sure that the interviewers 1) read questions as worded, 2) probe inadequate answers non-directly 3) record answers accurately and 4) be interpersonally neutral in the interviewing process (Fowler and Mangoine, 1990; Creswell 1994 & 1998). Then, I divided the group into three teams consisting of two assistants each, and asked them to conduct face-to-face interviews with developers. They went out separately each day and attempted to locate developers. At the end of each day, I met with my assistants to obtain their survey sheets and discussed any arising outstanding issues with the sampling, survey administration or the survey instrument. In addition to close supervision, I paid wages to my assistants day by day rather than per survey sheet so that they could have the motivation to collect data in good faith.

During the five-month survey period, starting from March through to July 2014, my team worked five days a week. They were able to gather information about baseline norms and practices of 158 developers in eight selected townships. All collected data were entered into Microsoft Excel. After completing the data entry step, I checked for accuracy by reviewing 15% of the database records against the original survey forms. With regard to the analysis, I reported descriptive statistics on the sample that participated in the study. Simple statistics such as relative frequency mean and percentage were also calculated and presented in descriptive tabular and graphical forms.

In order to explore the relationship between the productivity of developers and

explanatory variables, I exported the database into SPSS and implemented multivariable regression models. The details of the models were discussed in Chapter 7. The exercise of building these models to quantify productivity is not free from limitations. Since the data comes from a field survey, many responses might be slightly biased. This can be manifested in some variables such as the ‘developer license’ and ‘membership in a political party’ where incriminating activities of developers could be potentially revealed. For this reason, it might be possible for them to give incorrect answers despite the promises of absolute confidentiality. On the other hand, most productivity studies use the financial data of the enterprise to measure its performance. However, asking about finances is considered too intrusive in the local context. Thus, the models were constructed without any financial variables.

SUMMARY

My research design is driven by the constructivist and pragmatic epistemologies, which allow me to develop subjective meanings of the experience of developers, as well as employ different methodologies to gain a broader understanding of housing market institutions. Through a sequential mixed-method design, my primary plan was to focus on the qualitative approach and then follow up with the quantitative methodologies. Different data sources were to be triangulated and converged to yield a comprehensive analysis of institutional factors. Specifically, library and archival research was carried out in order to define the larger institutional context for urban development. Key informant interviews were conducted to scrutinize how institutional factors shape the everyday decisions and behaviors of market agents.

I have also built upon the findings from the qualitative study and extended the analysis into housing transactions and development through a quantitative approach.

Furthermore, a hedonic model analysis was utilized to calculate and determine the effects of housing characteristics on property values. A survey was administered to a large population of developers so as to generalize the norms and common practices involved in their development work. Finally a regression analysis was also implemented to explore the relationship between the productivity of developers and other explanatory variables.

Chapter 4: Institutional Context

This chapter provides an overview of the institutional context in which the housing market emerges in transitional Yangon. Emphases of this institutional context are placed on (i) the political environment (i.e. governmental structure, administrative framework and democratic norms) (ii) the legal environment at the national and local levels (iii) the economic environment (i.e. economic base, economic restructuring, investment opportunities, real estate and related industries) and (iv) the social environment (i.e. religious and cultural capital, perceptions of actors, norms about homeownership and settlement, and civil society and media). Here, I focused on how each of these institutional environments incorporates the market structure and influences the development patterns. And I primarily relied on personal observations and secondary sources to capture the institutional landscape and identify the constraints of the current set-up.

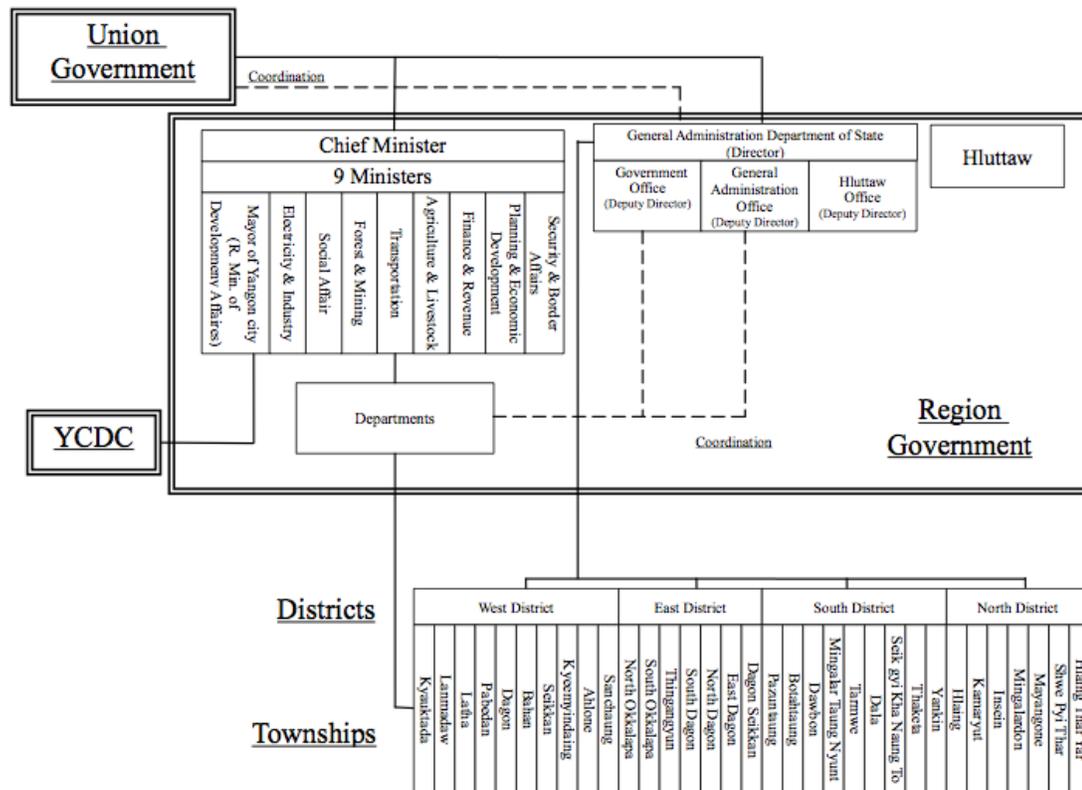
4.1 POLITICAL ENVIRONMENT

4.1.1 Governmental Structure

For the past 50 years Myanmar has been under military rule, the tangible outcome of which has been highly centralized mechanisms that encompass all spheres of politics and budgeting. According to the 2008 Constitution of Myanmar, the country is composed of seven states and seven regions. These fourteen states and regions are made up of districts that can be broken down into townships that include towns, village-tracts and wards. Each territory has either a state or regional

government consisting of a Chief Minister, other ministers and an Advocate General. Legislative authority also rests with the state or regional *Hluttaw* (region assembly), which is composed of elected civilians and representatives of the armed forces (Nixon et al., 2013). The state or regional government is also responsible for processing a budget bill at the end of June, and certain portions of the collected taxes are allocated to the regions or states. The whole hierarchical structure from wards to regions is under the control of the Union government as show in Figure 4.1.

Figure 4.1: Governmental Organizations in Yangon City



Source: JICA 2013

The Union government currently consists of 30 ministries, and the Office of the President has six ministries. According to the Union government order, the regional government has the following functions: to report, plan, and supervise

projects whilst providing public services. However, regional government is not to be involved in project planning, finance planning or financial execution.

Nine regional departments play a key role in the management of the Yangon Region; one of the regional ministers also serves concurrently as the mayor of Yangon City. Regional ministers hold cabinet meetings to discuss issues and coordinate communication between the regional government and Yangon City. Since regional governments run at a budget deficit, the central government funds their activities. However, budgetary details, financing for projects and costs for other public services are not disclosed; there is much ambiguity surrounding who bears the costs and how the funding moves around (JICA, 2013). The existence of state government offices seems only to serve the purpose of strengthening their grip on power; delegating power to lower-level offices would shut them out of profitable business deals (Thu, 2013). On the other hand, YCDC is a focal organization for the urban development and economic growth of Yangon City. It is fairly independent and generates its own revenue from tax collection, fees, licenses and property development. The only funding from the Union government is in the form of grants and loans to assist work-site operations, administrative management and project development.

At the bottom of the organizational structure are district and townships offices. The Yangon Region is composed of 44 townships, and Yangon City has a total of 4 districts, each of which covers about 7-10 townships, 33 in total. The district and township offices play a passive role in the implantation of projects because they operate as executing organizations under the regional government and its departments (JICA, 2013). District offices primarily coordinate township activities and collect

taxes from personal income. On the other hand, township offices are responsible for collecting business tax, developing local areas, promoting social welfare and enhancing public security. Neither district nor township offices have a mandate to control any budget other than office-related operating expenses. Although they are technically required to carry out work to develop a variety of sectors within the communities, there is no budget allocated for such work from regional and state governments. The YCDC sets up additional township-level development committee offices to focus on the management of several public services, such as waste collection, road maintenance and building supervision. For all of these township and district offices, there is a one-way communication channel flowing from the state and regional governments. There is no space for them to grow as service-oriented offices presenting local issues to key personnel from regional governments.

One of the biggest challenges to the political institution in Myanmar is that local governments do not have the freedom to design legitimate policy solutions. Depending on the scope of the project, the YCDC has to seek state and regional government permission to carry out the project. In cases as simple as road construction projects and public land lease deals, the local governments sometimes need to get clearance from the President's Office (Interview 201, 2014). Such a highly centralized system tends to interfere with setting priorities for urban development, as high-level government offices often lack an understanding of pressing local issues. This centralization also contributes to the formation of inefficient local government offices, since they become incapable not only of making bold decisions, but also of implementing effective solutions when it comes to utility operation and management.

Additionally, the President mentioned during the second quarterly meeting of 2014 that the operations of local governments are complicated by the deep-rooted problems of corruption and bribery. The officials intentionally create opaque working environment to make money out of the public, who have to deal with them in order to get relevant documentation. It is generally believed that the civil service sector is for uninspired people, those who accept low pay in exchange for casual, non-demanding work.

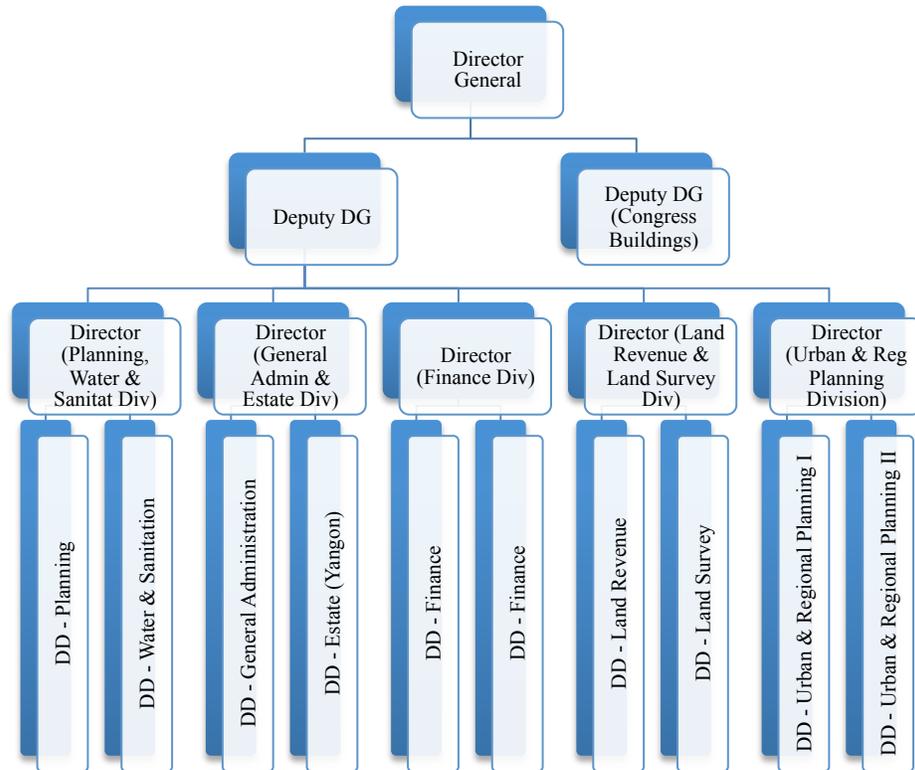
4.1.2 Administrative Framework

When it comes to urban planning, the key agency, staffed with professional planners, is the Department of Human Settlement and Housing Development (DHSHD), which was established under the Ministry of Construction (MOC). Although the planning process should aim to promote comprehensive growth by covering a wide range of issues related to multiple disciplines, ‘planning’ in Myanmar mainly refers to land use and infrastructure planning. Over the past 20 years, the DHSHD has primarily worked on preparing and drafting conceptual plans for the development of urban areas, new towns and industrial zones. Despite good intentions in fulfilling the needs of physical infrastructure, these planning activities seem to be slow, incoherent, and lagging behind urban growth due to the lack of regulatory and financial support from the state. A total of 16 planners are working on development plans in about 300 cities throughout the country (Interview 202, 2014). Although the name of the department suggests that the focal area is urban, it is actually addressing development projects nationwide. Although DHSHD’s work in hundreds of cities is

integral to future development, the thematic focus remains too narrow to significantly impact the urban and national economy. Most of the programming orders and agenda setting comes from the senior head of the Ministry of Home Affairs (MHA); competing political interests shape his every decision.

Another important agency concerned with urban planning is the Urban Planning Division (UPD) under YCDC. However, the establishment of YCDC in 1990 led to on-going conflict between the two agencies because both are granted administrative authority to implement development projects. Instead of nurturing a power-sharing and collaborative environment, the state government often asks them to develop town plans and development projects individually, further fueling competition and misunderstanding between the two organizations. The current agreement seems to indicate that DHSHD has taken on the role of facilitator, enabler and regulator of urban development, focusing on development of cities and towns outside Yangon. In comparison, UPD is envisaged to be the primary planning department for the Yangon Region; however, it is a relatively new division with limited capacity to carry out its intended functions. When UPD was established in 2009, they requested a couple of experienced planners from DHSHD to lead their planning work, but MOC rejected their request (Interview 202, 2014). As of now, UPD is focusing on preparing a citywide development plan in collaboration with Japan International Corporation Agency (JICA). It is also focusing on building the capacity of young staff and planners. DHSHD and UN-Habitat have been holding joint-training courses for UPD staff and providing necessary logistical support to help establish their department.

Figure 4.2: DHSHD Organizational Chart

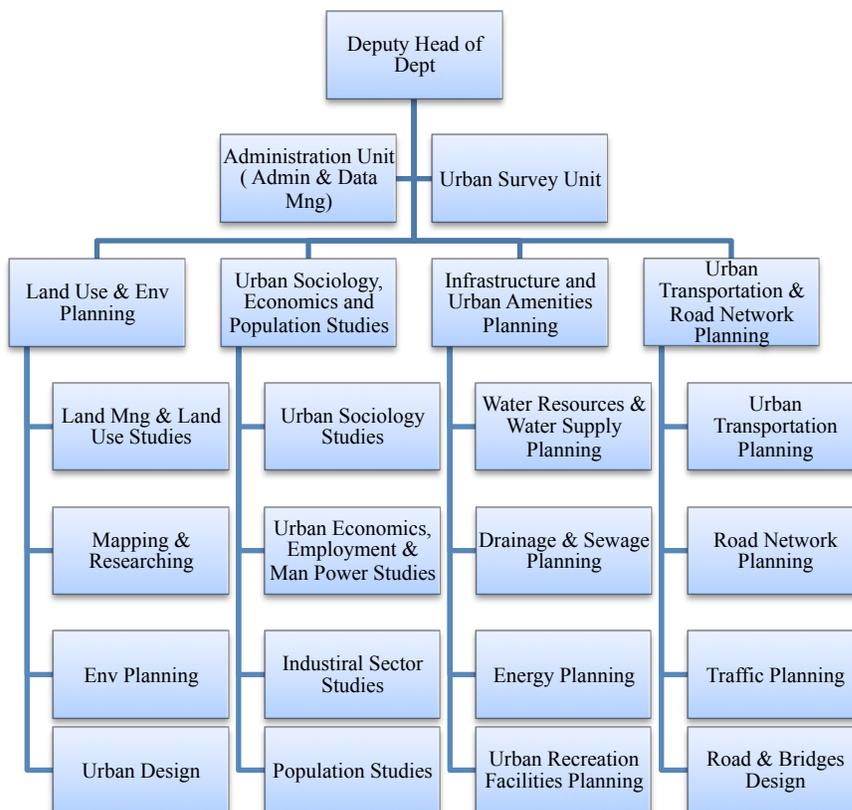


Source: DHSHD

Analysis of DHSHD and UPD organizational structures reveals further weaknesses and challenges that threaten their organizational performance. DHSHD has a lean set-up with five major branches (Figure 4.2). Although the Urban and Regional Planning Division is where most of their work takes place, this division has been placed at the same level as other two management and thematic focus divisions. The Water and Sanitation Division, which provides water-related consulting in the development of new town plans, has a minimal role within the context of DHSHD’s work. Another thematic focus is land surveying and land revenue. This division maintains and keeps records on the status of farmland and virgin land; landowners

have to go through them to receive new land titles and information on land history. It is not clear why DHSHD has a special division dedicated to land issues and how it complements the efforts of the planning division. On the other hand, the UPD of YCDC has a large structure as it strives to address 16 thematic focus areas simultaneously (Figure 4.3). There are relevant divisions within the organization, but no actual experts working on the issues. Many sub-divisions are called studies, since the UPD is trying to strengthen capacity in those areas instead of doing actual work. One key area that needs to be integrated into the framework is the development controls and building approvals unit, which is currently managed by the Department of Engineering under YCDC. Because it will be impossible to address all these key issues as illustrated, UPD needs to undergo a fundamental transformation if it aims to become a premier planning department.

Figure 4.3: Organizational Chart of Urban Planning Division



Source: UPD of YCDC

Like other typical government offices, DHSHD and YCDC rarely coordinate with each other, instead independently setting their rules and carrying out projects in their own areas of work (Interview 203, 2014). This tendency leads to duplication of programs and wastage of staff time and energy. For example, water supply planning and land management are two overlapping areas that could be easily broken down into the distinct issues each agency wants to address. Nonetheless, there remains tension between the two agencies as they continue to compete for a greater level of support and power granted by the regional and state governments. Collaboration exists in the form of capacity-building support but does not extend to planning and project

implementation. Given the current state of highly centralized and incoherent governance structure, the decision-making processes within DHSHD and YCDC are hampered by the top-down approach. Experienced planners at the middle level have to wait for commands from an array of people, perhaps including a Director General who is out of touch with the local context, some seniors outside of their department or even someone from the President’s Office (Interview 201, 2014). According to historical experience, urban problems have not been tackled with a committed mind. For instance, DHSHD is in the process of implementing affordable housing, but did not bother to delineate any policy guidelines before inking a development deal with a private developer (Swe, 2012). Tellingly, no guidelines were set regarding who would be able to buy units at what price. Thus, there is no mechanism to prevent the units from being handed over to non-target populations.

4.1.3 Democratic Norms

Table 4.1: Democracy Index 2013

Country	Rank	Overall	Electoral Process	Gov. Function	Political Participate	Political Culture	Civil Liberties
Thailand	72	6.25	7.83	6.07	5.56	5.00	6.76
Cambodia	109	4.60	4.42	6.07	2.78	5.63	4.12
Vietnam	134	3.29	0.00	3.93	3.89	6.88	1.76
Myanmar	149	2.76	1.50	2.14	2.78	5.63	1.76
Laos	156	2.21	0.00	3.21	1.67	5.00	1.18

Source: Economist Intelligence Unit

While reforms are in progress to decentralize the wider governance structure, Myanmar’s political environment remains unsteady due to the legacy of authoritarian rule. The Economist Intelligence Unit’s “Index of Democracy 2013” still labels Myanmar as an authoritarian regime. On a scale of 0 to 10, with 10 being a full democracy, Myanmar was given an overall score of 2.76. In terms of democratic

practices, Myanmar ranked 149th out of 167 countries, which further shows its poor political state (Table 4.1). Despite the political reforms introduced in 2010, the electoral process is far from fair and democratic. The military's primary function should be executing the country's defense policy, yet it dominates all three branches of the government—legislative, executive, and judicial. What happens in Myanmar's Parliament is indirectly controlled by the military, which automatically occupies 25% of all seats in all elected bodies. Since a majority of more than 75% is required to pass any legislation, the military has the ultimate authority. Furthermore, the 2008 Constitution protects military generals, granting them immunity from prosecution for corruption or human rights violations.

For a country to be truly democratic, civil liberties must be protected. Compared to the previous system, the current government promotes a higher degree of civil rights through legal reforms. Nonetheless, news reports about corruption and violation of law by the privileged show evidences of a crumbling system. It is not uncommon for government officials to wield their connections and power to stay above the law or obtain business concessions (Hlaing, 2002). Because the previous repressive regime instilled such fear in the citizenry, most people hold themselves back and self-censor their views. It is almost unthinkable to speak up about unfair practices as many people still see the law and law enforcement as threats to their livelihood. Meanwhile, most people do not perceive the State's policing activities as acting in the interest of public safety. Without a sense of security, they are not likely to be a part of the cultural shift required to transform from an authoritarian regime to a full democracy. At the group level, there is limited political space for parties to voice

dissenting views of government policies. Without creating a strong criminal defense and legal aid system, reform efforts and policy solutions will not have a large enough impact to affect the population's mindset.

Compared to other countries in the Mekong region, Myanmar—with a government function score of 2.14—has a government whose role could almost be defined as having the least amount of functional capacity. Majority of the civil servants are not capable of designing and implementing policies, nor are they qualified to provide technical assistance in the planning process. Half a century of military rule created a breeding ground for bad habits among government officials. The roles and functions of different government agencies lack clear demarcation. Former military personnel lead all ministerial senior offices, and their leadership results from patronage relations with the central government, rather than their competence and relevant qualifications (Bertelsmann Foundation, 2012). Ministries play important roles in managing various key sectors of the country, such as agriculture and economic development. Therefore, the lack of an electoral process for these positions clearly undermines the democratic values the country's leaders now aspire to achieve.

By international standards, political participation in public affairs is minimal. Although assembly members may raise issues in assembly, they rarely have any significant impact on the policy planning process (Interview 302, 2014). The top-down approach, which was the mainstay of Myanmar's defunct military government, lives on under the 2008 Constitution. For example, the Ministry of Construction makes all decisions regarding urban development and housing projects, but assembly members are not consulted at all in the decision-making process. This trend of an exclusive

policy-making process raises questions about the legislators' legitimacy and creates serious issues regarding citizen representation. Clearly, the elected assembly members should be given opportunities to present local grievances in a public forum. Lack of participation in government decision-making might result from the new political culture surrounding assembly members, whose experiences are constrained by a paucity of financial resources, low levels of education, and limited access to information. Additionally, most discussions at the assembly focus on cease-fires, education, minimum age law, poverty alleviation, and other issues. The fact that infrastructure and urban development are rarely discussed could mean that they are not considered to be priority issues on the agenda.

The success of urban development depends on many preconditions shaped by the political environment. As seen in many countries, the extent of political opposition could profoundly affect implementation of infrastructure programs and policy initiatives; indeed, many projects have failed to get off the ground because of political challenges. Likewise, Myanmar's politics play a key role in the future of infrastructure management. The current civilian government has been championed as reform-minded because the current President clearly favors foreign direct investment as the key engine for local economic growth. The next presidential election will be held in November 2015. The future of Myanmar depends upon who wins the race and his or her policy platforms. If the new government, like the current one, continues to favor economic reforms and adopts a democratic ethos, the likelihood of improving housing development and planning processes at all levels will be significantly higher.

4.2 LEGAL ENVIRONMENT

4.2.1 National Level

Formal rules including regulations, laws, and policies generally allow central, state and local governments to control urban development and manage the planning process. Existing regulations could be separated into two groups. One set of laws explicitly grants power to the authorities to establish regulations, carry out tasks and intervene in cases as they see fit, while the other set primarily serves as tools and regulations to be used within the process of controlling land management and housing development.

The Constitution is the most important piece of regulation on land management and planning. It has several provisions and clauses that declare the Union as “the ultimate owner of all the land, and natural resources above and below the ground, above and beneath the water and within the atmosphere within its territorial boundary” (Article 37, 2008 Constitution). Citizens are only given the right of private property and are responsible for assisting the Union in preserving their cultural heritage, conserving the environment, and protecting public property. Therefore, according to the constitutional setup, the central government could seize land and control development based upon national interest. Although land grabbing cases are rare in the Yangon Region, they are frequently reported in Upper Myanmar where the ministry and foreign companies aggressively pursue extraction industries and hydropower projects (McCartan, 2013; Weng, 2014; Sanford 2014; Hines, 2014). The region and the Congress are also granted the power to enact law on development matters. The Constitution lays out a comprehensive list of sectors that the Union and the State could

oversee, setting up rules to steer development in a desirable direction. Key sub-sectors relevant within the context of urban development could be distinguished as follows:

Table 4.2: Comparison of Legislative List Between the Union and the State

Sector	Union Legislative List ¹	Region or State Legislative List ²
Finance and Planning	Sale, lease and other means of execution of property by the Union; acquisition of property for the Union	Land revenue; municipal taxes on buildings and lands; local plan
Agriculture and Livestock Breeding	Land administration; reclamation of vacant, fallow and virgin lands; settlement and land records; land Survey	None described
Industrial	Industrial zones	Industries other than those prescribed to be undertaken by the Union
Transport, Communication and Construction	Air transport; land transport; railways; major highways and bridges managed by the Union	Ports, jetties and pontoons having the right to be managed by the Region or State; roads and bridges having the right to be managed by the Region or State
Management	Administration of town and village land; tenants	Development matters; town and housing development

Source: Myanmar 2008 Constitution

The terms described in the legislative list are fairly broad, encompassing several distinct functions within the sector. For instance, even though land administration is assigned to the central government from the aspect of agricultural sector, it is nonetheless the YCDC that plays a key role in maintaining land records in Yangon City. Industrial zones, which are key drivers for urban economic growth, are included in both lists. There are no clear legal terms regarding management or delegation, leaving them to the most powerful people in their respective government

¹ Chapter XV General Provision of Myanmar's 2008 Constitution, p. 181

departments. This practice often leads to arbitrary decision-making. In some places, the specified duties of two entities are not straightforward because of illogical demarcation of legislation. To cite one example, the central government is in charge of administering town land while the state government takes care of housing development. Housing and land are two interrelated issues, and intergovernmental coordination between offices is minimal by any measure. It defies reason that development work could be effectively done with one level of government overseeing land, and the other, housing. Additionally, the term “tenants” is thrown into the Union’s list, but there is no specification of which aspect of tenants the central government will regulate. These details are absolutely necessary for governments at each level so that they can be made aware of their legal authority to intervene in public matters.

4.2.2 Local Level

Key laws that govern urban development in Yangon are the City of Yangon Municipal Act (1922, amended 2013) and the State of Yangon Municipal Act (2013). The city law was based on the City of Yangon Development Law, which authorized the formation of the YCDC and detailed its duties and responsibilities in 1990. The state municipal law is not exactly a municipal law for the state as the name suggests; rather, it acts as a policy guideline for local governments and sets out duties for them to perform.

Table 4.3: Comparative Stipulations of City and State Municipal Laws on Land and Housing

² Chapter XV General Provision of Myanmar’s 2008 Constitution, p. 188

Sector	Yangon City Municipal Act	Yangon State Municipal Act
Land	Create land policy and land use plan; implement the policy and plan; be in charge of land administration and documentation; issue land titles and deeds to the owners; renew expired land leases; demolish buildings that get in the way of public development works; protect land from illegal squatters and developers	None described
Housing	Lease public property; establish new towns in accordance with policy; set building coverage and height limit; build, renovate, demolish and manage buildings necessary for municipal work; make sure buildings are constructed as approved and issue building completion certificate accordingly; build and manage co-operative and public housing; build and manage disabled-friendly buildings	Build and renovate municipal buildings; allow and supervise construction of private buildings; renovate or demolish private buildings that are dangerous or unfit; clear slums, squatter areas and illegal dwellers; issue permission to dwell in buildings which are constructed according to the approved plan and do not violate any rules; issue licenses to qualified contractors and engineers; allow demolition of private buildings as their owners wish; demolish illegal buildings built on municipal land
Prohibitions	Constructing a building without a permit; renovating or building a prohibited building; constructing a building that has a design and floor plan different from the one already approved; residing in a completed building without official permission; residing in a building that is to be used for storage or business; employing contractors, architects or civil engineers who do not have license; building a structure on public space; piling up construction materials on road	Constructing a building on public space; building, renovating or expanding a building without approval; residing in a completed building without approval; putting anyone other than a licensed engineer in charge of construction projects

Building and land tax	Be able to set and change land tax rate; collect building and land tax based on an agreed upon policy	Collect building and land tax, which is no more than 10% of yearly rent for private property on private land, 7% for private property on public land and 5% for public property on public land; collect building and land tax from the owner and service tax from the tenants
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Source: Yangon City and State Municipal Act

As the comparison of city and state municipal laws indicate, the YCDC absolutely has a higher degree of legal authority when it comes to land management and housing regulations. They are responsible for creating an overall plan for land use and development, documenting land-ownership, and granting titles to the rightful owners. They are also in charge of regulating the building industry and issuing construction permits to the developers. The city municipal law contains a section on prohibitions ranging from securing permits for construction to hiring site engineers. These restrictions are very important because they translate into key regulations and rules for developers and contractors. However, it is unclear why these prohibitions are not clearly laid out in the regulation section on buildings. In its current state, city municipal law seems to be driven by prohibitions rather than supported by specific rules and guidelines. On the other hand, the township offices do not seem to have any real power and thus play a passive role in land administration and housing management. However, the state municipal law stipulates tax regulations clearly, as the township offices primarily operate to collect tax and simply monitor the building sector.

A variety of legal issues arise in the area of land and housing environment, the most problematic of which is the inclusion of loosely-defined duties about land and

housing sectors in both laws. The legislative demarcation of the two organizations is unclear, as many terms mentioned in one law do not correspond with the activities of one organization; meanwhile, some specific guidelines are coated in general terms and mentioned just for the sake of coverage of that particular task. This ambiguity paves the way for justification of YCDC intervention in cases over which the townships are normally in charge. For example, both YCDC and township offices are supposed to be responsible for overseeing the construction work of private developers along with their adherence to safety regulations. On the ground, the township offices are the only ones doing the specified job, but this does not bar city officials from checking upon random construction sites and collecting fines if they find guideline violations. Similarly, the township offices can issue permission to the tenants to dwell in buildings upon completion, but the YCDC authorizes the building completion certificate. Additionally, state law mentions the duty to take care of illegal squatters more often than city law. However, the township offices barely have enough manpower and legal authority to get involved in clearing slums and resettling illegal squatters.

Table 4.4: Key Laws Related to Urban Planning and Land Management

Key Laws	Major Stipulations
The Lower Burma Towns and Village Act (1894)	Acquisition of landholder's rights; disposal of land; unauthorized use of land; assessment of land revenue; record of possession
Land Acquisition Act (1894)	Acquisition of land for a public purpose is entirely legal, but religious lands cannot be used for any other purposes.
Town Act (1907, amended in 1947)	Duties of headmen and elders; duties of residents; regulations over pwes, pawnshops, saloons and billiards
Rangoon Development Trust Act (1920)	Power of the board of trustees to undertake public works, acquire immoveable property,

	prepare development schemes; taxation and finance on immovable property
State's Housing Rehabilitation and Town and Villages Development Board Act (1951)	Provision of shelter through town and land development projects; supervision of public housing rehabilitation; reinforcement of Land Acquisition Act (1894)
Urban Rent Control Act (1952, amended in 1960)	Mandate over the practice of leasing properties between landlord and tenants
The Tenancy Law (1963, amended in 1965)	Mandate over renting of agricultural land and payment of fees between landlords and tenant farmers
City of Yangon Development Law (1990, amended in 1995, 1996)	Formation of the Yangon City Development Committee; duties, responsibilities and powers of the committee
Bylaw on Building and Construction (No.6/1999)	Permit and application review process for construction projects; issuance of license; management of public and private buildings
Bylaw on Town Planning and Land Use (No.3/2001)	Land survey and management; development of city development plans; issuance of lease, license and permits; removal of squatters

Source: Housing, Land and Property Rights in Burma (2009)

Although a variety of laws cover aspects of land and housing sectors, many were established during the British colonial (1885-1948) and post-independence period. They neither reflect the current issues confronting the society at large nor carry the long-standing implications of mandates passed and billed during a particular period. Since little legal progress was made during the military rule (1950-2010), many colonial laws still are in effect and frequently cited to authorize the activities of today's government offices. One fundamental law that governs urban planning and land management in the modern era is the City of Yangon Development Law. This piece of legislation authorized the establishment of YCDC and granted powers to the committee to manage urban development. Likewise, several bylaws enacted between 1995 and 2001 are important to developers and dwellers since they literally translate

into regulations imposed upon them when they want to construct a building or renovate part of an existing structure. There is much uncertainty associated with the construction industry because existing regulations fail to provide procedural details for developers, thus exposing the parties to possible exploitation.

4.2.3 Legislation and Enforcement

Legal institutions are in a similarly poor state, having been designed by the military government in order to derive tools to not only justify their actions but also silence activists and dissidents. An overview of existing laws shows that most of them were enacted in the interest of the authority without taking the needs of general public into consideration (IBAHRI, 2012). Despite formal changes to the legal sphere of Myanmar, the legislative process continues to be secretive and flawed, as the legislators barely have the time and energy to provide feedback on the draft bills. Since disclosing a draft statute also constitutes a violation of the Official Secrets Act, stakeholders are not consulted at all in the decision-making process (Interview 301, 2014). The existing laws and regulations therefore create major bottlenecks and fail to provide adequate coverage of key issues across different sectors. For example, even for a simple activity like traveling, the law stipulates that an individual must possess a support letter from the home township and file a report to an office in the area of the overnight stay. Today, such restrictions exist only on paper, and nobody follows them. Within the housing sector, the latest legal development has been the drafting of condominium law, which is not the most logical move as there is no comprehensive housing act or regulation to begin with (Mon, 2014). Condominiums occupy a tiny

share of the housing market, but one of the key laws to govern it will be based on high-end housing. Furthermore, as the law focuses on the provision for 100% foreign ownership of condominium apartments, it primarily will serve the interests of the construction firms and real estate investors instead of tackling equity and affordability issues.

No matter how many laws are established, a society will not be able to enjoy their benefits without a coherent legal and procedural framework in place. In Myanmar, all laws related to urban development have a subsection on penalties and fines to be imposed upon whomever commits stated violations. However, the government offices do not have enough manpower to enforce existing regulations and routinely check upon transgressions. They make time to examine a site only if there is a good chance of getting an out-of-court settlement from big companies. The outcome of a legal proceeding is not determined by legal reasoning and precedent, but by arbitrary state policy (IBHRI, 2012). Since the chances of getting a fair trial are minimal, most people avoid dealing with courts unless they have connections with senior officials from the ministries.

Table 4.5: Corruption Perceptions Index 2013

Country	Rank	Score	CI: Lower	CI: Upper	2012 Score
Thailand	102	35	33	33	37
Vietnam	116	31	27	35	31
Laos	140	26	18	34	21
Myanmar	157	21	15	27	15
Cambodia	160	20	15	25	22

Source: Transparency International

For the past 50 years, people have lost faith in the legal system as the military government used to jail people for speaking out against the government or for simply being too famous. Officials in charge of public services can still be easily influenced

by money. According to Transparency International, Myanmar was ranked 157th, along with Zimbabwe, out of 177 countries and graded as a “highly corrupt” country (Table 4.5). Myanmar has made the biggest improvement in the perceptions of corruption in the Mekong Region this year. Still, the dismal score highlights the serious implications of weak legal institutions for the development of infrastructure sectors.

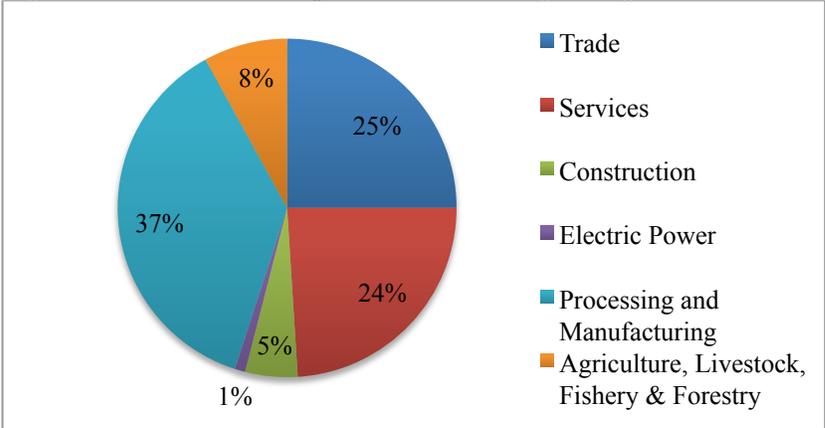
4.3 ECONOMIC ENVIRONMENT

4.3.1 Economic Base

Agriculture has driven Myanmar’s economy, as the nation was the biggest exporter of rice during the colonial period. Since military rule began in the 1990s, the European Union and the United States have placed strict sanctions on Myanmar, effectively stifling the growth of commercial and financial markets in multiple sectors. The Burmese government once relied on the agriculture and fishery sectors to generate revenue, but more importantly, subsistence for the general public. According to the Ministry of Planning and Economic Development, the agriculture, fishery and forestry sectors represented about 30% of the national economy in 2010-2011. However, agricultural production is not extensive in Yangon, which is generally recognized as the economic center of the country. Specifically, the Yangon Region has recorded a net production value of US \$8.8 billion, approximately 22% of the national GDP in 2011. Yangon also exhibits a diverse economic structure as it contains several sectors, such as trade, services, construction, manufacturing and agriculture (Figure 4.4). Among these sectors, manufacturing is the most dominant, accounting for 37% of the

urban economy. The second and third biggest contributors are the trade and services sectors. At present, the construction industry is booming; however, it represented only 5% of the economic structure three years ago.

Figure 4.4: Industrial Composition of the Yangon Region



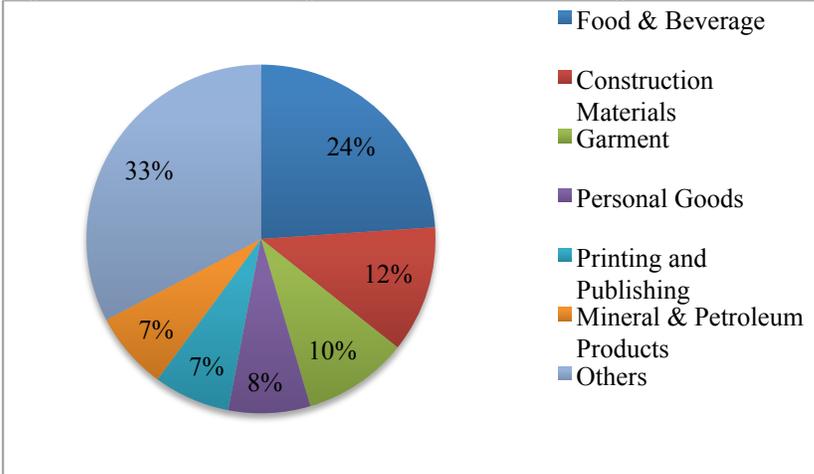
Source: Ministry of Planning and Economic Development (2010-2011)

Because manufacturing contributes more than one-third of the urban economy, it could be identified as the primary sector. According to MPED data, more than 15,000 factories or workshops were operating in 2010-2011. The majority of the manufacturing sector remained in the private sector; 99% of factories are privately owned, and the remaining 1% belongs to the state and cooperatives. In terms of the business category, the food and beverage category composed 24% of the sector, while the second largest—construction materials—accounted for 12% (Figure 4.5). This statistic indicates that construction materials have been a key driver for the economy of Yangon City as the industry itself is large compared to other business categories.

In the Yangon Region, the Directorate of Industrial Supervision and Inspection is in charge of issuing licenses to private factories and workshops while the YCDC is responsible for overseeing small businesses in urban areas. The data from these two institutions portray an economic structure dominated by small-sized factories, which

account for about 79% of the whole. Composed of thousands of small, private enterprises, the construction industry represents a substantial chunk of the manufacturing sector.

Figure 4.5: Business Categories in the Manufacturing Sector



Source: Ministry of Planning and Economic Development (2010-2011)

A formal banking sector is a prerequisite for the growth of a market economy, and Yangon is home to many financial institutions. According to MNPED, there was a total of 20 banks in the Yangon Region in 2012-2013; six are state-owned, and the remaining 14 are private. Although more than 150 branch offices are located throughout the Yangon Region, banking culture is not yet popular among urban communities. In the past, banks have gone bankrupt and suffered from runs, so many people still consider them too untrustworthy to hold their savings. Most of the banks' customers are businessmen and merchants, who need to send money to various regions of Myanmar through branch offices. Since there is no credit bureau to track the risk history of individuals and companies, the scale of borrowing and loaning programs available at most banks are small and constrained. Most of the loans are short-term (1-3 years) and require collateral in the form of land titles and/or other valuable asset

ownership documents. As a result, a shortage of credit has become one of the most cited challenges for commercial businesses. All businesses including development firms have to wear the hat of a financial institution and contribute their own funds for their activities.

4.3.2 Economic Restructuring

In 2011, the new quasi-civilian government came into office and developed the following focus areas within the framework of economic development: inclusive development, poverty reduction and private sector growth. As part of the economic reforms, the government has removed many unnecessary restrictions on business operations, given tax relief to certain sectors, and eased import and export regulations. A number of laws have been passed in order to liberalize trade policy, attract foreign investors, and spur the growth of private businesses. Some key laws include the Foreign Investment Law (2012), the Citizen Investment Law (2013), the Central Bank Law (2013) and the Foreign Exchange Management Law (2013). The Ministry of Industry oversees the national economy and focuses on developing industrial zones or special economic zones. In the Yangon Region, there are a total of 13 industrial zones, which are expected to generate job opportunities and technical development via public and private investments. Under the ministry, several sub-committees were established to focus on the following six pillar industries:

- Automotive and automobile production
- Agricultural machinery and equipment manufacturing
- Foods, pharmaceuticals, textile, chemical and consumer products

- Housing and construction
- Electrical and electronics
- Rubber

Interestingly, the housing and construction sector now is recognized as a key industry integral for the national economy after being dismissed as a trivial sector. Both the government and the private sector came to realize that housing could not be separated from any development plan because it significantly contributes to GDP and overall economic growth.

When it comes to private sector growth, the central government has been paying a great deal of attention to the development of small and medium enterprises (SMEs). As described in the prior discussion, a staggering 79% of the manufacturing sector is composed of small firms. In 2013, the President's office has confirmed that 99.4% of the businesses operating in Myanmar are SMEs. Many significant changes were introduced not only to the existing policies but also to the regulatory environment. Particularly, the Ministry of Industry is in the process of drafting SME law with two stated goals: to develop the national economy via SMEs as well as to provide a supportive environment for SME development. In 2012, the SME Development Center was established in order to provide logistical support, give guidance and monitor the business environment. They also have carried out extensive campaigns called "Start Small" and offered tax breaks for new enterprises' first-year operations. Increasing emphasis on the role of SME within the economic landscape has serious implications for the housing industry, as many construction and real estate businesses take the form of SMEs and have to work with local governments for key

activities. Public awareness about enterprises, tax incentives and government regulatory support has resulted in substantial growth for businesses in a variety of housing-related sectors. As of December 2013, a total of 513 construction firms, 2597 building materials companies and 378 real estate agencies are officially listed in the Yangon Directory.

4.3.3 Investment Opportunities

The sheer lack of investment opportunities has long characterized Myanmar's economic environment. As such, some may wonder what the general public does with its money. Citizens have two options: depositing money into a bank account or transferring wealth to another medium, such as jewelry, cars or houses. Banking culture has not gained popularity in Yangon; many people do not consider private banks trustworthy enough to hold their savings. Therefore, a common option for the average household with a regular stream of income is to buy a new house or a piece of land. Over time, such behavior initiates constant appreciation of housing prices making real estate investments extremely profitable. Such perceptions have led to volatile speculation, which involves buying and selling land within a single day, or transferring vacant lands from one hand to another without any value added to the property. In the midst of unprecedented political changes, the price of condominiums and apartments almost doubled between 2012 and 2013. Several news outlets even reported that land prices in a prime location in Yangon are much higher than a piece of land in New York City's downtown Manhattan area (Song, 2013; Vallikappen and Thakur, 2013). Additionally, the central government is in the process of establishing

the Yangon Stock Exchange, which is being promoted as a viable alternative investment opportunity for the general public.

One hallmark of the real estate market in Yangon is its close linkages to other speculative markets, such as gems and automobiles. Shake-ups in those markets have the ability to cause huge ripple effects in the real estate market, drastically impacting housing and land prices. Particularly before 2010, many foreign buyers came in and bought gemstones every year, but starting in 2011, the prices of rubies and jade soared to the point that the general public could not afford them, and brokers got pushed out of business. Due to soaring prices and a lack of transactions, many local traders and investors migrated to the real estate market and contributed to more prevalent speculations. Similarly, the automobile market has directly affected the real estate market. As soon as the country opened up in 2011, the government eased car import restrictions, leading to explosive growth in the automobile market and benefitting key players, such as showroom owners, dealers and users. However, after a few months, the government lowered the tax on car imports, effectively reducing car prices by 20%. Showroom owners promptly liquidated their assets and joined other would-be investors in jumping ship to the real estate market. Both of these instances confirmed perceptions that land prices could only go up, and real estate deals returned huge profit margins.

Any discussion of the economic institutions of the housing market would be incomplete if we omit the role of capitalism and black money. In Myanmar, a group of powerful people, formally known as “cronies,” has close ties to the previous military government (Transparency International, 2009). They were granted lucrative business

concessions to log forests, mine gold, and explore oil and gas. Over the past few years, they have amassed so much wealth that foreign media press has covered their extravagant lifestyles extensively. Land and housing are attractive assets to them because their money can be seamlessly hidden in the form of high liquidity investment. It is common to hear among brokerage communities that some powerful families are buying bulk land in certain neighborhoods, leading to increased property prices in nearby areas within a few weeks. On the other hand, black money plays huge role in the development of local housing market. Myanmar is the second largest producer of opium in the world after Afghanistan. Money from widespread illegal drug trade is assumed to flow into the real estate transactions at an alarming rate (Moe, 2014; Wai, 2014). Another form of black money is untaxed income, as about 90% of the population does not pay tax on their income (Aung, 2014). Instead of having so much cash lying around, people look to housing and land as prime assets to store their wealth and hopefully make money out of flipping them in the future.

4.3.4 Real Estate and Related Industries

Along with the rapid growth of the real estate market comes an increase in the number of professionals in a variety of sectors within the housing industry. The high level of activity in rental and home sales necessitates a multiplicity of real estate brokerage businesses (Interview 401, 2014). Many people organize themselves in informal networks and exchange leads from one township to another; others set up formal companies and assist prospective customers in buying, selling, and renting properties. Real estate offices have mushroomed not only in the downtown areas but

also in deserted suburban areas where future industrial zones or other developments are expected to take place. A few foreign real estate agencies also have appeared seemingly overnight to cater to expatriates seeking to rent quality serviced apartments. Because of the skyrocketing price of apartment units, a 2% commission fee is enticing enough to attract many individuals with primary jobs in different industries into the brokerage business. Many businessmen and housewives, who know everyone and keep up with every single happening in their townships, have transformed themselves into effective brokers, running their small businesses successfully. Many of these individual brokers operate out of their homes and hold key information regarding which units are available for rental and sale in their neighborhoods. Such unprecedented growth in real estate brokerage is also made possible by the rapid sharing of information; websites, weekly journals and daily newspapers play a key role in disseminating property listings as well as conveying important messages about the latest developments in the market.

At the same time, Yangon's property boom has caused bonanzas in related industries. In the past, architecture was not considered an important aspect of the built environment because many believed that less attention was paid to exterior design; meanwhile, construction costs are much lower without architects. When the property market took off, people started to realize that houses with better design are in higher demand and more marketable. Developers and construction firms started to hire more architects to ensure that their buildings would be aesthetically appealing and appropriate to the neighborhood context. Similarly, the construction sector has been booming rapidly. According to a report published by Timetric (2014), the construction

industry grew at a compound annual rate of 11.48% between 2007 and 2011. The lifting of economic sanctions has ushered in the growth of the tourism industry and foreign investment, but this development has meant a severe shortage of hotel rooms and lack of office space. Both local and foreign firms are now in the process of developing hotels, high-end residences and fully-serviced office buildings to secure a share in profitable market segments. Construction materials are an additional hot sector at the moment. As the current supply of construction materials is inadequate, local businesses are expanding their line of work, producing high quality materials to be used in massive projects. Investors from neighboring countries are setting up cement factories, prefabrication shops and equipment rental business.

Economic organizations play a key role in distributing information, nurturing networks and facilitating engagements among agents. The Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI) acts as a bridge between the state and the private sector by focusing on capacity building and provision of services to various companies and firms. Currently, the organization boasts a vast network of businesses and enterprises with more than 28,000 members. Through UMFCCI, many construction companies and real estate agencies have been able to receive management training, participate in exhibitions and attend networking events. Meanwhile, there are two key organizations that explicitly deal with issues related to construction and real estate. Founded in 1998, the Myanmar Construction Entrepreneur Association (MCEA) is the only long-standing representative of the infrastructure industry, and consists of managing directors from leading construction firms. This group is considered very influential because some members used to do

construction work for the previous military government; these members also have been given formal authority to convene, gather input, and influence the legislative process for condominium laws and zoning regulations. Additionally, the Myanmar Real Estate Services Association (MRESA) was founded in 2012 in order to enhance the capacity and legitimacy of real estate professionals. Having a completion certificate from a brokerage course is seen as a gold standard for the agents and helps them gain trust from prospective buyers and sellers. The organization also plays a mediator role in financial disputes, particularly when agents are denied the full 2% commission fees they are legally entitled to receive.

The growth of the housing market and the influx of foreign investors have led to tangible changes in business norms within the real estate industry. In order to compete with other players, many firms come to realize that they need to build a customer-oriented culture while networking with a larger circle of professionals (Interview 402, 2014). The existence of many established firms and the entry of newcomers into the market results in a higher level of substitution, which enables customers to have wider and better access to housing and related services. Reaching and retaining customers is seen as key to having a competitive advantage, and firms have started to employ a variety of service strategies to ensure client satisfaction and referrals. These strategies range from responding to the customers' requests promptly to treating them with utmost respect to remaining committed to helping them with other related tasks. In a similar vein, networking is a popular activity for construction firms these days. In a place where quality information is scarce, an extensive list of business contacts could save a firm time and energy when it comes to finding the right

services, suppliers and investors. Since business transactions are primarily driven by trust and reputation, getting personal recommendations and knowing the people with whom they are doing business results in more opportunities for their own businesses. As such, there has been significant growth in the number of industry conferences, association meetings and informal networking events. The real estate sector is featured as a subsection at most investment conferences, while several forums that exclusively focus on urban development, construction industry and real estate are held throughout the year.

4.4 SOCIAL ENVIRONMENT

4.4.1 Religious and Cultural Capital

Shelter is an integral part of cultural expression in Burmese society. According to ancient Buddhist philosophy, anyone who donates shelter to the needy gets to enjoy ten merits, which range from high intelligence to good health to possession of an abundance of homes and properties. Many Burmese people who are devout Buddhists follow the tradition of donating ancestral land to the monasteries so that they may build religious buildings. Building schools and homes for the aged is another popular tradition among the Burmese. Providing shelter to the marginalized represents one of the good deeds a Buddhist can strive to do, and such benevolence is assumed to lead to good things in the present and future. Similarly, many Burmese people have a sacred relationship with the land and property where spirits are said to dwell. Whenever they need to tear down a building or build a structure on an empty piece of land, the first thing they do is set up a shrine on the site, offering coconuts and bananas to the

dwelling spirit so that it will not be provoked by their actions. Likewise, many people believe that the place they move to has supernatural effects on their wellbeing. Therefore, it is not unusual for potential homebuyers to consult with astrologers and palm readers regarding which property would be the best investment, not just for their future wealth but also for the health of their families. Even after the house is purchased, the family has to perform a housewarming ceremony by inviting a group of monks to perform a chanting ritual in the early morning to drive away the evil spirits abiding nearby. These rituals and practices shed light on Myanmar's multiple connections with house and land in terms of religious principles, cultural values, and sociological meanings.

Housing's multilayered significance in Burmese society forms a collective mentality: housing is not simply a shelter for a family; it is also a means to store wealth and pass down an inheritance from generation to generation. Many people think that keeping loads of cash at hand is a risky move since the central government has the power to invalidate currency notes at any time, which is exactly what happened in 1988. Due to limited investment opportunities, real estate has become the prime investment asset because people can easily purchase it and keep it under wraps. Many Burmese are very proud of owning a property, although they rarely brag about it outright because they want to avoid attention from the authorities. Whenever elders make a wish for young people, they hope the youths will become homeowners. "When will I become a homeowner?" is one of the most popular questions asked to astrologers. Being able to own a property is seen as a family milestone if they work hard and save money. As a result, before a family buys a property, it is important for

them to consider issues such as the liquidity of the property, the opportunity to engage in new businesses on site, and the distance to schools. Over time, the notion of housing as a cultural and social product has taken hold in close familial relationships between parents and children through the strong culture of passing down wealth from generation to generation.

The command-and-control culture of the past 50 years under the military rule has curbed the growth of social capital and damaged the very fabric of urban life. Because of sanctions imposed by the international community, employment opportunities are limited and the available jobs pay a small amount of money. Many people constantly have to struggle to make ends meet. For many people, the ends justify the means; stealing and cheating occur quite often in workplaces, while lost items in public space are rarely recovered. Lack of exposure to the outside world fuels paranoia and jealousy as one's success is mistakenly equated with another's loss. At the same time, the command-and-control culture plays a critical role in creating this environment as people are taught to obey their elders from an early age. As a result, many people grow up keeping to themselves and are unaccustomed to being critical of the system around them. They are also cautious of showing their cards when it comes to supporting a public cause as doing so landed hundreds of people in jail during the military regime. Although the new government guarantees a greater degree of freedom, many people are still afraid of taking to the streets and being vocal about social issues, such as electricity price hikes, escalating food costs and land grabbing. It is also highly unlikely for them to take the initiative and establish neighborhood associations without significant political and financial support.

4.4.2 Perceptions of Private and State Actors

Public perception of key industry players is another important factor in shaping the effects of social institutions on market development. Developers are known as contractors in Myanmar because they are contracted to construct a building in collaboration with landowners and homebuyers. However, contractors have been given a negative stigma due to legal disputes that put projects on lengthy holds (Interview 403, 2014). Some took down payments from the homebuyers and ran away without finishing the work. Landowners have sued contractors as they failed to finish the work on time as promised in the contract agreement. People expect that contractors have low moral standards because they are known to stash away construction materials for their personal use and utilize cheaper, lower-quality materials. By the 1990s, contractors were notorious for being untrustworthy and unreliable within the industry; people are cautious about dealing with them in general. However, beginning in 2010, the government put more regulations in place to prevent further disputes and stop unethical practices. One of key regulations is the issuance of a registration license to the contractors, who set up escrow account with the YCDC. However, unlicensed contractors can still operate with approval from a licensed one, who nonetheless could lose money and license if problems arise. Although the image of contractors has improved somewhat, it will take years for people to trust in establishing a working relationship with licensed contractors.

The Burmese public has a terrible image of the YCDC; they consider the workers to be fiendishly corrupt and highly inefficient. The public also considers the

YCDC to be a close relative of the much-hated military because veterans fill up senior positions. Entrenchment of such a negative view does not help the governance process, for there is no way for the citizens to rally behind untrustworthy officials and participate in civil dialogue about policies. At the same time, a culture of bribery has festered in Myanmar for the past 50 years; payment of under-the-table fees has become second nature to the public (ICJ, 2013). Such an environment makes it difficult for lawful officials to maintain their integrity, let alone the unlawful ones. Additionally, the public barely understands how the YCDC functions, where it gets funding, and who is responsible for what area. Whenever the public has trouble applying for land titles, they hold the city government responsible without investigating the exact causes. Such a judgmental attitude is fueled by unrealistically high expectations for the performance of a municipal utility.

Although the general public's participation is key to forming an inclusive decision-making process, the public needs to have enough knowledge and capacity to participate in a civil manner. The fact that actors in the process lack social attributes and nuanced understanding of the big picture makes achieving meaningful, effective deliberations highly unlikely. For example, a couple of past public discussions, which engaged villagers and laypersons, quickly turned into weeping and shouting matches as soon as stakeholders realized their potential loss. Powerful government and private companies have a major say in how to use natural resources and govern environmental systems; thus, the power factor, too, hampers the deliberation process. The general public is consulted only after an opposition group against a certain project or policy gains momentum. For example, the construction of the Myitsone Dam was inked as a

joint venture project between the previous military government and a Chinese company without any public consultation. However, the commencement of the implementation stages instigated a series of outcries from both environmental groups and farmers who rely on the river water for farming and irrigation. The president's office finally listened to the public and halted the project until the next government came into office (Martov, 2013). This example is a rare case where the public and the private mobilized as a collective force and decided together on the future of the country's lifeblood in the face of poor governance capacity and an underdeveloped legal framework.

4.4.3 Norms about Homeownership and Settlement

The unprecedented peak in housing prices during the quasi-civilian government brought about changes in perceptions of home ownership. Between 2010 and 2013, the asking price for a residential unit (12x50) increased from \$30,000 to \$60,000, which presented a nearly 100% mark-up for the whole unit in a typical apartment building (Home, 2013). This price inflation is even more drastic in the so-called "condominium" market. In Myanmar, apartment buildings with lifts are known as condos regardless of whether on-site services and additional facilities are available to tenants. Before 2011, the price of a condominium was just \$70 per square feet, but it more than doubled to \$160 by the end of 2013. While housing prices and living costs are escalating at an exponential rate, wages have remained flat. For example, a low-level government officer earns about \$150 per month while a corporate officer in a non-management position makes about \$400 per month. In order to buy a \$50,000

apartment, it would take at least 28 years for a government officer and 11 years for a private employee if all income were deposited into their saving accounts. Without any housing mortgage system in place, the average worker finds it impossible to own an apartment in his or her lifetime; the only option is to find a place close to work and pay a monthly rent from their income.

One direct consequence of having a prohibitively expensive housing system is the alarming growth of slums and informal settlement in the urban areas. The working poor who cannot pay rent choose to relocate to empty space near industrial zones and public buildings that are not under constant surveillance by city officials. The majority of the dwellers genuinely need a shelter for their families and opt to live with poor sanitation services and no supply of clean water (Latt, 2014; Zoe, 2014). However, some of them cunningly follow the news and move to places where infrastructure projects are announced in the hopes of getting evicted and compensated financially (Thet, 2014). In order to ameliorate the housing crisis, the central government recently implemented low-income and fair housing projects. The process involves the handover of government-owned land to a private company that wins a bid to construct housing units. Unfortunately, the price tag on affordable units, which ranges from \$25,000 to \$35,000, is still perceived as expensive and out of reach for the local community. Meanwhile, there has been no transparent formulation or publicity on policy guidelines to ensure program success. All qualified families have to go through an opaque screening process, and a substantial number of units are reserved for government officers with years of work experience (Aung, 2014). The current plan does not indicate strict enforcement of ownership as the units can be sold after five

years of tenancy. It remains unclear how the Ministry of Construction could address urban housing shortages through these government-backed housing projects.

Rapid urbanization and intense interest in urban development have influenced the formation of highly-contested issues, such as land grabbing and lack of historic preservation at the societal level. Although implementation of economic reforms has encouraged new businesses and boosted the national economy, it also has put pressure on the availability of limited housing and land. Many people living in suburban and rural areas are farmers whose lands are put at great risk by the influx of interest in large-scale development (Hla, 2013). Existing outdated and convoluted land laws do not help the situation, because the public have poor awareness of land regulations and negotiation practices when it comes to appropriation of their land by powerful companies and government offices. Another downside of urban development confronting Yangon is the threat to its cultural heritage. Downtown Yangon is home to a huge ensemble of colonial architecture. Rapid urban development has put colonial-era buildings in imminent danger, and many have already been torn down to make way for commercialization and new developments. Local communities do not yet understand the importance of historic preservation; developers only care about the construction of new buildings, and tenants are after the financial gain. Starting in 2012, the preservation movement picked up momentum thanks to the efforts and vision of an NGO called “The Yangon Heritage Trust.” However, in the long run, it will be a struggle to integrate historical preservation into the wider urban planning process, as conservation of buildings cannot occur without cohesive support from all stakeholders.

4.4.4 Civil Society and Media

Since the country has opened up, nongovernmental organizations (NGOs) and social groups are growing in large numbers. However, they have minimal influence on the housing sector's performance as they shy away from tackling prominent social issues, such as slums, land grabbing, and homelessness. The agendas and priorities of donor agencies dictate their actions, and some groups were even founded based on the hot issue of the moment (Interview 501, 2014). The donor agencies do not focus on urban development at the grassroots level; they lack contextual understanding of local issues and simply push forward a tangible service-delivery approach. As a result, the work of most NGOs touches upon human rights issues, HIV and AIDS prevention, poverty alleviation, and primary education; very few focus on improving housing systems in remote villages by providing housing micro-finance and building infrastructures. Shelter projects are tied to larger disaster-relief programs and implemented only in affected areas. Therefore, how these different activities could achieve agencies' goals of empowering communities and enhancing community development at the local level is not clear. In addition, their patchy projects do not serve synergistic purposes in improving housing outcomes because they are designed individually and implemented without any coordination between organizations. NGOs thus are not perceived to be legitimate organizations that present public views and participate in the policy-making process.

The educational aspect of social institutions could be identified as the weakest link, because only one university and two small private organizations focus on housing-related training and knowledge sharing. Yangon Technological University

offers courses about urban planning and housing development in the Master of Architecture degree program. In Myanmar, urban planning is not yet recognized as a distinct social science field; planning process and urban design courses are taught to architecture students. As the name of the school indicates, its scholars barely engage in larger aspects of planning and governance research since their understanding of housing issues is grounded in traditional technical and engineering training. This latest development can be observed in the private educational industry, which is responding to the serious knowledge gaps and limited capacity of real estate professionals.

Mandaing and TipTop are two private law academies that offer certificate courses in real estate business, particularly for lawyers, brokers and agents. Since the trainers are prominent practicing lawyers, these courses feature deep coverage of contract laws and land regulations. The trainers in particular make sure the students learn how to write up a contract informally and make it legally binding among buyers and sellers. They also learn tricks to get the commission fees to which they are entitled from renters and buyers. Even after the course is completed, the trainers sit on the advisory board of the companies the students found in order to offer advice on their business activities. In several ways, these courses provide a meaningful education to anyone who is interested in real estate and making a living as a broker.

For several decades, the mass media has faced severe censorship. With changes in the political landscape have come the abolition of the censorship committee and the establishment of several journals and magazines with wide coverage of social issues. They have played an unprecedented role in relaying information about the latest developments in society as well as promoting public

awareness about the problems confronting the public. Many prominent journals have a special section on property and report on news ranging from new development deals to escalating housing prices. By early 2013, when the real estate market hit its highest boiling point in history, several weekly journals became solely devoted to real estate news: “Golden Hexagon”, “Home & Services”, “Myanmar Estate”, and “Agency”. These publications include property listings whilst covering real estate news, laws, and the latest development deals at the regional and national levels. Similar to print media, the appearance of real estate websites and online listings is playing a fundamental role in spreading information about real estate agencies, available properties, and sale prices. Furthermore, TV news and radio represent important communication channels for relaying information about housing issues to a wider audience. All of these information sources are integral to conveying news on land grabbing and helping form public opinion on farmers, foreign companies and government ministries involved in development deals. Since they also contain extensive coverage and explanations of esoteric laws on home ownership and title registration, people arrive at a better understanding of the proper measures to ensure the legality of their properties.

SUMMARY

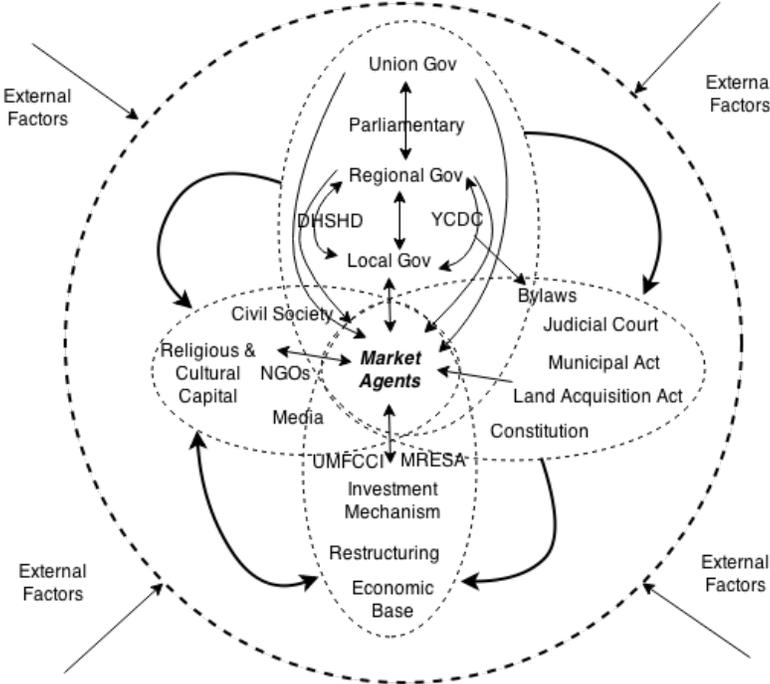
Analysis of each institutional sub-environment reveals its weaknesses posing several challenging conditions for the housing market. The political institutions are highly centralized. Layers of bureaucracy, widespread corruption, lack of capacity and minimal budgets all affect the provision of services to the local communities. Many sector-specific laws were passed in the colonial period and do not reflect the current

situation and practices. Since the outcome of legal proceedings is assumed to be largely dependent upon arbitrary state policy and under-the-desk payments, many people still see the law and enforcement as threats to their livelihood. Economic sanctions imposed by the international community have long stunted the growth of commercial and financial markets. The central government has relied on agriculture to generate revenue and subsistence for the public. Market activities are constrained by the shortage of credit while real estate with close linkages to other speculative commodity markets is seen as prime investment assets. Skyrocketing land prices and rapid urbanization have led to several land takings and evictions while preservation of historic building and community is rarely included in the development plan. At the societal level, there are significant gaps in educational sector and the non-governmental organizations have minimal impact on the housing sector.

Each institution has its own boundary indicated by dotted lines and the interactions between each institution are illustrated as lines with arrowheads in Figure 4.6. Because of the half-century military rule, the governmental institution still is the most dominant in the society. It occupies the largest space of the society with the biggest influence upon legal, social and economic institutions. The direction of effect emanating from the government sector could be defined as one-sided as there are minimal deliberation and public participation in the policymaking processes. The social actors have limited power to affect rules and mostly express their interests and opinions through media and civil society organizations. Economic institution is also shaped by existing policies and restructuring occurs in response to public demand and political agenda. The highest level of interaction takes place in the space between the

social and economic institutions; economic boom brings about improved living standards and better education for future generations. This societal system is also subject to external forces and shocks. If they are too powerful, they could help instigate institutional change by completely reforming the political and legal institutions.

Figure 4.6: Institutional Context of Housing Market Agents



Taken together, interlacing of these political, legal, economic and social institutions results in a very complex environment, which requires market agents to learn, find a way and carry out the tasks if they want to be successful. In the next chapter, we will scrutinize the issues related to homebuyers and how those agents on the demand side of market navigate around the institutional framework at the macro-level and engage in transactions at the micro-level.

Chapter 5: Institutions of Housing Transactions

This chapter looks into the economic actions of homebuyers and their relationship with the current institutional framework. In order to carry out a property transaction successfully, market agents need to consider the following steps: 1) find a property, 2) negotiate with the seller, 3) assemble financing and finally 4) obtain a title. As such, the chapter is organized along these four steps in the process of housing transactions. I primarily analyzed through four institutional lenses at both the macro and micro-level – 1) power relations and politics, 2) rules, regulations and policy, 3) social norms 4) social networks and 5) transaction-cost minimizing institutional arrangement. This study specifically focuses on how these institutional factors both facilitate and complicate the process of acquiring housing. This section also attempts to understand how market agents craft their own ways to make feasible transactions in the face of several institutional challenges.

5.1 FINDING PROPERTY

Macro-level Institutions: Politics, Laws and Social Norms

Ideally, a typical family should have access to an affordable house in a good location. However, the process of finding a desirable property is particularly difficult in Myanmar. Evidently, the most detrimental barrier lies in the ever-increasing prohibitive prices for the local population. Due to the unprecedented changes in politics, the real estate market, which has been dormant for the past few decades, has finally flourished, leading to the growth of a multitude of market agents and property

transactions. Limited supply of suitable properties, as well as the lack of well-developed town centers feeds into a rapid increase in housing prices and rental fees. Just within two years between 2011 and 2013, housing prices grew by up to 75% in prime areas (Home, 2014). The income-to-house price ratio (about 10) is very high; an average working family has to save up their whole life in order to buy a house. Along with escalating house prices, comes the hike in the price level of food and other consumer products while salaries do not catch up with the overall inflation trend of the economy. Members of the working class struggle to make ends meet in order to pay the ever-increasing rents, let alone holding onto the dream of becoming actual homeowners one day.

One consequence of not being able to find living space among local population is the increasing rate of squatting throughout urban areas. The density of squatters is highest on public land near parks, inter-city rail lines, and industrial zones. While many of them are manual laborers with limited income and families who genuinely need a space to live, there are many squatters who take advantage of empty lands in hopes of getting financial compensation from lawful owners (Thet, 2014). Moreover, these professional squatters occupy sites as soon as they hear news about the development of public projects. The situation gets worse to the point when government officials are intimidated to declare the location of sites for affordable housing projects in advance (Interview 201, 2014). Political parties now curry favors with squatters and try to secure approval from them instead of attempting to tackle the whole phenomenon of squatting. Additionally, current laws give a lot of protection to people dwelling on the site no matter if they are lawful owners of the land. For

example, a family squatting on a private land for 10 years could become a lawful and legitimate owner with witness statements from neighbors if the original one did not come forward and object to their dwelling in local court. Even when rightful owners try to evict squatters, there have been many cases where eviction did not take place without an apology, as well as monetary compensation to dwellers. If the case remained unsolved, mass squatting could eventually lead to high risks of fire, water pollution, public health crisis and urban decay.

The role of government within the housing sector has been ineffective and counterproductive in enabling the housing market to work. In the past, the DHSD has primarily produced physical town development plans for large towns throughout the whole country while the YCDC has functioned as a proxy to enforce rent-seeking activities of government within the administrative area of town. The only major housing-related activity has been the development of several housing projects for veterans and government employees in the 1990s and 2000s. Due to several decades of negligence and lack of management, a plethora of housing problems came into light, especially during the period of democratic transition. Particularly, affordability becomes a highly sensitive social issue that prompts public protests and demands for policy measures to ameliorate the ongoing crisis. Citing the 2008 Constitution Act 36 (B), people started to call for a government action regarding curbing monopolistic practices, as well as creating a level-playing field in the real estate market. This has also instigated debates in the Parliament and brought a whole set of related issues onto the table; including housing policy, housing tax, affordable housing and farmland law. Although it is too soon to draw conclusions about the effects of newly mandated

policies and those in progress, governmental responses to the real estate frenzy largely focus on enforcing property taxes and experimenting with affordable housing projects, instead of attacking the structural problems of housing sector.

Although there are clear regulations on which housing could be legally traded among the agents, one could buy any kind of unit with an attractive offer of cash. While most of the housing units in the market are privately owned, there are government employee, cooperative, religious and affordable types of housing. Cooperative and religious housings have no public market, as they are owned by government ministries and are primarily used as office spaces within residential neighborhoods. Government employees' housing units, which were extensively developed back in the 1990s and 2000s, are the most restricted residential housing in the market. Since government workers and their families with more than 10 years of service experience are given exclusive rights to dwell in the aforementioned units, they could be evicted from the properties if they attempt to resell or rent them to someone else. Given the lack of a legal enforcement system, those units are sold secretly among government employees. The last type of housing is affordable or fair-cost housing, which is technically reserved for eligible beneficiaries and prohibited from re-selling within 5 years of purchase. However, many people obtaining such units via lottery resell them at a higher price. There is even an official affordable sub-market, and sales information is publicly indicated in journals and magazines. Compared to the privately-owned units, affordable housing is a lot cheaper and located far from downtown areas of town.

Since Myanmar is earthquake-prone and vulnerable to natural disasters, the

element of safety has been a major concern for would-be buyers. The majority of informants believe that many houses within the city's administrative area are run-down and no longer meet the safety requirements. "Lack of maintenance efforts is fairly evident. You can see banyan tentacles creeping into the façade of many buildings in the downtown area. Iron rods fall off inside old buildings and that makes way for water to seep through walls and compromise the overall strength of buildings." Buyer #3 clearly described. Although emergency stairs are supposed to provide a means of escape, they have posed more harm than good to the tenants in Yangon. "External exit stairs in many buildings are in terrible shape and they cause more fatal accidents when people attempt to use them. Many stairways are not even easily accessible in the event of emergency. Some tenants use some section of stairs as storage areas while some hang their clothes and dry them out on the stairway." Buyer #6 added. Similarly, brand new buildings are not free of safety doubts. Contractors give more attention to project deadlines rather than focusing on the overall safety and quality of apartment units. They are known for cutting construction costs by using low-grade concrete and iron rods in body frames of buildings, which eventually leads to the formation of holes and cracks in walls and floors. Given the lack of stringent building codes, both quality and safety of buildings are inevitably compromised, not just by contractors but also tenants who do not maintain their living space.

The process of searching for a house is controlled by the Buddhist Calendar. Months from June/July to September/October are recognized as *Waso*, during which monks remain in monasteries and refrain from traveling. There is a traditional belief that traveling could force monks to walk across crop fields and harm plants. Since

monks play a key role in blessing weddings and celebrating housewarming ceremonies, the Buddhist could not logistically get wed and move to new houses without having monks on site. Therefore, Waso is recognized as a period of restraint and abstinence for laypeople as they always have to wait until October to get married and find new houses. On the other hand, the housing market cools off and house searching activities slow down during July, August and September. These three months also coincide with the 'monsoon season' where construction activity slows down because of unfavorable weather conditions. Shortly after the end of September, both construction and housing markets pick up momentum; a great number of housing projects gets launched and families and newlyweds start their journey again in quest of new houses. Although it is not common to buy houses for the devout Buddhists during Waso, many people intentionally avoid the peak season by purchasing a house earlier before the beginning of Waso. However, if they feel the need to buy a house in the second half of the year, they purchase it during Waso but do not move there until October. In the local market, Waso coming to an end is a common excuse for house prices to shoot up, as there is a huge demand for housing in the remaining months of the year. To jumpstart sales, many construction firms also offer promotional discounts for newlyweds and families looking for housing units.

Micro-level Institutions: Social Networks and Institutional Arrangement

Due to underdeveloped political and legal institutions, the housing market in Yangon is not transparent and it is competitive where prices are not just set by demand and supply. When a family wants to look for a place to live, they have to use several

strategies not just to get good market information but also effectively assess properties, and compare and contrast units according to their personal demands.

Market Information

Using real estate brokers is a common institutional arrangement people use to get valuable market information. Since many properties in market are known to have questionable ownership, buyers rely on brokers to ensure the authenticity of titles. As there could be a variety of ways by which owners acquire properties and transfer them from one owner to another, buyers risk losing both money and house altogether in future if they do not conduct thorough examination before signing a lease or sale contract. Brokers tend to have a buyer's best interests and facilitate the due diligence process by verifying documents and legalizing transactions. "Many of the brokers I have met are quite knowledgeable about titles and contracts. They also have connections with local lawyers who could come in to close a deal. Working with them gives me peace of mind and minimizes risk." Buyer #8 asserted. On the other hand, Buyer #11 commented that, "It is so easy to find a broker because brokerage businesses can be found in every single township. You just need to know which neighborhoods you would want to live in and what price range you can afford. Once your broker is aware of these details, he will just take you to check out different suitable properties." Although many of the buyers interviewed thought it was worthwhile to pay 2% commission fees to brokers in exchange for quality services, some buyers believed that 2% was a lot of money for what simply constitutes putting two parties in touch without much effort.

Potential buyers try to scout properties through print media such as journals, magazines and daily newspapers. With real estate frenzy, comes the birth of several journals, which are solely devoted to properties and land. They feature extensive news and property listings, which feed readers with tons of information. By purchasing those journals and skimming the listings, a potential buyer could get a good sense of market prices and availability of properties in desirable townships. Listings also serve as a reliable filter for affordable properties, which could finally lead to a good deal. “I used to grab a few journals that were out in a week and go through listings to identify the properties that I liked. Then, I would call up the agents and set up a showing appointment for further inspection. Those journals saved me a lot of time since it is now so easy to go and see properties in person.” Buyer #10 recalled. A couple of buyers interviewed also look up property information in the newspaper. Advertising properties in the newspaper is something unheard of a few years ago since printing information there costs as much money as advertising more profitable consumer products. Buyer #7 described that he checks “the individual announcements in the daily newspaper.” and that “Those people put property information in there because they want to find a buyer for their properties quickly.” He also added that “If you dig around and do your research, you might land a very good deal.”

Another source of information, which is considered most useful, comes from family members, friends and other social networks. This source of information is widely trusted especially because acquaintances tend to have extensive networks, and information is relayed from one member to another fairly quickly. “As soon as I started looking for a house, I asked my relatives and friends to provide me with all

information they could if they knew someone wanting to sell their house. Since we all live in close proximity to one another in the same township, it is easy to know which houses are up for sale.” Buyer #4 reported. *Trust* is also a key factor associated with this source, as buyers normally consider information given to them by friends and family to be very trustworthy. In regard to this particular aspect, Buyer #8 mentioned that “Most potential sellers that I get to know through friends tend to be quite reliable. They know one another very well and particular details on how a certain property was purchased in the first place and whether there were liens filed against it.” in the same regard, colleagues also present a vital source of property information. As they already are professionals in their own career, information from them is more refined and polished. “My coworkers helped me a great deal with finding the house I have purchased. They told me all about the history of properties and surrounding neighborhood without having to go and view several houses myself. I was able to make calculated decisions on which houses could match my lifestyle and which ones I should check out further.” Buyer #9 asserted.

Technology-savvy buyers glean information from the Facebook, property websites and other online sources. Compared to traditional sources of information, using the Internet is very attractive and convenient, mainly because it enables buyers to reach a great number of friends, as well as view the pictures of properties in the comfort of their home. “I also use Facebook to let my friends know when I am looking for a new house and ask anyone to message me if they have any relevant information. Some agents have Facebook accounts and put up tons of information and pictures there. So, I can just look at them and see which ones I like most so that I do not need

to waste time and energy on unnecessary property-viewing trips.” Buyer #1 emphasized. There are also several websites that provide free services through marketplace platforms such as house.com.mm, shweproperty.com and Myanmar-housing.com. These websites allow both agents and sellers to post property information then interested parties can contact them via email. Buyer #5 made it clear that “Online listings put more information about properties including pictures compared to printed listings. This is a wonderful thing for buyers since we can just use powerful search engines and filter hundreds of properties to match our needs without paying a cent!” Although many of those interviewed have referred to the use of online tools to find properties, only two buyers ended up contacting online sellers to purchase properties eventually. Another two also mentioned the use of mobile applications such as Shwe Property and Home City to aid in their search of a house in the township of their choice.

Assessment of Properties

Even though buyers use different criteria to assess the characteristics of properties, price is the single most important variable used to filter through properties. Since Myanmar does not have an actual financial market, buyers have no access to long-term mortgage and loans. They simply need to have enough cash in their hand to purchase a property. In other words, they could only imagine the possibility of trading their house with a new one that has a similar amount of value or upgrading to a better property with additional cash down. “It doesn’t make sense to look at a house that you cannot afford. So, we started by casting a net on properties with how much we could

afford. Only after this, we could move on with the remaining selection process for viewing houses.” Buyer #9 affirmed. When buyers look for affordable houses, they tend to focus on a net margin of roughly about 10–15% from their affordability level. Market agents have a common understanding that initial *asking prices* are just prices that a seller proposes but do not necessarily reflect the real market situation. As Myanmar has a strong culture of bargaining, a good deal could not come through without an intensive negotiation process. Buyer #2 pointed out that “You would be a fool if you didn’t negotiate with sellers. They are asking for ridiculous prices these days in the name of new economy and politics. They are inflating prices for no reason, and it is our job to deflate them.” Additionally, some sellers, who do not want to bother with bargaining, opt to mention the “final price” in the listing. This does not necessarily mean buyers would not still ask for a lower price, but instead could only expect a small amount of changes in the final price.

Location is the second most important factor taken into consideration for most buyers. Yangon has become highly congested over the past few years because of car import sanctions lifting; a simple inner city trip from one township to another could easily take up to one hour. The majority of families living downtown have their own private cars to commute, as public transportation has been unreliable, unsafe and crowded. Many of the buyers interviewed stressed the importance of the time it takes them to travel from home to work and key locations such as school, market, park, the Monastery and bus stops. For example, Buyer #12 spoke about his experience of finding a new property for his family, as well as stated some of the vital factors that helped guide him. He said, “My workplace is in Yankin. My wife needs to go to the

market for her daily grocery shopping, while my children have to attend elementary school every day. So, an ideal location for us was somewhere close to my work, the market and the kids' school. It did not make sense for my family to look for places outside Yankin." Buyer #7 elaborated on this point saying, "My aged father and mother are health conscious and religious. So, when we looked for a house, it has to be close to a park where they can go for a nice morning walk. It is also important to be near a monastery where they can go attend monk-led preaching and meditation sessions." Another common location factor, which was mentioned in interviews, is the proximity to the houses of relatives. Considering the cohesive nature of family units in the Burmese society, it is not surprising to find that many people are willing to pay a premium in order to live close to their relatives.

In addition to location, physical characteristics of six-story housing are important factors in the decision-making process for would-be buyers. Key amenities include floor level, size, the number of bedrooms, the position of unit, as well as neighborhood quality. Perception of each amenity is different, depending upon the intended use of units. In general, units on the ground floor at grade have the highest price, since they could be used as shops and for various commercial activities. However, there is an element of risk and vulnerability associated with living on the ground floor that is perceived to have the highest number of robberies and burglaries. Families who just want to reside, consider first floor units to be the safest and most convenient ones; they are also the second highest priced units in the whole building with prices dropping as one goes up. Families with elderly members would normally choose to live close to the first and second floor as they usually have mobility issues

while young families with limited means end up buying the units located on higher levels from the 3rd floor to the 6th floor. The common understanding is that the larger the unit size, the higher the price. This positive correlation also holds true for the number of bedrooms configured within a unit. Units positioned at the corners tend to be more expensive as they feel airy and light. Neighborhood quality is another major variable that greatly affects a unit's price. The general consensus is that units located in clean and quiet neighborhoods are known to be more valuable than those near a busy highway, squatter areas and landfills.

5.2 NEGOTIATING WITH OWNERS

Macro-level Institutions: Politics, Laws and Social Norms

The government has an important role to play in shaping the environment in which market agents talk about prices and carry out negotiations. Over the past few years, there has been a minimal amount of planning efforts to maintain the vibrancy of a functional housing market. While cities are getting urbanized because of migration trends from rural areas, infrastructures are developed according to arbitrary and whimsical needs of powerful authorities. There are only a handful of town centers where one can live conveniently close to work, school, and malls. Market values in those popular neighborhoods keep soaring up markedly compared to those in industrial zones on the outskirts of town. Distrustful public are always on the lookout for any news on project development that could affect property prices. As soon as the news about the Korean-funded construction of a bridge across the Yangon River came out, land values, on the other side of town, shot up dramatically within days. The

authorities finally had to announce the indefinite deferment of the plan to calm down the frenzy among the investors and speculators who were offering very attractive deals to poor residents. Furthermore, the establishment of neighborhood-based property values and tax rates was another tool authorities have recently applied so as to counteract the arising problem. This has also managed to cool down the hot market effectively and reduce the number of transactions as market agents waited and figured out the potential impacts of that new rule.

The notions about fair compensation and public interests are completely missing in the political sphere of housing and land sectors. Since the state claims 90% of land across the whole country in the name of military and specific ministries, it plays a key role in grabbing land and creating tension among landowners. Senior authorities neither care nor ask a third party to mediate and offer fair compensation to the landowner from whom they seize the land. Particularly, on the outskirts of town, agriculture is a primary source of livelihood for farmers, many of whom do not even have ownership records while some others have unverified and land titles in weak standing (USAID, 2013). In downtown areas, private companies are secretly given concessions to open malls and restaurants on the public domain at strategic locations. Only after deals are signed and construction work is about to begin do people learn about the commercial nature of the development projects on public parks. Similarly, the public interest is completely ignored when it comes to ministry-owned lands. Although some parliamentarians try to propose development of public spaces and thoroughfares to counter traffic congestion, respective ministries decline their proposals vehemently. Instead, they choose to invest their land in a high-end real

estate development project in collaboration with a foreign firm, and all profits go into the pocket of senior authorities.

Although several laws touch upon housing, land and property rights, one primary law the government uses to justify *land grabbing* is the Land Acquisition Act (1894). Government has the authority to acquire land for public and business purposes but the exact scope of meaning for those purposes is not clearly defined in the aforementioned act. Every landowner has the right to object to the acquisition and valuation of land, as well as appeal to court for the appropriate amount of compensation. However, the process of computing the amount of compensation is problematic, as Myanmar neither has a database for land information nor owns a standard methodology to determine market value. Since there is no independent body to govern the appraisal and compensation process, owners have to accept for what is way lower than the actual market value and bear the loss of their own land. The problem of confiscation is evidently worse in informal settlement areas where dwellers do not have formal records of ownership. As their neighborhoods are located in close proximity to highly urbanized areas, they are at risk of losing their valuable land to government-sponsored development projects. Many projects are in deadlock, as local landowners could not accept purportedly unfair compensations while private companies accuse them of being greedy and making unreasonable demands to hold up projects. Several disputes have ended up in violence and bloodshed, as the government would always side with the private sector and aid in subduing protest camps.

For the market agents operating in the private housing sector, most of them see Yangon's housing market as a free market economy, which creates a seemingly level-

playing field for them. This perception leads to arguments for a non-intervention approach on behalf of the government, as local pundits believe that both supply and demand forces will adjust themselves to an economic equilibrium. Understandably, an exchange will not simply take place if both buyer and seller could not agree to a transaction price. Despite new tax regulations and value fixation imposed by the state, market agents choose to ignore officially announced values and work instead with the acceptable market prices. However, the advocacy for free market is grounded in principles where the governance system is highly structured and the property rights regime is relatively developed as seen in the western world. In Myanmar, however, corruption pervades the entire legal and political institutions. The housing market seems to be highly distorted when it is looked at in the socio-economic context. Those with connections with the Military are able to get highly lucrative business concessions, buy acres of land at cheap prices, and secure contracts for real estate development projects. Many foreign firms find a way to buy lands in the name of their local partners and engage in speculations on a massive scale. A certain group of people who own a big chunk of the housing market could dictate the outcomes and effectively reduce the overall efficiency of economy.

The dynamics of a negotiation process are shaped by an underdeveloped economy in which income could not catch up with inflation rate. Average families have a hard time making ends meet, let alone saving up enough money to afford buying a house. Sellers, on one hand, want to maximize their property values while buyers, on the other, aim to buy the cheapest possible house within their limited budget. Similarly, the current homeowners could not afford to trade in their houses

with other ones in a better condition while buying a housing unit is simply out of reach for average working class members. In the midst of an intense struggle for personal gain, market agents do not have a strong sense of what fair price is all about. From 2011 to 2012, housing prices almost doubled and this threw them off in terms of valuation of amenities. The general consensus is that spacious properties in great locations with several bedrooms, ACs, a phone line and hardwood flooring would demand a higher premium price compared to those with basic amenities. Besides, there is no hard data to support the decision-making process; people engage in transactions without enough knowledge about the exact amount of value associated with each characteristic. Therefore, most people resort to a 'comparison approach' where they just refer to the prices of similar properties found in the same neighborhood. Market agents are used to make sweeping comparisons to inflate prices as high as possible no matter what kind of glaring differences exist between two different properties in close proximity.

The macro-level environment is shaped by a strong bargaining culture where polite haggling is an expected and necessary part of everyday life. The haggling process is primarily driven by the implicit perception that someone out there will rip you off by charging more than the fair market price. With limited access to credit and regulatory support, a great number of firms and agents has resource-constraint problems and always seeks to minimize costs in order to achieve optimal profit. Therefore, bargaining for a lower price can be observed at all levels of business activities from street vendors to business professionals. For instance, in a typical food store, it is normal for a customer to ask for a discount for all items bought. And if a

seller does not budge on small reduction, a buyer will ask for extra items for the same price. When it comes to buying and selling assets as expensive as properties, a deal will not come through without *extensive negotiation*. As Yangon's housing market is known for speculative activities, sellers understand the asking price on a property listing is deduced only after much wiggle room for negotiation and profit margin is taken into consideration. In fact, buyers have some sort of moral and personal obligations not to pay what sellers ask for initially. Instead, they strongly negotiate the price down to a level that is at least 10% less than the initial anchor price. Many market agents have a lifetime of bargaining experience and are prepared to engage in lengthy negotiations with either buyers or sellers.

Price negotiation is a very private matter between buyers and sellers, as there is no set of state regulations or official codes of ethics to govern the bargaining process. In addition, both sellers and buyers are not under any direct influence of local government to accept a certain price and engage in transaction. However, since the housing market has been bullish for the past several years, sellers have had the upper hand in setting the price they want to get. It had been the sole responsibility of the buyers to aggressively negotiate with the sellers and ask for a discount. Due to recent tax regulations, the market has slowed down giving more leeway and time to buyers nowadays. Among sellers, it is the common understanding that the buyers that they meet are not naïve, as they have done multiple house viewings and engaged in negotiations with several homeowners in the past. Buyers also expect their sellers to ask for an exorbitant price and they are there to check out the house and test the waters to see their price flexibility. In order to justify a price offer from each side and present

it as worthwhile for the other, sellers and buyers employ a variety of strategies. Power also constantly shifts between buyers and sellers at so many points during the negotiation process that it is integral to both parties to engage in the transaction at the right time without losing on a valuable deal. Real estate agents and lawyers sometimes get involved in mediating between both parties to agree on a transaction, as they get huge incentives to have a deal sealed and typically obtain commission fees for their services.

Micro-level Institutions: Social Networks and Institutional Arrangement

Buyers use a variety of techniques to form a relationship with sellers so that they could create an exchange of value beneficial for both parties. Negotiation is a process, which starts when both parties start to meet up, communicate and continue to the point where they sign off on a deal. Typically, buyers are not willing to pay more than the fair price and always figure out how to strike up a bargain deal. On the other hand, sellers would do anything in their power to get the sale price as close as possible to the asking one. This give-and-take relationship between buyers and sellers is quite dynamic, as it is born out of a competitive business environment. Most market agents see one another as colleagues and truly strive to create a win-win situation for everyone.

One of the most common techniques buyers use to gain business advantage is appealing to a seller's sympathy. This strategy starts with buyers engaging sellers in conversations about their modest lifestyle and spending limits. They attempt to make some sort of emotional connections with sellers. On his own experience of purchasing

a house, Buyer #6 said, “Although the initial conversations I have had with the house owner were brief chats about his house, the ones we had later were about my family. Particularly, I explained to him how much money we made as brokers, how my daughters went to a school that was two blocks away and how badly we needed a house in this neighborhood. Those conversations made him see the situation from my perspective and helped us bargain for a huge discount in the end.” However, they need to find a right balance between *connecting* and *begging* during the process. Making too much of a plea could backfire and annoy impatient sellers to the point of calling off what seemed to be a promising deal. Buyer #9, on the other hand, asserted that point, explaining, “One house lady I met wasn’t so nice. When I talked about the very limited budget we had for a house, she just shut off further conversations and asked us to look elsewhere if we couldn’t afford to buy her house.” The caveat is that buyers could be exaggerating facts about their life and intentionally misleading naïve sellers into offering a bargain deal to them. But many buyers interviewed insisted that sellers have done a lot of research and already knew about the local housing market. They will neither buy statements blown out of proportion nor give in to manipulations from a prospective buyer easily.

Another popular approach that buyers use is the citation of comparable data during the negotiation process. They do initial research on recently sold houses in the same neighborhood and refer to a comparable unit sold at a cheaper price when they haggle with the seller. This value comparison approach is a useful filter for the buyers so that they do not end up paying more than the market price. “If a unit at the same level, one block away, was sold for 600 lakhs, why could this unit be worth way more

than 650 lakhs? Without additional perks and benefits, I won't be paying more.”

Buyer #1 remarked. However, most of the references the buyers made come across as misleading as they have no strong data to back up their statement and mainly focus on location, floor level, and size. Properties have their own unique attributes, and there could be a litany of glaring differences among properties even on the same street. However, buyers try to find a way to present seemingly unrelated similarities and build a case for a possible reduction in the final price. During this initial market research, if buyers find out the real reason why sellers want to sell the unit or any other extenuating circumstances besides typical negative points about the unit, they gain an upper hand in demanding a huge price cut. For example, if a house owner is selling his/her unit on time-constrained notice in order to move to another town, a buyer gains an edge in the negotiation process. Similarly, it is a social taboo to buy and dwell in those units where a crime has occurred, a death has taken place or even the rumors of being haunted swirl around. The majority of the buyers are superstitious and would see any of these conditions as a bad omen to their health and business.

Emphasizing a house's flaws is another way to haggle with the owner. Real estate brokers tend to be a key driver behind this approach in which they usually inform buyers of the *negatives* and sellers of the *positives*, trying to reach a middle ground in the final price. Buyers could use given information, as well as collect more intelligence on their own to build an arsenal of negative points about the house. From house viewing, they are alert to as much negativity as possible, including poor wall paint, stinky smell, tainted tiles, busy neighborhood and others. “Once I stepped into the house, I was on the lookout for more negative things than positive ones. This

helped me thoroughly assess the condition of the house, as well as make a list of pros and cons to draw comparisons with other houses too.” Buyer #8 stated. Once a negotiation process starts, buyers briefly mention the state of the property in a positive light, and then try to use any of the negative conditions they detect as major leverage and argue for a lower price. “I had to sing praises about the house first and then focus on arguing for a 5% reduction in the price for the unit had poor wood flooring and the kitchen was in a terrible shape. If I had to renovate them by myself, that would take lots of time and cost less than 5%. So getting a 5% reduction was a much better deal for me.” Buyer #3 asserted.

Use of brokers in the negotiation process is a common institutional arrangement found in the housing market of Yangon. In most cases, brokers are the reason why buyers and sellers get a chance to meet up in the first place. They continue to play an important role in mediating negotiations until both the asking price and the offering one become fairly close after which they take a backseat and involved parties completely take over the talk. Therefore, negotiation is essentially a two-stage process where an experienced broker could make a deal happen by leading market agents to a common ground with their respective offers. “When I got interested in a house, I let my broker do all the talking first to see whether the seller could lower the asking price. When the final price became appealing to me, I did more negotiation with the seller on my own and sealed the deal.” Buyer #2 recollected. However, it is worth mentioning that these broker-led negotiations would not usually take place if brokers did not personally know the seller involved or if they did not have substantial brokerage experience. In a later stage of haggling, it is not unusual for buyers and sellers to

pressure brokers into receiving a cut in the commission payment if they want the deal to go through. “We all had to cut our profit margin in one way or another. So we asked our brokers to accept 1.5% instead of the standard 2%, which is already a lot of money since the property is worth 700 lakhs. They accepted it since no deal would mean a loss-loss situation for everyone.” Buyer #11 described their house-buying experience.

Dynamics of *power play* between buyers and sellers are an important aspect of the negotiation stage, as the one with more bargaining power ends up influencing the ultimate outcome of the deal. As in a typical business environment, buyers do not want to reveal the high level of interest in the units they are viewing while sellers just want to appear that there is no urgency to sell their unit. Therefore, expressing a certain level of detachment on buyers’ part is essential to maintaining bargaining power in the game. “I tried to show the right balance of enthusiasm and indifference to maintain my position during negotiation. If I go say this is the house I really want or hate, the seller will not bother about offering me any discount or whatsoever.” Buyer 4# expressed his rationale regarding bargaining. Buyers then gauge the intrinsic value of a seller but do not make *offer prices* until they have accumulated a wealth of information about both the unit and the local market. It is believed that naming offer prices at the outset severely curbs the power of a buyer as any other counteroffers proposed by a seller will be way higher than that. Taking several days to respond between back-and-forth counteroffers is another effective way to rattle sellers and force them to consider lowering the price. “The seller anchored me at a high price but I tried to fish for the lowest possible price he could agree to before I have made counteroffers. Once I made that counteroffer, I couldn’t expect a lower one. So it was

very important to choose the right timing of your response and make a calculated lowest possible price that would keep the seller satisfied, as well.” Buyer 10# described.

By the end of the negotiation process, both buyers and sellers have to reveal their cards and engage in the last phase of haggling. Depending upon the power position of buyers, they employ a variety of tactics in order to make sellers agree to the final price offer and push through a deal. If buyers have set their eye on a particular house and the negotiation has come to a deadlock, they promise to pay for all or some of the after-sale costs, which are normally handled by the sellers, in exchange for further reduction to the target price. For example, making a one-time full payment all in cash is an attractive incentive that buyers usually offer as a last-ditch effort to bring down the final price. On behalf of the sellers, some buyers propose to pay for brokerage fees, as well as fees for a name change on the landowner’s registration form. “My family really liked this unit we bought. The seller was asking for 410 lakhs but we didn’t want to spend more than 400 lakhs. In the end, the deal came through with 400 lakhs and I had to pay the 1.5% agent fees. Paying 6 lakhs is better than 10 lakhs for sure.” Buyer #7 narrated. Another major trick buyers tend to use is the threat to walk away from the deal. It is common for buyers to give an ultimatum to sellers by saying they would buy another unit if the sellers did not agree to a lower offer within a few days. This tactic is mentioned to be very useful for buyers as they could gain an upper hand one last time and rattle sellers to a point of giving in. However, adopting this method also carries the risk of losing a house with a good value, which was the case for some of the buyers interviewed.

5.3 FINANCING PROPERTIES

Macro-level Institutions: Politics, Laws and Social Norms

A comprehensive understanding of the housing market in Yangon would not be possible without discussing the impacts of black money. Myanmar has long been home to a wide variety of underground and exploitive economic activities. According to the UN Office on Drugs and Crime (UNODC), Myanmar is the second largest producer of opium after Afghanistan. In 2013 alone, about 870 tons of poppy was produced and its monetary value was estimated to be about \$500 million. Similarly, the Myanmar Oil and Gas Enterprise (MOGE) has sold gas to neighboring countries and auctioned off exploration blocks to the foreign companies. All these extremely profitable businesses have pocketed billions of dollars, which are shared among the senior military personnel and their cronies. The state-owned Myanmar Timber Enterprise (MTE) has also oversaw the sale of logging concessions to the private companies, as well as exported timber to China, Myanmar and India. The official figures suggest average revenue of about \$1 billion every year for the past decade at the expense of teak and hardwood forests. Likewise, the mining ministry has produced precious stones such as rubies, pearls and jades and sold them to fund the military regime. All these enterprises generate a staggering amount of money for a low-income country such as Myanmar. The important question to ask is where all these black money end up. Besides stashing money in offshore accounts, the only available investment options for cronies are real estate, gems, dollars and cars (Wai, 2014). Particularly, real estate has emerged as the prime investment choice since so much money could be stored in its physical assets and liquidated easily.

Another form of black money that affects the housing market is the income of general population, which is not declared for tax purposes. Buyers who own formally registered businesses or firms have to pay income tax, but the reported revenue is a lot less than actual amount. Moreover, many could even bribe tax officials and ask to be put under a lower tax rate category. Those individuals who work at large local or foreign firms are subject to tax regulations as all tax payment is taken care of by their respective human resources department. Those who have informal businesses or work at small and medium-sized enterprises are able to escape taxes entirely. The very high rate of tax evasion is also enabled by a predominantly cash economy where transactions are carried out in cash. Saving up money in local banks and living on the interest payment has been one popular approach to deal with so much cash, but the annual interest rate has been declining from 12% to 8% over the past few years. The best way to convert black money into white money is through investing in real estate properties that could hold large monetary values. This should help them to cover up the track of illicit businesses, as well as become official owners of highly valuable assets. Since the current situation makes it easy for people to launder money through local bank accounts and commit other financial crimes, the Financial Action Task Force (FATF) blacklists Myanmar as one of six countries that pose huge threats to the international financial system.

Government has taken a few measures to control the flow of black money in the local economy, as well as to improve the country's image for potential foreign investors. Particularly, the Financial Intelligence Unit (FIU) under the Ministry of Home Affairs recently updated the anti-money laundering law in 2014, which requires

businesses to report property sales and other transactions that involve more than \$100,000. This will prompt the authorities to trace the source of funds, check the legality of business activities and verify the status of tax payment. Furthermore, the FIU has the authority to file criminal charges against those who violate the anti-money laundering law; their properties could be confiscated and the maximum sentence could be up to 10 years in jail. Despite all these proposed mandates and penalties, the current task force does not have enough capacity to conduct all necessary inspections for market manipulation, tax evasion, money laundering and other assorted crimes. Instead, they have so far focused exclusively on the narcotics-related financial dealings. There is also a huge enforcement problem on the ground since law seems to be primarily driven by the voluntary reporting of individuals. The FIU unrealistically aims to rely on agents and brokers to report their own clients who engage in major transactions. Agents will not risk losing their commission fees over reports on their own clients who could potentially bring in a slew of other customers, and clients who are investing more than \$100,000 are already powerful and resourceful enough to take care of any resistance from brokers, police and politicians.

The tax treatment of housing could play an instrumental role in creating marginal incentives to consume more or less housing. Over the past few years, the property tax rate has been changing frequently. Until 2013, the official figure has been set at 10% of a property for sellers and 37% for buyers. The buyer tax could be further broken down into 30% as income tax and the remaining 7% as stamp tax. But for those who could provide evidence of prior tax payment on their income, income tax is waived and stamp tax is the only liability. Market agents are used to making no tax

payment at all and this duty-free culture gives them stronger incentives to engage in property transactions (Thike, 2013). In order to reportedly control widespread speculations and enforce state revenue, the government is in the process of implementing standardized property values for each township. However, there is no mechanism to enforce market agents to stick with the standardized rates, which are way much lower than the actual market values (Interview 201, 2014). Instead, these standard values primarily serve as a tool to calculate the tax amount to be imposed on new homeowners. According to the new tax rate, the value of majority of the units people buy will fall between 500–1500 lakhs, and the average tax rate will be 15% (Table 5.1). Although 15% is less than half the previous rate, it still is very high as the international property tax rates hover just between 1% and 6%. In this regard, the government is extensively lobbying people to pay taxes and register their properties through different media channels.

Table 5.1: New Property Tax Rate starting from 2014

Property Value	Tax Rate
Less than 500 lakhs	3%
500-1500 lakhs	10%
1500-3000 lakhs	25%
More than 3500 lakhs	30%

If in Yangon, Mandalay and NPT, add 5%. Otherwise, 3%

Source: Myanmar Tax Evaluation Office

Access to loans from private banks is evidently limited for the agents on the demand side of the market. There are not only restrictions on how much money they can borrow but also on the handover of collaterals such as gold, business license, and land deeds during the borrowing period. These loans with an interest rate ranging from 10% to 13% are available for the short term only, as the repayment needs to be completed in 1–3 years. Since there is no credit bureau to supply credit information,

local banks take a very cautious approach in assessing risks and granting loans to individuals. A typical family simply needs to assemble enough funds on their own or through their family connections before looking out to buy a property. Severity of these financial constraints on the demand side of housing market is cited as the main reason when the Ministry of Construction approved the affordable housing projects and the establishment of Construction and Housing Development Bank (CHDB) in 2013. CHDB initially boasted to make 30-year mortgages with an interest rate around 4% to low-income people. Despite the expansion of branch offices throughout the country in 2014, they have not initialized any long-term borrowing programs. They are now operating as a formal private bank that offers short-term loans to the existing businesses and construction companies. Even if they happen to offer mortgages in the near future, they allegedly plan to finance those ex-government officers and other households who buy affordable units from the ministry only.

Social norms related to borrowing play a vital role in contributing to the lack of banking and financing culture at large. As the Buddhist Burmese believe in the cycle of life, most of them are concerned about the idea of carrying the debt over to the next life if they somehow could not pay it back in the present life which is against the teachings of Buddha. Many people simply do not feel comfortable being in debt, knowing that they owe money to a certain individual in a certain day. What is even worse is that handing a precious title in exchange for a loan for business comes across as a risk too big for ordinary people to take on. The society also frowns upon people in huge debt although it is acceptable for people to borrow some money to use in business activities. The fact that the majority of the people do not have a sophisticated

understanding of finance beyond interest rates and simple balance creates a difficult environment for banks to thrive. At the moment, the central government is in the process of taking several measures to educate people and raise their awareness regarding financial literacy, as well as establish competitive financial markets. For instance, the congress just granted licenses to a few foreign banks to operate in Myanmar so that they could help liberalize lending schemes and expand the availability of loans for business owners. Several local banks are also competing to be primary lending institutions in the retail market for developers and construction firms, but their ability to adapt to the existing financial environment and fulfill the needs of potential homebuyers is yet to be seen.

Micro-level Institutions: Social Networks and Institutional Arrangement

The most difficult stage of engaging in successful property deals is being able to secure enough financing. And this stage is complicated by cash economy, undeveloped financial market and incoherent tax regulations. However, agents work around the presented challenges by employing multiple strategies. Particularly, they triangulate several different sources to assemble financing and craft a strategic payment plan to execute housing deals with sellers.

Financing Solutions

Personal savings is the primary source of funding, as buyers simply have to save up money to a point where they have adequate financial backup to start looking for properties. This process of saving could even take a lifetime if buyers are from the

average working class and earn a trifling amount of income. “In this country, there is no social safety net. We are pretty much on our own with financing to buy a house and even to get medical treatment at hospitals. My husband and I have been working hard and saving up money since we got married, so we could use some of it to buy this small apartment. The next generation of my family could avoid paying monthly rents and become proud homeowners themselves.” Stated Buyer #5 who is in her 60s. However, financing did not happen from scratch for five informants who were looking to trade in their old properties for the new ones. But, they still needed to use up a certain amount of savings in order to upgrade to units in better conditions. Two of them intentionally chose to move out to the townships, farther away from downtown areas, in order to free up money to pay off personal debt and make investments.

Another common arrangement to deal with financing constraints is buying pre-sale units, which are priced much cheaper than the finished apartments. This tends to offer flexible payment plans since buyers can make installed payments dependent upon the 2-year implementation schedule of developers. Specifically, 3 payments are usually made over the course of construction work - the first payment after the foundation work is completed, the second after the floor of the purchased unit is up and the last after the a Building Completion Certificate (BCC) is obtained. Buyers stress the huge amount of risks involved in the pre-sale transactions. Since it is easy for developers to run away with money and leave the whole project in legal *limbo*, buyers make sure that they have a good reputation and significant development experience. Buyers constantly keep an eye on the status of the project by making regular visits to the site and maintaining frequent communication with developers.

“Buying a pre-sale unit is like getting pregnant. You have to check with your doctor regularly throughout the period and you only get relieved after you’ve given birth. Likewise, you have to worry about your own money until you get hold of a certain decent unit.” Buyer #5 described the lengthy process of finding the most suitable pre-sale property.

The other option for those who do not have enough money to buy pre-sale units is the government-sponsored affordable or low-cost housing, which normally costs between \$25,000 and \$35,000. There have been a total of 6 projects; two of them have been completed and four are still in progress. The demand for these units way outstrips the current supply as the number of applicants reaches 100,000 for some projects that could only offer 500–800 units. Sale contracts are awarded through a lottery system to the intended beneficiaries, who primarily are the former government employees with at least 20 years of work experience and working-class families who make about \$300-700 per month. All they need is a recommendation letter from their respective township official, who has no way to verify their income level. Even though the official holding period is stated as 5 years, the original buyers started renting, listing and reselling them within the same year. There are also plans to implement a hire purchase system, which would require a 30% down payment upon purchase, 15% after floor is up and 10% upon acceptance of the unit and the payment of remaining balance to be made within 4 years. Ironically, these *affordable* units are not perceived to be affordable as those of the middle class could not afford to pay more than \$10,000 for a unit.

Interestingly, people rely on money from acquaintances and banks to certain

extent. Four buyers mentioned that they were able to borrow some money from their generous relatives. “Asking for money from others is not a good approach to buying a house. But I couldn’t get any loans from private banks since I didn’t own valuable assets in the first place, so asking to borrow interest-free money from my uncle’s family was the only possibility to fill up the financing gap.” Buyer #3 described. Even if these low-income working families were eligible, it would not be feasible to take out \$20,000, for instance, and pay it all back within a year or two. On the other hand, middle-income informants did not encounter great difficulties with financing, as their family enterprises provided a steady stream of funds. A couple of them bought the units in hopes of selling them back when the market prices escalated further; these units could be easily rented out to generate revenues or transferred to their children once they have grown up. These buyers also have much easier access to financing from banks, as their business license and property deeds could be exchanged with short-term loans. “When I bought this unit, I had to obtain a private loan because all my money was stuck in my new business. I know I can move around money in a few months, but I had to move fast with a bank loan to settle a good deal.” Buyer #11 recollected.

Payment Plan

Once buyers come up with enough funds to purchase a unit, they have to propose a strategic payment plan to sellers. Deposit is generally required in transactions as it ties both parties to honoring the initial agreement. A typical deposit contract also includes penalties in the case of cancellation initiated by either side;

sellers would be required to refund the doubled amount of deposit while buyers have to forfeit all of their deposit. Therefore, buyers are quite strategic with the amount of deposit they pay as it could influence the 50/50 chance of a deal going through or falling apart. In the past, deposit represents a small percentage of the purchase price that is not more than 5%. But once the market gets heated up, buyers are willing to put down more than 15%, particularly if they have set their heart on the properties. Buyer #7, who paid 20%, stated that, “As soon as I saw this place, I knew this is the unit I wanted and the final price was just about right. So, I had to give a huge deposit to the seller so that he couldn’t even think about calling off the deal.” “When I paid a 10% deposit for this unit, I was worried the whole time as 10% might appear too little to the seller. She could easily be showing the unit to other buyers and asking for a much higher price. I would lose a good unit if she refunded twice my money.” Buyer #6 admitted. Similarly, some buyers who could not find great deals right away could pay a tiny amount of deposit and keep searching for properties. If a better deal comes in their way, they would go after it and give up the deposit paid for the prior deal.

In order to close a deal, buyers have to pay the outstanding balance to sellers. The details of the payment plan vary from one transaction to another, depending upon the amount of money involved and the financial status of parties. Some sellers ask for all remaining money within a month after a deposit has been paid while some agree to installed payments over a couple of months. Only after all money is paid, the sale contract is signed and the deal closed in the presence of witnesses and a lawyer. Many buyers I have met have an implicit understanding of the time value of money as they prefer the longer payment period and wait until the due day to settle the balance. “I

need to take advantage of my money's earning capacity as much as possible before I have handed it over to the seller. A one-month or two-month period is a long time to circulate money in profitable businesses and earn some cash." Buyer #12 confirmed. Some buyers who have a personal relationship with the sellers are able to postpone the due dates and negotiate for a better payment plan. "When I bought this unit from my coworker, he didn't require that all payments be made within a month. This unit is slightly more expensive than the average unit out there, so we worked out a 6-month schedule with additional interest payments on the last three payments." Buyer #11 demonstrated. Another interesting strategy that savvy buyers use is the payment of balance on the first five days of a month so that they could earn interest payment from the bank. The current annual saving rates hover around 8%, which translates into a monthly earning of \$300 on \$50,000. Although it is not a whole lot of money, they could use it to pay for the broker's commission fees or home renovations.

5.4 OBTAINING TITLE

Macro-level Institutions: Politics, Laws and Social Norms

The integrity of property rights regime depends upon how strong the rule of law is observed at the societal level. The legal apparatuses on paper have as much influence on tenure security as the enforcement of regulations by the authority. For a developing country such as Myanmar, there is an adequate amount of housing regulations to guide the actions of market agents, as well as to obtain proper titles for ownership purposes. However, these laws enacted a century ago do not necessarily reflect the current situation. And improper implementation of several clauses not only

creates tensions between legalities and necessity, but also causes operational conflicts among market agents. Notwithstanding these existing rules, the larger problem lies in rampant corruption across all sectors. Anyone who has financial resources could easily bribe the police, judges and officials to gain unfair advantages and make things happen the way they want regardless of what the rules say. While greed is the major driving factor for senior officials, many junior officers who live on trifling amount of monthly income have to seek ways to earn extra money for their families, particularly, through the public they encounter at work. With this system entrenched in society for half a decade, the tangible outcomes are an incorrect way of drafting contracts, harmful exploitation of legal loopholes and misconceptions about property ownership at large.

The nuts and bolts of contract laws are quite important to the operations of the housing market as people could derive from them a sense of ownership and engage in transactions. Particularly, the Contract Act (1872)–formerly known as the Indian Contract Act–lays out the general context for the legality of sale contracts. This law stipulates that a valid contract in writing must be based upon exchange of value and voluntary agreement between the parties. The Registration Act (1909) further specifies that a contract, which involves the transfer of immovable property worth more than \$10,000, will not become official until it is formally registered with the Office of Registry. The time limitation of a transaction is set at four months from the date of its execution; otherwise the applicants have to pay additional penalty, which is less than 10 times the normal registration fees. This law is supposedly in place in order to prevent dishonest practices among market agents and to help solve ownership-related

issues in the future. Buyers who have unregistered contracts could use them as evidence of a transaction in suit and defend their status, instead of being able to formally declare their ownership in court. Additional complication is the taxation component tied into the registration process, as buyers have to submit a tax-clearance document from the tax office. Therefore, homebuyers could not claim ownership to their purchased properties until they have paid a 37% tax and registered their contract with the Office of Registry.

Another key regulation that indirectly affects the titling process is the Transfer of Property Act (1882), which outlines the specific responsibilities and entitlements of buyer, seller, lesser and lessee (Table 5.2). It also lays out the conditions necessary for the lawful transfer of properties, as well as the appropriate course of action in the case of contractual disputes among agents. At the most basic level, this status provides the legal ground for which market agents could terminate the contract if there is possible breach of duties. It is noteworthy that both the seller and lesser are requested to disclose the true extent of structural defects of their units to both the buyer and lessee. However, it is the norm for sellers to disclose the major defects only. Buyers are responsible for the thorough inspection of the property on their own before they have made a purchase. Legal problems are more likely to arise in the rental market because landlords not only raise the rent frequently but also present misinformation about the property itself. On the other hand, buyers are required to reveal any potential increase in the value of the property due to external factors that sellers are not aware of. This is a powerful clause for market agents in Yangon since the authorities are in the process of implementing many development programs and policies that could drastically affect

housing prices. However, if anyone, with connections to the inner circle, purchases a bulk of houses in new development zones, that person could be held legally accountable for breach of duties and their sale contracts could, in turn, become void.

Table 5.2: Duties and Entitlements of Buyer and Seller

	Seller	Buyer
Duties	<ul style="list-style-type: none"> - To disclose any material defects in the property. - To answer all relevant questions about ownership, documents and title. - To execute a proper conveyance upon payment of deposit. - To take care of property and all documents until delivery of property. - To hand over possession of the property as agreed in the contract. - To pay all public charges and rent accrued until the sale date. 	<ul style="list-style-type: none"> - To disclose any fact that materially increases the value of the property which the seller is not aware of. - To pay purchase-money at the time and place of completing the sale. - To bear any physical damage of the property or decrease in its value after ownership has been passed. - To pay all public charges and rent accrued after the sale date.
Entitlements	<ul style="list-style-type: none"> - To receive rents and profits of the property until its delivery. - To charge the seller for any non-payment or interest payment after the property has been transferred. 	<ul style="list-style-type: none"> - to receive any profit or increase in the value of property after ownership has been passed - To ask for interest payment on deposit if the seller could not deliver the property in question. - To file a lawsuit for breach of contract if the seller refuses to deliver the property in question.

Source: Transfer of Property Act (1882)

Since the majority of market agents are Buddhist and have families, the Buddhist Customary Law essentially affects them. As tenants in common, husband and wife are in equal possession of a property acquired by either spouse during marriage. The property could not be sold, transferred or loaned without the mutual agreement of both partners; any benefits derived from the transfer process have to be shared among them. Buyers could not initiate a court suit for possession if they bought a property without the consent of both the husband and wife. If buyers have to deal

with divorced sellers, they have to inquire first whether the unit is indeed the outcome of a divided marital property. These Buddhist customs also apply to a husband, of any religious background, who marries a Buddhist woman. When it comes to inheritance, the first-born son and daughter are given a lot of power to claim the family's estate within 12 years. Once the father passes away, the first-born son who has helped with the family business has the right to ask for one fourth of the inheritance from the widowed mother. Similarly, the first-born daughter is entitled to one fourth of inheritance from her father. Once both parents pass away, the remaining wealth has to be shared equally among all siblings. It is also noteworthy that the Buddhist Customary Law does not recognize wills or testaments. Parents could only write a contract in the name of "family-based arrangements" and mention provisions for their offspring. Such a contract has to be approved by the whole family but also registered with the Office of Registry.

Perception of the judiciary system and informal rules in regard to problem-solving play an important role in how people cope with procedural issues arising from the market transactions. Surprisingly, it is rare to see legal problems among market agents in the post-sale period. However, this is not because all rules are closely and carefully followed, but because it is considered costly and daunting to deal with judges whose executive decisions could be swayed with financial incentives. In addition, people do not have affordable access to a criminal defense and legal aid system, as they have to hire a lawyer and pay the entire fees. Assessment of cases is not based on merits and the rule of precedence while confessions and police testimony are major contributing factors to conviction. The most commonly reported cases are the

duplication of sale contract and the discovery of another owner dwelling in the same unit. Buyers then have to file reports against sellers at a local police station and make *under-the-desk* payments to the authorities so that the case is submitted to the township or district courts. On the other hand, renters just choose to move out by the end of the lease period unless issues can be solved in a friendly manner. Supposedly, there is a land controller office chaired by the deputy director in each township to sort out problems related to rental issues, as well as manage crisis between landlord and renters. However, very few renters know the existence of such an office. Again, dealing with those officials is considered more costly and time-consuming as opposed to taking easy actions within the power of market agents.

Compounding the shortcomings of legal frameworks and property rights regime is the local way of buying and selling apartment units, which is known as “*a-pyaut-sa-nit*”, meaning the invisible transaction method. The name refers to the literal disappearance of the seller’s money and the buyer’s unit upon the completion of a sale transaction. Since the colonial period, landowners have been able to develop housing units and sell one by one to buyers. Technically, they keep ownership of the land and building while buyers just purchase the transferable rights to dwell within their premises. Since the local government imposes land tax upon landowners, they shift the burden upon buyers and collect annual fees from them. These fees come to be known as “rent”, which could range from \$30 to \$100 per year, depending upon the quality and age of the units. When the unit is resold to someone else, the seller has to inform the landowner so that the name of the new buyer would appear on the rent receipt and that person is then the official owner of the unit. The seller is wholly responsible for

ensuring that the landowner recognizes the new seller and agrees to the sale transaction. In the past, sellers were not required to pay any additional payment to a landowner on top of the regular monthly rent. Nowadays, the norm is that sellers have to pay fees to landowners for purportedly changing name on their record book and getting them to sign the sale contract. There is no rule over how much the landowner could demand from the sellers. In some places, fees have gone up to 50% of the transaction value, leading to lengthy renegotiations among market agents and cancellation of imminent deals.

Micro-level Institutions: Social Networks and Institutional Arrangement

Weak legal institutions have the biggest impact on the titling process, as there is no clear procedure laid out for homebuyers. The actual process of obtaining a title is very informal and locally produced. In order to maximize security, homebuyers have to use creative arrangements to conduct due diligence and implement robust contracting procedures.

Due Diligence

The very first step to obtaining a proper title to a unit is the performance of due diligence before the contract is signed. The homebuyers consult experienced brokers in assessing the authenticity of property titles and previous sale agreements. Particularly, the sale contract and the national identification of the seller are examined thoroughly to make sure the current owner lawfully owns the unit and is selling it legally. Brokers also help verify that the transaction is legal and that the involved

parities are indeed who they say they are. Some buyers also check in with the neighbors to illicit any relevant information on the history of the unit and personal background of the seller. “Asking neighbors is a great way to learn about the unit. Most of them know one another and could tell you if there are any issues with the unit or the seller.” Buyer #3 confirmed. If buyers encounter any unit with a huge transaction value, they bring in professional lawyers to facilitate the sales transaction. The lawyer particularly requests to see all sales contracts available to trace the chain of property owners and make sure the buyer could purchase the unit under the current regulations. “It is too risky to do due diligence alone. I rely on brokers to check the property titles. Once I decide to buy the unit, I bring in a lawyer to verify all documents and legalize the agreement.” Buyer #10 described.

Although all buyers conduct due diligence, examination of legal documents does not happen until the asking price falls within the acceptable range for the buyers. This is an astounding aspect of deal making in the property market because buyers basically trust the owners and do not expect to see problems associated with property ownership. “I don’t ask to see the property title unless I am confident that the asking price is good enough for me to seriously consider buying the property. Otherwise, there is no point in checking the ownership if I can’t simply afford a unit.” Buyer #1 discussed briefly. Not checking documents early in the process also presents a fundamental difference compared to the land market, which is seen as more speculative and fraught with documentation problems. “Since we are just a family simply looking for a place to live, I don’t think any Burmese with a good heart could rob us and make us homeless. It could be a different story if we wanted to buy an

empty land. There are so many crooks and predatory investors shoving land with sketchy titles into the hands of naïve people.” Buyer #4 simply explained. “For a land deal, if I like the location, I always check with the owner on the authenticity of the title without even thinking about the price. Lawful ownership is a serious issue in the market where land plots are worth millions and millions of Kyats. If the owner can’t show me a proper title, I won’t waste time on that plot anymore.” Buyer #12 elaborated.

Contracting Procedure for Standard Units

Once buyers agree to buy a certain property, they pay a deposit to sellers and sign the deposit contract. A typical deposit contract is made up of four components – 1) address and identification information of buyer and seller 2) the date of sale and transaction value 3) the deposit amount, the payment date of remaining balance and a contingency plan if either party backs out of contract and 4) admission of the seller that there is no legal problem with the unit and if a problem arises, he or she will pay to sort things out until the buyer is satisfied. Besides, two parties and two witnesses sign off the deposit contract along with their national identification numbers. As this deposit contract serves to create a legally binding pact between two parties, the biggest concern for the buyer is the validity of the contract. The involvement of experienced lawyer is seen as instrumental in regard to negotiating the deposit amount, drafting the contract and mediating the agreement. “My lawyer helped me with everything from writing the draft through to negotiating with the seller. They have done tons of transactions in the past and knew how to draw up a sale contract inside out.” Buyer

#10 stated. “With my lawyer facilitating the contract and signing as major witnesses, this adds a lot of credibility to our deal and ties the seller to our sale agreement. So, it is important to work someone with a lot of contracting experience.” Buyer #7 recommended.

After the deposit contract is signed, the same lawyer helps to draft the final contract and makes sure the conditions mentioned are entirely acceptable to both the buyer and seller. A sale contract could be broken down into five parts – 1) address and identification information of buyer and seller 2) the date of sale and transaction value 3) payment of remaining balance and transfer of the property 4) confession of the seller on the legal clearance of the unit and that he or she will pay to sort things out in the event of any problem arising and 5) responsibility of the seller for getting the buyer become the official owner of the unit. On the signing day, the buyer, the seller and two other witnesses sign two copies of contracts; each copy is given to each party to keep for their records. If the unit comes with amenities such as a phone line and air conditioning, the seller also hands over all relevant documents to the buyer. The transaction is considered as complete once the seller receives the money and the buyer obtains a key to the purchased unit in return. The process of making a sale contract is said to be straightforward as the whole signing affair takes place in the presence of a lawyer. “First, our lawyer asked us to read the contract carefully twice. Then, we had to sign every single page of it as instructed. Everything in the contract was clearly written and we could ask our lawyer if there was any confusion.” Buyer #6 recalled. Some buyers, who want stronger validation of their property ownership, submit a copy of the sale contract to the township office in order to register permanent residence in

the said neighborhood.

Witnesses are involved in these property transactions not just to validate the contract, but also to minimize risks for the future possession of the unit. According to the Buddhist Customary Law, the immediate family members of sellers have a stake in the ownership of the unit, and their consent is implicitly required to legitimize the transfer of property. As a result, buyers usually ask the spouses of the seller to sign the contract as a witness. If the seller is a widow, the first-born son or daughter is supposed to sign the contract. “Getting the seller’s wife to sign the contract helps me strengthen my ownership. If she makes a claim against her husband and fights for her share in court, my unit would be stuck in their martial lawsuit. This would bring a lot of unnecessary troubles for me.” Buyer #2 confirmed. Getting the family involved in the transaction could come across as intrusive because some sellers do not want to reveal such information as having a second wife or some disowned son. However, buyers maintain that having the knowledge about the familial background of the seller is necessary so that they could at least know who they are dealing with and possibly steer clear of any future problems from the previous ownership. “I once tried to buy a unit from a widowed mother, who has disowned her rebellious eldest son, but did the process of disowning on her own and just advertised it in the newspaper. This raised a red flag, as the court has to formally make an announcement on her behalf. I decided to back out of that deal.” On their experience of giving up a deal, Buyer #4 explained.

Even after the sale contract is signed, the process of getting approval from the landowners could be detrimental to the completion of transaction. Without their approval, the transfer of property is considered invalid as buyers could be deemed to

be illegally squatting on someone's land. This marks a sharp difference compared to the land sale, which just needs to be approved by the governmental land office. As stipulated in the sale contract, sellers are responsible for getting approval from the landowner and updating the name of the official owner. This name change fees usually amounts to 2% of the transaction value, but some landowners have asked for more than 10% in some areas that undergo significant price appreciation. Therefore, once sellers have a plan to sell their unit, they begin to communicate with the landowner and inquire the exact percentage rates. "Sellers can't wait until the deposit contract is signed. If they later find out a huge amount of name change fees they don't want to pay, they are in trouble. They then have to refund a doubled amount of the deposit for a silly reason." Buyer #3 described. Since buyers will become sellers in the future, it is important for them to build a relationship with the landowner as soon as possible and strike up a conversation about payment of reasonable fees in the case of resale. "We have to deal with the same landowner when we resell this unit. So, we just went ahead and had an early talk about him setting almost the same rate the seller had paid to him in our transaction." Buyer #8 recalled.

There is a cosmic disconnection between the contractual regulations and the practice of market agents. The Registration Act (1909) clearly states that a sale contract is not valid until it is properly registered with the Office of Registry. This law makes almost all unregistered buyers vulnerable to the risks of eviction if they get into legal problems with the seller or authorities. Since the government does not have the capacity to track property sales, buyers claim informal ownership with sale approval from seller and landowner. The primary reason for not following the registration rule

is that tax payment is intrinsically tied into registration. The majority of the informants interviewed mentioned that they would register their contract if they did not have to pay 37% tax. “If there were no tax collection, I would happily register and make my ownership much stronger. No one in his right mind would want to pay 37% on top of huge transaction fees. So, everyone just signs the contract and keep it safely at home. The government doesn’t know what we do so it’s all good.” Buyer #2 confessed. Surprisingly, some buyers, including two of the informants, have even chosen to go as far as forging another sale contract with a much lower transaction value so that they could use it to register their ownership and avoid a full tax rate. Because of growing concerns with the landowner’s name change fees, the practice of fabrication of contracts is getting prevalent among market agents. With forged contracts, they are able to kill two birds with one stone by paying flat name change fees to the landowner and low amount of tax to the government.

Contracting Procedure for Pre-sale Units

The contracting procedure for the purchase of pre-sale units is different as these units need to be constructed and delivered first to the buyer. Pre-sale contracts are signed at a different period of construction project. Some people enter into a contract after inspecting the empty project site after the demolition of the old building. Others buy the units just after the earth is dug and foundation work is initiated. In some cases, people buy pre-sale units from initial buyers after a few floors are up. The earlier the contracts are made between the developer and the buyer, the cheaper the units. The most important clause in the sale contract is the exact handover date of the

units. When the pre-sale units are sold, most developers usually face huge uncertainty with project completion date because of their future work schedule, as well as the unforeseeable circumstances. Buyers try to minimize this risk by including the potential completion date in the contract and making payments in sync with the construction schedule. However, they are also open to dialogues and negotiations if the project gets delayed beyond the power of the developer. The contingency plan and the penalty structure for delayed work as agreed between the buyers and the developers are also mentioned. If developers could not deliver finished units at the agreed time, the contract stipulates that the developer must pay twice the amount of deposit money. If the buyer could not make any more payment for some reason, all money paid prior would be forfeited.

Another distinct contractual feature of pre-sale units is that both the buyer and the developer also have to agree to the state of units upon their delivery, whether it was fully furnished or semi-furnished. Such provisions ensure the quality control of construction materials and the overall aesthetics of the units. For a typical apartment unit, the minimum standards are that teak door is used for the main entrance, plastic paint is applied for the interior walls, floor tiles are laid out in the bathroom, electric meter and water pumping motor are set up, stove and water basin are installed, sliding windows are also included. Even though these specific conditions are covered in the contract, the end products will not have those features unless buyers constantly check upon the progress of work. Any additional request for simple structural changes to the unit not covered in the contract would be fruitless effort. “The first pre-sale unit I bought had a thin concrete slab and poor electricity connections. Therefore, I decided

to sell it to someone else instead of staying there. Once the unit is in my hand, it becomes our responsibility. We can't just go and hold the developer responsible anymore." Buyer #11 admitted. Sometimes buyers have to pay out of their pocket to fix up the units increasing the overall cost of purchasing pre-sale units. "A developer usually gives big incentives to us like laying floor tiles for the kitchen and hardwood flooring for the whole house. But in the end, they would leave the units in a crude shape. We have to renovate and add all decorations on our own." Buyer #5 described.

Pre-sale buyers are attentive and careful throughout different stages of a purchasing process from signing the contract through to accepting finished units. Before buyers enter into a sale agreement, they first obtain a copy of the joint venture contract between the landowner and the developer to make sure the construction project is legitimate. They also ask for a copy of the developer's national identification card and household registration document. These documents are considered to be key evidence they can use in court if the developers somehow fail to finish the project. When they sign the sale agreement, buyers also invite the landowner to help sign the contract as a major witness. This step is seen as a key action to validate the legality of the contract and effectively prevent developers from selling the same unit to multiple buyers, thus resulting in duplicate ownership. "Landowners are an ally to us. Getting them involved in a pre-sale contract minimizes risks because they know who the developer is selling units to and whether he is making progress on their project site." Buyer #9 asserted. Buyers also explicitly ask for permission from the developer to make regular visits to the site and keep an eye on the status of the project. When all construction work is about to be completed, they have to check room configurations,

interior furnishings and exterior areas so that they are in the same condition as stipulated in the contract. Finally, they have to make sure the developer secure a 'Building Completion Certificate' from the YCDC and hand it over to them along with the unit so that they could move in.

SUMMARY

The presented analysis of the macro and micro-level institutions reveals that throughout the process of purchasing a property, homebuyers are compelled to overcome several constraints to engage in safe transactions. Particularly, increasing housing prices and widespread speculation shape the overall process of finding the right properties. Government agencies tend to fail to enable the market to work efficiently as their policies and programs seem to be both incoherent and ineffective. Firstly, buyers have to figure out their budget, use the service of brokers to find desirable properties then look for useful information through print media, personal networks and technological tools. On the other hand, market agents have to conduct a private affair of negotiating and agreeing to a transaction price on their own for which a variety of innovative strategies are involved. Limited availability of credit also shapes the landscape of financing the deal. People do not pay property taxes, and a big load of black money from drug trafficking is circulated in the market. Since borrowers have limited access to short-term loans, personal savings is the primary source of funding. The only cheaper alternative is buying pre-sale units and affordable housing. Furthermore, for a deal to go through, buyers also have to be smart about setting deposit terms and proposing payment plans to the seller. When it comes to getting a

proper title, the existing rules are rarely followed and enforced at all. Properties are transacted through a locally produced system with the approval of the landowner. Buyers claim informal ownership of their potential unit, even though they are just enjoying the transferable rights to dwell within their premises. With the help of a lawyer a broker, they try to draft a robust sale contract and legitimize the contracting process by involving a seller's partner and landowner as witnesses.

Chapter 6: Institutions of Housing Development

This chapter focuses on the activities of housing developers on the supply side of the market. The same analytical approach used in the analysis of housing transactions has been applied here, and the ways in which institutions affect the process of housing development have been thoroughly examined. The chapter is organized along five steps in the process of developing properties: 1) finding a site for the intended project, 2) negotiating with the landowner and tenants, 3) financing the project, 4) securing necessary approvals and finally 5) implementing the project. Each of these actions is securitized from five institutional perspectives at both the macro and micro-level – 1) power relations and politics, 2) rules, regulations and policy, 3) social norms 4) social networks and finally 5) transaction-cost minimizing institutional arrangement. The main goal of this chapter is to understand how these institutional factors contribute to the business environment and how the developers, in turn, respond to the existing constraints in order to carry out development projects.

6.1 FINDING PROJECT SITES

Macro-level Institutions: Politics, Laws and Social Norms

Technically, different government agencies at the city, division and union levels have the authority to approve infrastructure development projects. YCDC and the divisional government are the major institutions in delineating the boundary of the city and determining a project's outcomes. However, there is no comprehensive city plan to guide their work and priorities. The President's office at the union level is

occasionally involved in infrastructure development, as they grant project approvals and handle regulatory framework. Once implemented, these projects change the lives of local people since their land experiences significant price appreciation and they also have access to new roads and employment centers. Therefore, the local and regional government agencies see these profitable projects as the source of revenue stream and set up the opaque process of licensing private companies and approving development projects. Every major project is kept under wrap until all plans are finalized and exclusive development rights are sold to selected firms, while the public is left in the dark as to which projects are in the pipeline and which are about to be launched. Such a secretive environment conveys the limited availability of information within the industry and dictates the behaviors of developers in carrying out feasible transactions.

The current laws and regulations surrounding land ownership and property rights are still gray areas as there is no actual overarching land law in urban areas. Many of the related issues are framed within the Transfer of Property Act (1908), which focuses on the transferring process and does not regulate ownership and use of property. As the constitution stipulates, the government owns all the lands inside the country while the locals hold the right to use the lands in the form of grants or leases. When a piece of land is sold, the right to use the land is essentially transferred from one person to another while the government retains the actual ownership of the land. As a result, different government bodies own a great number of spacious empty plots within urban areas, some of which are officially termed as ‘government land’.

Developers have to approach senior officials within government offices and get the concessions if they want to develop those prime lands. According to Developer # 8

and # 10, working with the government officials ensures the minimization of expropriation risks, and even in the event of state expropriation, officials could help them negotiate for a better compensation package. Compared to locating sites in townships away from the center of the city, most of the developers interviewed tend to focus on several neighborhoods, which are known for freehold and grant land with the low likelihood of expropriation.

Working with government officials is known to be a major mechanism through which some developers try to bypass the legal requirements on land use. Developers are strictly prohibited from constructing any building on farmlands, squatter lands, army lands or those owned by foreigners. Contrary to this legal mandate, Developer #5 mentioned that there was a powerful group of developers specializing in construction projects on illegal lands. Such a group works with corrupt officials from the YCDC in converting farmlands and squatter lands into leasehold ones, as well as issuing titles to the new owners among themselves. Despite the secretive nature of such practices, it is common knowledge that these practices take place every single day and that implementing projects on illegal lands would be undoubtedly infeasible without the involvement of well-connected large firms and senior government officials. However, with unprecedented media freedom in the post-2010 period, the news of public protests against forced relocation and land grabbing becomes more prevalent, and land ownership becomes a highly contested issue. Although major land deals made between the ministries and private firms are getting less common nowadays, the working relationship between two entities is recognized as a key ingredient for any huge land development project.

When developers make a decision to find land for projects, it is the norm for them to prioritize aspects of fulfilling market-demanded preferences. One of the preferences emanating from a landowner is getting a fair price based upon the qualities of their site. The concepts of market prices are so entrenched in society that nothing is acceptable other than the land being transacted at the market price that two parties negotiate and agree on. If the landowners are involved in the co-investor capacity, the developers have to ensure that the owner is getting a profit share more significant than the amount they could get in the event of selling the land outright. On the other hand, the developers interviewed are deeply aware of the ordering preferences of the consumers and try to engage them through their projects. They try to find lands in neighborhoods on which buyers place a huge premium; an ideal site would be a place where tenants should have easy access to many amenities such as parks, schools, shopping centers, 24-hour utilities, and availability of multiple transportation means. Additionally, many developers constantly check how their customer base is structured and which segment they are missing out on while going after market demands. Besides, several individuals interviewed mentioned that they wanted to capitalize on the growth of the working class who could afford only low-grade units.

Social norms in regard to land development tend to shape the economic environment in which developers have to find sites for projects. Many developers interviewed have a strong notion that land is seen not only as a necessary commodity for every family but also as a place to store their own wealth. This perception compels developers to step up their efforts in finding available lands and pursuing projects aggressively as the housing units will always be in high demand. “Several townships

in town are already packed with apartment buildings, and there are literally no more lands to develop there. However, getting a site to develop in those popular neighborhoods is so profitable since there is a huge demand for properties.” Developer #1 stated. All developers interviewed are actively scouting locations for development, as well as keeping tabs on potential re-sellers in several townships. Furthermore, many medium-scale developers who want to pursue relatively large projects are focusing on finding land plots near industrial zones away from the city, which are home to thousands of young workers. Developer #3, #7 and #10 are deliberately looking for lands away from downtown areas so that they can compete with others and also buy lands at relatively cheaper prices. However, they are cautious in approaching those outskirt areas since they do not want to be accused of grabbing a land that actually belongs to someone else.

Micro-level Institutions: Social Networks and Institutional Arrangement

At the micro-level, the developers have utilized social networks and informal arrangements to not only gain valuable information, but also minimize transaction costs. Their responses to the institutional constraints will be discussed in the following three areas: business models, market information and the assessment of sites.

Business Models

The first common arrangement to engage in the business of development is the classic 100% private investment in the purchase of the land and the implementation of the project. However, this approach requires developers to assemble a huge amount of

capital so that they could pay for the exorbitant price of land and construction costs. Therefore, it is rare for small-scale developers to get involved in this kind of development project. Since developers have to make sure the land purchased is located in a prime spot, they do not go far away from urban areas and tend to focus on the private land near the secondary sub-centers, instead. Only a few developers including Developer #7, #11 and #12 predict the future development patterns and take on risks by buying a few plots in potentially profitable areas. Developer # 10 even claimed to have political connections with senior government officials but chose not to elaborate the exact nature of relationship. Through personal connections, these developers keep an eye on certain officials regarding which foreign companies they are meeting with and what kind of project is about to be authorized. Once they hear insider information from their source or come across a piece of news about the plan to build a bridge, a major road or even an industrial zone, they flock to the area and find a potential site for development as quickly as possible. However, there have been many past incidents where such government plans mysteriously failed, deflated land prices and precipitated the downfall of investors.

In order to deal with the restrictive economic environment, developers have crafted the joint-investment model, which essentially is the implementation of a project based upon a bilateral agreement between developers and landowners. In general, landowners put in their land, developers bear the construction costs and then they split the produced units. The process started with signing a memorandum of understanding between the landowner and developers, even though the exact deal terms vary from one project to another. Considering the skyrocketing land prices in

the past few decades, the joint-venture approach has become a standard procedure for most development businesses since the late 1990s. All developers interviewed have also implemented more than 95% of projects under this model. However, there is a trade-off for the developers since it is more hassle-free to buy a piece of land outright from an owner and develop it according to their own schedule. This also makes more economic sense and consumes less time and energy on the developers' part since they do not need to go into lengthy negotiation with landowners and tenants. However, without the availability of financial aid from private banks, even medium-scaled developers do not have the capacity to be responsible for more than a couple of projects at one time.

Market Information

One common practice among developers is that they focus their work in a couple of townships exclusively so that they could effectively build up local information and draw in potential partners. Developer #4 further explained that “since it is all but impossible for us to keep track of landowners and watch out for land-related news, building a strong brand name ensures that landowners come to us instead of approaching other developers outside of our local communities.” For instance, many developers including #1, #2 #4 and #5 focus on sites around their homes and office since everyone knows their work and it is easier for them to get work. According to Developer #3 and #6, they implement many projects in two school neighborhoods because their units are catered towards families with kids, while Developer #7, #9 and #11 have constructed several apartments in three townships

where expatriates and rich families live. Such emphasis on localities is facilitated by the relationship developers have established with brokers and former customers.

Agents mainly develop their market niche in townships they are already familiar with, and operate their services at the very local level; having a working relationship with them helps developers to stay updated about land availability and get in touch with potential business partners. Simultaneously, former customers, who know their neighbors, put them in touch with their respective developers if there is interest. Therefore, it is a strategic decision for developers to implement projects on a few selected townships because having more projects in one township leads to more information and more future deals.

In the face of a constrained business environment, developers utilize different types of social and economic institutions to expand their business contacts and get access to market information. Social networks especially play a key role in finding available land and meeting landowners. In addition, since it is not possible for the developers to know which land is up for sale or which house is about to be demolished in every single township, they try to get information through their social networks. Most of the developers I have met were very amiable and outgoing; they could strike up a conversation any time and make people feel comfortable around them. Being sociable is considered to be a key requirement not just to get information but also to let other people know of someone's work. Several developers such as #6, #8, #9 and #11 are active in two local organizations and play leadership roles in organizing events. Compared to small developers, those are very progressive in carrying out their work since formal networking is a relatively new concept in the Burmese culture.

Developer #9 even affirmed that “People think developers have too much time in their hands. We are attending networking events not because we are bored but because we want to dig out new information from acquaintances and share what we know about the market. It is also a good way to meet potential partners we might work with in the future.”

Both small and medium developers commonly use four institutional arrangements to acquire market information and land deals. The first one is through brokers and agents, who hold much valuable information about the market in their respective local areas. Spurred by the rapid growth of market activities, brokers could be found in every single street, township and district, serving both buyers and sellers. They know every household in their neighborhoods and specifically keep tabs on which family is moving out, which is about to sell land and which is in the process of splitting their inheritance. Therefore, developers have to establish working relationship with brokers so that they can develop trust and relay quality information to them. “Communication with brokers does not just go one way. Sometimes we want to build an apartment in a particular township and ask brokers to locate all those possible development sites.” Developer #4 described. Although commission fees are set about 2% of the property’s price, aggressive developers pay more than 2% to brokers if they want to be the first to get hold of new information. “We are more than willing to pay up to 4% of land value to brokers if they can show us a great site that is suitable for development and that could be purchased at a good rate.” Developer #6 confirmed.

The second channel of getting market information is through family members and close friends who could provide strong recommendation on someone’s character

and work ethics. Knowing someone from a circle of friends and relatives could pave the way for a series of development deals, since working with someone you know is a more practical and safer approach than dealing with a complete stranger without any prior relationship. Whenever their acquaintances want to either co-develop units or buy apartments, developers usually serve as a source of information and guide their decision-making process. The potential landowners they learn to know through this network are considered to be highly trustworthy since they trust the judgment of close friends, and deals born out of friendship rarely fall apart. Also, when developers are in need of capital to finance the construction, they offer pre-scale units at a very special rate and ask friends and relatives to invest in their project. All the developers interviewed mentioned that families of brothers, sisters and in-laws had not only purchased units from them but also put them in touch with potential landowners many times, some of which have led to full-on development projects.

Another way of getting information and meeting future business partners is through former customers who make referrals based upon their previous working relationship with a developer. Reputation is a very important factor for the initiation of construction projects since trustworthiness and reliability are what landowners and customers want from developers. As the *dark era* of developers from the 1990s taught many people a lesson, they are still scared to trust developers without any record of experience and reputation. Therefore, developers strive for the best in delivering quality units and providing customer service to current buyers so that they could help bring in a slew of new customers for them. Developer 3# emphasized the importance of reputation in the development business by saying, “It is okay if I don’t make a

whole lot of profit, but it is critical for me to leave a general good impression on buyers. As long as they say Ms. ... puts her soul and heart into work and takes care of every single detail, I will be very happy even if that means losing a bit of money.” All the developers interviewed mentioned that they got information from customer networks, which started with a small group of buyers and then followed up with a chain of customer groups.

The last channel of information is *walk-in customers*. Many developers have their own brand names strong enough for strangers to drop by and inquire whether they are interested in working with them. In my cases, medium-scale developers tend to get information from walk-ins a lot more often than small developers since they have big showrooms and office space to establish the desirable public image that they are a growing business. “You never know who is going to walk into our office with quality information about lands. This could happen anytime. We are a credible Developer and many people want to work with us.” Developer #8 asserted. Small developers also receive random visits from interested people living in the same township who might have heard something about their work. Many people who want to buy pre-sale units reach out to them to check the rates and ask for more information on future projects. However, it is noteworthy that the customers who choose to contact developers from their side send a signal that they have a strong desire to take actions on land and the developers could get a default upper hand in the negotiating process.

Assessment of Sites

After developers get market information from various networks, they employ

location and size criteria to gauge the site's suitability for development. All the developers interviewed have their own categorization of Yangon's road system into primary, secondary and tertiary classes. In general, the largest thoroughfares in Yangon such as Pyay and Kon Thae roads are considered to have the *primary* status; major streets are given the *secondary* status and small roads in neighborhoods are called *tertiary*. While all developers normally want a big plot on a major street, they have to make a trade-off between the location and plot size. The plot size has to be big as they go down the road class but they will pursue a development project located on a major thoroughfare no matter how small the plot is. However, for sites located on the secondary roads, the frontage of the site has to be at least 50 feet wide to be desirable as a decent placement of openings and entrances takes a lot of space. For the tertiary roads, a desirable site needs to have a minimum of 100 ft. on the front. Developers do pay much attention to the depth of the plot since the common lengths are 50, 60 and 80 ft. However, one area of a primary concern during this stage is its accessibility. If the site is close to a great neighborhood but is connected by a small one-way road, it does not hold much value in the eyes of developers. Developer #10 and #12 would simply ignore the plots located on a cul-de-sac since the enclosed street would pose a problem in the event of an emergency.

If a site passes the initial assessment on plot and location criteria, it has to go through a multi-staged feasibility analysis integrated into due diligence work of developers. This step is to make sure the site is strategically appropriate and economically viable for the intended use. Firstly, for a specific neighborhood, a land-acquisition coordinator gathers information about ownership status, the current land

prices, the amount of units being constructed, the demographic trends and the major players in the area. Based on the collected information, the coordinator carries out a location-based analysis of a particular plot and submits a feasibility study report to developers. Secondly, developers bring in an architect to come up with a concept sketch, which illustrates in detail the overall design of the building to be constructed and the amount of space required to create residential, commercial and/or mixed uses. This step gives an idea of how much value a construction project adds to the existing undeveloped plot, which is the starting point of the overall financial analysis for the project. Thirdly, a construction team visits the site and conducts more analysis on soil, sewer system, and the uses of surrounding lands. This team is supposed to report any issues that could arise from future construction project, as well as submit an estimate of costs for demolition, construction, and contingency plan to developers. The team also checks whether it is feasible to implement the concept-building plan proposed by the architect. Fourthly, developers then check with the sale and marketing team to understand how they could handle the sale of new units that result from the project. The ideal situation is to sell out all units within a year so that developers could reap all construction costs and gain net profit. Once developers have obtained information from four sources, they are able to figure out how much the current land is worth, the amount of money they should offer to the landowner, as well as the profit they could get out of the deal.

Assessment of the suitability of project sites is done differently among small and medium developers. While medium-scale developers get support from a big team of land-acquisition coordinators, architects, construction workers and sales team,

small-scale developers wear different hats and get involved in almost all stages. “We don’t have money to employ people to do marketing or sales alone. We are small and not producing many units. So, our small team could effectively do several jobs from constructing and advertising to selling units. It works for us.” Developer #2 explained. They also make rough sketches and simple calculations since they do not have resources to devote to each part of the analysis. “All we need to do is a simple cost-benefit analysis to make sure we are getting profit instead of losing money.” Developer # 1 argued. Compared to small developers, medium ones employ full-time workers with technical and business backgrounds. Surprisingly, they are able to carry out fancy financial modeling and elaborate analysis to ensure the profitability of the deal. Several developers including #8, #9 and #12 mentioned that they had studied real estate finance and could implement a sophisticated feasibility analysis.

6.2 NEGOTIATING WITH LANDOWNERS AND TENANTS

Macro-level Institutions: Politics, Laws and Social Norms

With a recent shift in the political system, the new government has carved out larger political space for the local population to present their issues. People have been able to take to the streets and stage several protests against private companies, as well as some ministries that have seized their lands and offered unfair compensation in return. Although these changes should have paved the way for fair dealings within the land market, they unintentionally invited demonstrations from hundreds of unhappy people who had allegedly suffered at the hands of repressive government and powerful conglomerates in the pre-2000 period. Given the outdated tenure system and the lack

of precise land records, sorting these ownership issues turns out to be a very complicated and an arbitrary process. For instance, several new protests are related to the eviction of the poor from a piece of land, which is now reserved for the development of affordable housing. However, the government claimed that people have been squatting on the government land and the ensuing protests have effectively put the development on hold. Nevertheless, the new government practically listened and fulfilled the demands when too many people were involved. One of the first landmark cases was handing out fair compensation to the farmers whose 540 acres of land were seized for industrial development of 50 companies in the 1990s. The farmers were paid about \$2200 per acre and asked to sign the settlement agreement in return.

The current institutional environment is structured such that developers and landowners have to negotiate and agree upon a price on their own without any assistance from the government. Officials would get involved in the development of state-owned land but stay out of normal land transactions between two private parties. The common understanding is that rightful owners have the ability to halt the project if they do not agree to the offered compensation. Such limitation is particularly challenging when developers attempt to redevelop old buildings. “You can’t just drag the owners out of their place and kick start the project. You need to get the approval signature from every single family.” Developer #10 confirmed. When it comes to the re-development of those rundown buildings, the government’s attitude is that as long as developers, landowner and tenants agree to a project, they could simply come and apply for a permit for construction. The YCDC will neither provide support in the

negotiation process nor assist in the implementation of the actual project. Since old buildings are officially declared to be a threat to the safety of the tenants, the government has a huge stake in the process and thus should play a role in mediating all parties. Supporting construction work in terms of regulatory and logistical assistance should be on the list on the agenda of YCDC since the undersupply of housing is a prevalent concern in the face of rapid urbanization.

Government offices understand that the scarcity of land and high land prices are not only imposing a big barrier to investment and productivity but also hurting their revenue stream. The current regulation sets the tax rate at 37% of the property value if the owner of the property is to be registered properly with the office of registry. However, people have found a way to make two contracts in order to pay lower tax or no tax at all by choosing not to register the contract. Starting from 2013, the state and regional governments have set up a special tasks force and started to influence the market activity by enforcing tax payment based on the assigned property values in different neighborhoods. This new regulation has initially cooled down the market activity in the first few months, but once people have the whole picture of the changes, there is no impact on the negotiation process as buyers and sellers engage in a transaction at a price they agree upon and evade tax payment by colluding with the tax officials. “The assigned values are not realistic as they are so much lower than the market value, and following the official guidelines would result in a significant loss for the property owner.” Developer #1 asserted.

In the joint-investment projects, the past few decades from 1980s to 2000s are considered to be the prime time for developers in negotiating the price with

landowners. It used to be the norm that developers get more than 50% of completed units in a typical project. However, on the other hand, land prices started to skyrocket in the late 2000s and this has changed the landscape of how developers collaborated with landowners. With the increasing land price, landowners have bigger bargaining power and a bigger say in setting deal terms. The way they work out deals nowadays is that each party gets 50% of the units with additional monetary compensation with which developers provide landowners. If the plot is located on the main streets or at the corners of side or narrow streets, developers have to pay additional compensation to a landowner in addition to the 50/50 split of all future units. Developer #7 further explained that “if a piece of land is worth \$100,000, the owners will ask for additional \$200,000 on top of the 50% ownership of the units. But for a land parcel located on narrow streets, the additional offer could be just about \$10,000.” With land prices being on the rise, timing has become a very important consideration for both developers and landowners. The construction process of most projects tends to take one year. However if a project exceeds the specified period for implementation, developers will then need to pay additional compensation to landowners so that they do not suffer huge loss from price inflation.

It is noteworthy to mention different social norms about consumers and landowners. Many developers interviewed believe that the lifestyle of local population is changing as many have greater purchasing power nowadays. With the rise of corporate culture, the current generation can now earn higher income and enjoy more luxury than the previous generation. However, the gap between the rich and the poor is perceived to get wider at the same time. While so many rich people could easily

afford a \$20,000 condominium, the average working family could not afford to buy a unit, which costs more than \$3,000. This understanding prompted many developers to look into the possibility of bringing down the construction costs so that more customers could purchase their units. On the other hand, the developers who engage the landowners in the development projects perceive them as people with family problems. Landowners, who opt to work with developers, have issues within their families so that they could easily get more units to divide and split up their wealth among themselves. Many rich landowners are assumed to sell their entire land instead of putting faith in a developer and pursuing a project together. “About 80% of landowners we met have issues – whether it may be the family going broke or some sort of inheritance-related feud in the family. We have to be careful and respectful when we negotiate with them.” Developer #6 even claimed.

Micro-level Institutions: Social Networks and Institutional Arrangement

The developers encounter different negotiation processes in each type of development projects—private investment, joint-investment and redevelopment. For each type of project, they are able to employ effective negotiation techniques in order to get the other party to agree to the proposed terms and close land deals. Furthermore, in joint-investment and redevelopment projects, these techniques enable developers to build trust and form working relationships with both landowners and tenants, who are involved in the latter stages of work until the project is completed.

Private Investment

As a lot of money is at stake in private investment projects, the developers interviewed deliberately lead the talks on deal terms and engage in negotiation with sellers and landowners on their own. “Land is very expensive and usually accounts for more than 70% of the overall project cost in prime locations. So, we need to make sure we get the right land at the right price.” Developer #6 elaborated. All the developers interviewed confirmed that keeping abreast of the market trends and having someone facilitate the exchange of market information are integral to the process of negotiation. While small developers negotiate directly with landowners, medium developers have a specially designated person as a land acquisition coordinator. However, this role of a land acquisition coordinator varies from one Developer to another. They merely suggest market price of the land to the developer in the first stage while some extend their role into the second stage and even participate as co-negotiator.

As part of the negotiating process, the developers interviewed focus on the aspect of making landowners understand about the amount of potential profits and timing if they pursue a development project together. “Making landowners understand why it is a better decision to engage in development with us, rather than selling the land is essential to the progress of a deal. So, we spend a lot of time talking about the process of doing business together and making a profit.” Developer #8 argued. “Poor people living on a certain plot do not understand how much their land is worth. I have to explain how they could live in a nice building by engaging in development with us.” Developer #1 explained the social nature of its business. Timing is also a very sensitive issue within the context of skyrocketing prices rising year after another. This

forces developers to make an educated decision as to whether to take advantage of the market trend and engage in co-development. “Co-investing in the land has a lot of risks that landowners need to be fully aware of beforehand. The last thing we want is getting them stuck in our project as their land prices go up and they could be better off by selling it.” Developer #3 briefly described the risk element. It is also mentioned several times during interviews that many landowners decide not to negotiate further with developers as they hold onto the prevalent anticipation that land prices will push up higher.

The number of developers who are able to buy land and develop it on their own is not as high as the number of co-investing developers. Only Developer #7, 8, 9, 10, 11 and 12 engage in land transactions for private development, and the number of land plots they could hold at one time does not exceed two and this typically runs the risk of being cash-strapped at some point for construction projects. Many developers assume that landowners normally raise the price more than 30% of the actual market value. Therefore, they usually start with an offering price at less than 30–40% of the asking price. “Asking prices on the listings are ridiculous, and a seller keeps raising the price every week. We sometimes initiate the talk with three fourths of the asking price. Most sellers respond to us with another counteroffer and our negotiations evolve further this way.” Developer #5 expressed its concerns. The process of reaching an agreement sometimes necessitates the involvement of intermediaries such as land brokers, township officials and the elders. Although land brokers are known for putting developers in touch with potential sellers, they also help facilitate the negotiation process in many cases. “Brokers are entitled to 2% of the land value, so

they want to bring a transaction to completion as much as we want. Some brokers are very skillful at dissolving tense situation and bringing a solution to our deadlock.”

Developer #7 demonstrated.

Joint-Investment with Landowners

For joint-investment projects, developers launch negotiations with the landowners by figuring out property values and setting up deal terms effectively. To calculate how much developers should offer to landowners, they primarily focus on land value and overall construction costs. If a six-story building is to be built on a parcel of land valued at \$30,000 and the construction costs are estimated to be \$30,000, then each party is likely to agree to split up the profit for 50% each. Nevertheless, if a land parcel far away from the city is worth \$20,000 but the costs could amount to \$40,000, a developer would push for a ratio of 40–60. Therefore, developers and landowners typically agree to 50–50 for a project that involves the construction of a six to eight-story building within an urban area. To construct a building with more stories, the ratio breakdown will go higher in favor of developers since they have to bear a higher amount of construction costs while the land value stays the same. For a twelve-story building, developers could gain from 60% up to 70% of the total units. Many projects fail to progress to the next stage since owners keep pushing for 50% of ownership in the new units but the plot is not located in a highly desirable neighborhood. Then, developers have to fold back since the proposed percentage will lead to a very small profit margin.

The underlying concern for developers during this stage is to make an offer

high enough for landowners to invest their land, as well as low enough for them to maximize profit. As soon as there are talks on the deal, developers figure out how much profits landowners could get out of their proposed deal structure so that they do not want to sell their land to another person. “We put ourselves in the shoes of landowners during this negotiation process. I would rather sell my land to someone if the co-development route doesn’t yield as much profit as I have expected. It’s totally understandable.” Developer #4 admitted. Developer #6 has also echoed what Developer #4 has just confirmed explaining, “The actual profit-sharing ratio between two parties depends on the anticipated market value of the produced units.” Developers first guess how much value landowners would get by owning new units. Here, the ground floor units are the most important for the project, as they make up the major component of revenue upon the sale of units. For example, if a six-story building on a 40’x60’ plot produces twelve units and the market value of the land is about \$120,000, developers need to offer at least six units, which would add up to more than \$150,000. On average, the units would be priced about \$60,000 on the ground floor, \$40,000 on the first floor and \$5,000 less on higher floors. From this, landowners could understand they would make such amount of money if they chose to sell new units.

Even for a small project like a six-story building, detailed mechanics involved in negotiating the ownership of produced units are an interesting part of the deal-making process. One terminology I came across that is commonly used to refer to a constructed building is a *game*. Particularly, units on the 1st floor are known as *thighs*, the 6th floor the *head* and the 2nd, 3rd and 4th floor the *breast*. For a typical apartment,

there will be six units on the left side and another six on the right side. In Myanmar, people sleep in a position with their heads pointing in the southern direction where Buddha statue is placed and worshipped. Therefore, the units on the head side are preferred and taken by landowners while those on the tail side are given to developers. However, if the units on the tail side happen to be located at the corners of the plot, landowners take them. Although it used to be the norm that landowners took all units on one side and developers claimed all units on the other, landowners have had the upper hand in setting deal terms and started to claim all units on the 1st floor since the early 2000s. Again, these units possess the highest monetary value in the whole building since they could be used to open a business or rented out to another person easily. If owners take the 1st, 5th and 6th floor, the units on the 2nd, 3rd and 4th are usually given to developers. In the event that owners agree to take the abdomen part for some reasons, extra compensation is to be paid by developers.

Redevelopment of Existing Buildings

The negotiation process is more complicated in re-development projects since developers have to not just work with landowners but also deal with the tenants living in the existing building. Particularly, several buildings located in the downtown area were built in the colonial period and are declared as *dangerous buildings* by the YCDC. Upgrading those rundown buildings is a painstaking task since many households live there and developers need to get every family onboard for the approval of new construction. The more tenants living in a building, the longer the negotiation process developers have to go through. “The process of dealing with all

tenants is the most memorable and unforgettable experience for us as we get to witness different human egos and various social problems in families.” Developer #10 described. Some projects reportedly took 2–3 years to get launched primarily because some tenants decline the proposed plan and demand a bigger share of the new units. In some places, developers have already had the support of the landowner, but the project was on hold since they could not secure approval just from a couple of remaining households, and there is no way developers could initiate the application process for a permit unless they have completely and entirely secured the approval of the landowner and every single tenant.

The unspoken rule of compensation is that original tenants have to be given the exact amount of square feet in the new building. This is the minimum requirement developers have to offer to the existing tenants in exchange for their approval. During the negotiation process, developers emphasize how a new building would be of higher standards and how tenants could enjoy new amenities such as car parking and lift. The developers interviewed mentioned that many tenants normally agree to the offer if their new units are located roughly on the same story levels. However, in many cases, developers could not assign tenants to the same floor because of new layout and design constraints. Such situation is said to be the common ground for causing a significant delay if tenants are not happy with the location and space of their new units. However, it is important for developers to be fair when it comes to allocating living space to tenants. “We cannot give 1500 square feet of living area to one family and 1000 square feet to another. Similarly, they cannot move a family living on the second floor to the top floor, as the market value of the units on different levels have

different values.” Developer #12 discussed briefly. Not favoring any beneficiaries is a key principle many developers hold on to, as well as a necessary practice to ensure the successful progression of the project, otherwise words travel quickly and other tenants with the fair share would annul their agreement and choose to keep their original units.

There are some common strategies the developers interviewed use to secure approval from tenants. Developers claim to be persistent and engage in long talks with stubborn tenants only if they really like the location of the plot and the return rate is expected to be within the desirable range. First, developers try to get as many signatures as possible from tenants who agree to the development plan. They can then show evidence of support from the majority of tenants and gain an upper hand in convincing the remaining ones. If a couple of fussy tenants could not be persuaded at all, they attempt to consult with the elders or the head of the building and seek their help in talking the tenants into endorsing the plan. If this does not work, they try to contact the township office and get the officials involved in convincing the remaining households to go ahead with the deal. This process could get cumbersome since every tenant understands that the project will fail without him or her. “We ended up making secret payment to the remaining few tenants to be able to start the project, but we had to ask them to sign a non-disclosure agreement.” Developer #11 admitted. In some projects, Developer #7 and #9 even offered to provide financial subsidies to cover part of relocation costs to make the current tenants happy. On the other hand, it is usually in the best interest of landowners to go ahead with construction project since they could at least get one unit from the new building. This is a significant improvement, as they would be getting a trivial amount of rent from the tenants otherwise.

6.3 FINANCING THE PROJECT

Macro-level Institutions: Politics, Laws and Social Norms

Although the new government came into office in 2010, the fiscal operations of the YCDC continue to function as they did during the previous military rule. The YCDC states to have financial autonomy from the government in the respect that they keep separate accounting systems on internal and external budgets and decide how to allocate funds among different departments. They raise their own revenue from several sources such as tax collection, fees, license and property development. Each department under the YCDC is supposed to submit all revenue to the senior members who make budgetary allocation to the departments based upon the requests and available fund. This means that several revenue-generating departments have to transfer their income to other departments, which do not generate much revenue. At the same time, the YCDC relies on external funding from the union government in the form of grant and loan budget to meet expenses of the whole committee and pay for relevant operations. As a result, the municipal body claimed to have a budgetary deficit of US \$9 million in 2011–2012. Although the central government has engaged in a plethora of highly profitable investment projects in natural resources over the past 40 years, the allocation of budget to the public such as the welfare operations of the YCDC has been astoundingly low compared to the military spending. Most of the departments under the YCDC are also designed to collect taxes and fees from the public while their provision of public services is at the minimum. Even basic departments like water and buildings do not have adequate staff to run basic operations smoothly; the senior officials deliberately hide public information and seek

ways to make money out of license applicants and inquirers.

Given the fiscal constraint of the YCDC, most of the necessary operations related to urban planning are lacking. In addition, many job functions that are traditionally considered to be those of the government are tied back to the responsibilities of the private sector. For example, the city municipality does not have the capacity to provide all new buildings with water and bluntly tells developers to come up with their own source of water supply for tenants. Thus, they have to dig up tube wells and integrate the use of ground tanks in the building design for domestic use. Regarding sewage disposal, there is no guideline or map developers could use to set up a system. Instead, they have to hire a sewage specialist on their own to figure out which existing major pipes they can connect, as there are many sewers not just under the building but also across the street. Although it is a common practice to impose the parking space requirement imposed upon developers, the requirement in Yangon is higher than the international standard. The current regulation mandates that one parking space for each room plus 20% of expected visitors are required for any building higher than six stories. The government usually blames those who fail to build the required parking spaces for causing more traffic congestions. Similarly, the roads and bridges department requires developers to detail the section of sidewalk and road that will be damaged and carry out a renovation plan for the surrounding area of the building and landscaping. However, all these extra requirements private developers have to fulfill tend to create more costs and increase the capital-intensive nature of the development work.

To make developers more accountable for their work, the YCDC has recently

established an insurance policy, which requires all developers to deposit money in an escrow account in exchange for an official license. They are required to deposit \$10,000 if they want to build one to three-story buildings and \$50,000 if they construct four to eight-story buildings. If they violate any of these regulations or get into legal troubles with buyers and landowners, their license gets revoked instantly and their money becomes appropriated to compensate the damaged parties. For every construction project, developers are required to deposit additional building insurance, which amounts to about 10% of their licensure fees. This requirement has been set up in response to developers' failure to apply for a Building Completion Certificate (BCC). Once a building is constructed, they need to make sure the interior finishes of units are good enough for tenants to move in. This step is checked by the township officials and validated by the issuance of a BCC. Even though many developers do not have enough money to apply for their own license, they find a way to partner up with experienced licensed developers. By paying certain fees, they are able to borrow license from senior developers and use their name as the *developer-in-charge* on applications even though they manage the actual construction work on the ground. However, this is a very risky move for experienced developers, considering that the chances of losing both license and money are high if a project they vouch for goes wrong in the hands of an inexperienced developer. Therefore, such trust-based collaboration only takes place among developers who know one another well enough and have worked on several projects together in the past.

There are several prevailing norms about developers and their financial standing that shape the macro-level work environment. Although the 1990s were

considered to be the heyday of developers, it was also the same period when their career image was entirely damaged. “People back then used to have an assumption that eight out of ten developers are crooked and dishonest. That’s because many immoral developers got involved in several development deals without significant financial capital to back up their work.” Developer 2# justified. They routinely borrow money from private lenders at a high interest rate, pay for construction costs, generate money from pre-sale units and use it in the process again. This cycle usually comes to a halt if developers become unable to figure out a way to sell units in advance or generate money to bear construction costs in other projects. As a result, they become cash-strapped and fail to deliver completed work as agreed. Over the past few decades, developers have been known for declaring bankruptcy, fleeing loan sharks, abandoning construction sites and selling the same unit to multiple buyers. There have been many cases where landowners and pre-sale-unit-buyers have to work together to bring the project to a completion. Some inflexible landowners carry out lengthy arguments by filing lawsuits against both the developers and the buyers.

The overall image of developers has improved significantly by the late 2000s, and the developers interviewed feel obliged to maintain their positive image. According to Developer #6, the developer community came to understand that they need to have access to extensive amount of capital or they simply have to phase out their activities. In 2013, the rapid growth of real estate industry resulted in a competitive environment among developers. People who want to buy houses now have the privilege to choose developers from a big pool, and this forces them to become as professional as possible in financial dealings with their customers.

Micro-level Institutions: Social Networks and Institutional Arrangement

The fact that the land is exorbitantly expensive imposes huge barriers to the developers who like to carry out the project on their own. Developers have set up an institutional arrangement in which the joint-investment model is possible; they approach landowners, engage them as co-investors and share the produced units among themselves. Such a co-investment method has led to more than 90% of the residential projects that have been developed over the past 20 years. However, the process of implementing the project from scratch takes a lot of time and the players have to craft their own ways to overcome obstacles without clear and coherent regulatory support. The amount of required capital never decreases as the land and construction costs keep inflating at a rapid rate because of the unstable macroeconomic condition. All the developers interviewed agreed that a joint-investment model is a necessary tool for the urban development of Yangon, without which they will not be able to develop lands and build residential buildings as much. They also came to realize that many landowners do not just want to get cash but want to own new units for their family members. “The first time I purchased a land parcel, I got into so much trouble during the construction phase because the land ate away most of my capital. So, for next project, I tried to be smarter. I approached a landowner who was interested in co-investing with me. They could own new units in exchange of their undeveloped land and I could also obtain new units. This was a win-win situation for us.” Developer #1 recollected.

One innovative arrangement for facilitating financing needs is to integrate construction functions into the development business. Many developers I have met

started out as individual building contractors. Once they gain experience, they apply for a license, establish themselves as an informal business, pursue co-investment projects and then engage in private development projects. Such terms as *developers*, *building contractors* and *construction firms* mean different things in the western countries, but they refer to more or less the same profession in Yangon, as they all play the same role within the real estate market. The benefit of approaching development from the construction side is the reduction in overall project costs since construction constitutes the major portion of a project. Most of the developers I have met were not engineers, but they thoroughly understood the process of building construction. They try to achieve efficient construction management by hiring civil engineers and other technicians to assist with on-site operations. “As a construction business, it is easier to do development. We have an in-house team of professionals. Once the landowner says *yes* to a project, our team is ready to start construction efficiently and effectively.” Developer #11 described the nature of their business. Developer #7 also mentioned, “I spent about 5 years working with a senior civil engineer and learning the nitty-gritty details about construction. Without that experience, I wouldn’t have been able to branch out into development business.”

In order to deal with credit shortage problems, developers try to use different strategies in order to build up their financing capacity. One of them is pre-selling the units in two stages of the project –1) right after the conceptual design of the project is approved by the YCDC and 2) during the construction phase after the foundation work is completed. Through the advertisement of the project in different media, they offer an attractive rate for early bird buyers in both periods. Many developers try to target

about 30–50% of the new units during the pre-sale period, which provides a substantial revenue stream to bolster their budget for construction costs. Particularly, for small-scale developers like Developer #2, #3 and #4, the major source of funding comes from pre-sale unit buyers who have enough trusts in developers to deliver the promised units at a future date. Pre-selling the units gives developers a sense of market condition, as well as provides cushion from adjustments they might need to make to the project design and implementation. However, because of a bullish market, the pre-sale strategy has become a double-edged sword recently, and the units sold later nets a higher amount of profit. Therefore, developers meticulously calculate how many units need to be sold in advance just to generate enough capital for the construction costs, but they need to hold as many units as possible to maximize their profits. Besides, many developers tend to leave at least 40% of the units to be sold in the final sale period and they are offered to buyers at a much higher market rate after the building has been constructed.

Another popular strategy is to create a pool of funds by grouping investors and making a collective investment in a project. This approach is particularly helpful when the participating investor is new to the development scene and likes to make a profitable investment. Many experienced developers have knowledge but not enough capital to invest in multiple projects. It then makes sense for them to join hands and pursue projects together; working together is seen as a way to leverage strengths and minimize risks at the same time. “My brothers and I each put down 33% of the development costs. So, we are splitting all new units in three ways. Although I am taking the role of the lead developer, they are quick to offer advice if I get stuck

during the process.” Developer #2 confirmed. “I am working with an ex-YCDC officer on a number of projects. I am a newcomer but he knows a lot of people inside YCDC. Each of us owns 50% of our small Developer and we put in an equal number of hours into managing the construction work.” Developer #5 stated. In medium-scale developers, the existence of a group of private investors is seen in the form of the board of directors with different percentages of ownership. In this study, only three developers revealed the identity of the shareholders. Developer #10’s shareholders consist of a well-known tycoon, an ex-military officer and senior officers from private banks. Developer #9 proudly listed all the names of the investors in their office as a way to advertise their credible background, as well as attract new investors to the scene. On the other hand, Developer #11 has investors from both the government sector and the private one who have several investment projects in other industries.

Another source of finance is their venue from primary development work and other secondary businesses. Although it is relatively common for developers to use the profit from one project to fund another, it was rather surprising to find that many developers interviewed engaged in several non-development businesses to generate revenue, which in turn goes into financing of their construction projects. Developers understand that development work could consume a huge amount of capital in short time, and if they do not have secondary businesses to back up activities of their primary work, they could be facing much trouble any time. For example, Developer #3 has a successful furniture shop next to their office, while the owner of Developer #7 runs a complementary construction material shop and uses those materials in his construction projects. On the other hand, Developer #10 has a branch architectural

services office and provides design-related work to the external customers. Developer #12 not only sells timepieces in a showroom but also runs a hotel business concurrently. It is very important for them to run these secondary enterprises successfully at the same time so that they could use revenue from these businesses in place of the capital for construction projects. Here, developers are diversifying their risks so that one project that is experiencing problems does not affect their overall cash flow. Even though the development of financial market could improve the situation, they have crafted their way of dealing with credit shortages by connecting the budget flow of development work with that of secondary enterprises.

Although it is costly to borrow money from the bank, many developers use this source to finance part of their projects. However, they take out loans only after they have exhausted all other available resources such as family, friends and colleagues. As discussed before, the existing lending scheme in Myanmar is very limited and the loans are available for a short-term use only. Developers have to turn in land titles, business licenses or jewelry as collaterals during the loaning duration and scramble to pay off the loan within one year. Developers could not ask for as much as they want to borrow since the loan amount will be based on the bank's valuation of collaterals. Developer #2 once tried to borrow \$10,000 from a private bank but was only offered \$7,000 because of the low valuation of their land title. "I had a hard time paying back the loan on time three years ago since our projects got delayed. I ended up borrowing money from another source at a higher interest rate and managed to pay off the loan to get my land title back." Developer #4 narrated. However, Developer #10 confessed, "We have a special relationship with the boss of a private bank. So, we can take out

loans for much longer than a year as long as we keep making a monthly interest payment. This gives us a lot of breathing room while we are handling multiple projects at once.” On the other hand, Developer #12 claimed to have relatives residing in Thailand, which makes it possible for them to access capital from Thailand’s bank at a much lower interest rate.

6.4 PROCESSING PERMITS AND APPROVALS

Macro-level Institutions: Politics, Laws and Social Norms

Controlling the activities of the private sector through restrictive regulations had been one of the key functions of the military government. A group of individuals and generals in power still dictate what kinds of development concessions are exclusive to them and which ones could be granted to the private companies. Such rent-seeking behavior of the government has led to opaque regulations and ineffective policies that have a negative impact on the direction of urban growth. The existing regulations are on the paper only and do not translate into enforceable actions on the ground. Some aspects of regulations are also outdated and not relevant to the current economic environment. As the city is going through a transitional period, there has been more pressure upon the government to consider the aspect of public welfare in laying out regulations and managing the city. Although the YCDC has recently streamlined the publication of news and updates through the establishment of a website, the same regulatory environment continues on and restricts the process of permit application. The YCDC still could not manage to step away from a bad public image compounding the institutional weaknesses of the development activities.

Theoretically, the first three stages of finding a land, negotiating with stakeholders and financing the project should be the most difficult task a developer has to carry out. However, the experiences of developers in Yangon indicate otherwise. Among key informants, dealing with the YCDC to obtain relevant documents and permits has been described as the most challenging part of their job. Reaching *Stage Four* means that the survival of their project is beyond their power and now in the hands of the building department. The application process is very challenging because of unclear regulations; thorough and detailed explanations of regulations are not available and regulatory changes are hardly communicated to the public. There is a high level of uncertainty associated with rules and regulations on the permit application process. In general, the rules are not easily accessible and understandable to the public. Things have been set up to be non-transparent within the department of engineering over the past few years so that the officials could easily exploit money out of those landowners and developers who do not have a clear understanding of the existing regulations. “The rules are constantly changing and it is very hard to keep up with all new changes. Unless you are the one making up all those rules, you won’t know a complete list of required documents for sure.” Developer #5 elaborated.

The YCDC has announced the following list of required documents for the permit application on a pamphlet (Table 6.1). However, there is no additional explanation on the actual procedure that developers have to follow once they are in the building department with the required documents in hands. Many desks are arranged on throughout the department and the applicants are basically required to navigate their way to the right desks to get approval signatures from the officials. Many

developers who try to submit an application on their own get lost in the process and take a long time to figure out how to get all their documents approved. The building department makes frequent changes to the document list without publicizing them and notifying the applicants. In many cases, developers would find them out only after they show up at the office with the documents.

Table 6.1: Required documents for permit application

- | |
|---|
| <ol style="list-style-type: none"> 1. Application from the department 2. Original land title certificate and cadastral map issued within 3 years from a relevant department 3. A copy of land grant (or) cadastral map (to match with the original) 4. Documentation of municipal tax clearance from the township municipal office 5. A copy of the applicant's National Identity Card 6. Recommendation that the applicant is alive from the ward office 7. Consent from the neighbors and recommendation from the ward office 8. If there is no renter, approval from the ward office / If there is a renter, approval from the ward and township offices 9. 3 copies of the drawing design proposal and the material list signed by the licensed engineer 10. For three-story and higher buildings, 2 copies of building strength calculations prepared by the structural engineer 11. For four-story and higher buildings, the following additional approvals are required: <ol style="list-style-type: none"> a) Agreement that the landowner will only work with a licensed contractor b) Agreement that the licensed contractor will carry out construction by oneself c) Agreement that landowner, contractor, licensed engineer and building engineer will follow rules d) Results from the soil test e) If there is no high-rise building on the side, results from the theodolite reading on the possibility of building inclination f) A CD containing building proposal file, site plan and building layout plan |
|---|

Source: YCDC

The experiences of dealing with the YCDC are said to be confusing and time-consuming, as the officials do not treat them with the required fairness, respect and dignity. The unfriendly staff in the office does not help applicants without any considerable financial compensation as they would shrug off any inquires about the process. “In the office, we feel like we are treated as if we are living on their salary. We are paying money out of our pocket to apply for a permit to build a building our

own land. Beside a generic list of required documents, there is no clear step-by-step procedure put up on the board. And nobody wants to explain to us willingly.”

Developer #1 described a disappointing experience. “Even different tables within a single department are moved around so often that we think the officers are deliberately creating a confusing situation for us.” Developer 3# asserted. As a result, the applicants have no option but to pay money in exchange for less waiting time for a permit. The area where the building department is located is also home to a thriving black market bustling with agents and brokers who have insider contacts with officials.

While many developers understand that rules are there to safeguard the wellbeing of tenants and standards of construction work, they are very frustrated with the building department officials. It is up to these officials to find faults in an application file and prolong the process as easily as to grant a permit within a couple of months. Some of the officials are portrayed to be power-hungry and seek to get under-the-desk money in every possible way from developers. Sometimes the members from the approval-granting committee cancel meetings for no reason and cause further delay to the applications unless they are acquainted with the applicants. There have been frequent changes in the personnel of the building department, which prolonged the overall process. Most developers would like to see more ethical behavior on the part of the officials and a more transparent process for permit application and approval. “A famous developer who is affiliated with generals was able to secure permit for a twelve-story building but they would not grant me to build a building with the same height on the neighboring plot.” Developer #12 complained.

At the same time, developers wish to have a one-stop expedited application process.

The current set-up requires applicants to make trips to several places and spend a lot of time on compiling a variety of documents. If the YCDC has a database that could check the tax, ownership and other status of the landowner, they can issue several conations at once and help speed up the process.

Given the unclear permit application process, many developers I have spoken to were confused over the regulations of building design. Although they have years of experience developing condominiums and apartment units, dealing with the regulations is still tricky to them as they are constantly changed and not publicly announced. Particularly, initial confusion started with the terms of *condominium*, *apartments*, and *building*, as there is no housing law with a comprehensive coverage of buildings and regulations. The general understanding is that a *building* is considered to be a *condominium* as long as it has a lift. As the sale and purchase of condominium apartments became popular in the 1990s and early 2000s, the building design in Yangon also shifted radically from adopting a layout of a typical building to featuring a lift beside the staircase. The YCDC then updated building regulations and mandated the requirement of a lift for buildings over certain height according to the changes in the market. In addition, the cost of automobiles used to be ten times that of an apartment unit in the past, but starting from the late 2000s, the situation has flipped and it became so much cheaper to own a car than a house. The majority of households can afford to buy cars, and this lifestyle change is manifested in the requirement of car parking in every condominium. Such requirements established upon changing building prototypes without a thorough understanding of the situation have posed more

challenges for the developers.

Micro-level Institutions: Social Networks and Institutional Arrangement

This stage of applying for permits and approvals is affected astronomically by corruption, which is one of the common institutions found in developing countries. The actual application procedure, on the ground, differs greatly from the one mentioned on paper. Although bribery constraints the activities of developers, it also makes things possible at a certain price. In all cases, developers are able to use various approaches to overcome regulatory constraints.

Permit Brokers

One major solution to overcome regulatory challenges is using permit brokers. These brokers are either current YCDC workers or those who have worked at the YCDC in the past and have connections to inside sources. These agents could be hired for every step of the application process from securing a copy of land record to obtaining the finalized construction permit. All the developers interviewed agreed that they would not be able to secure permits as quickly as possible without the help of brokers. While small-scale developers opt to hire brokers, medium-scale ones have a special agent assigned as a *submission coordinator* to handle all paperwork. Nevertheless, those coordinators, in turn, work with a governmental insider to get around the maze of regulations. Working with a broker is the safest bet for developers, as it is impossible to go through the application process and know key people within the office on their own. “Only a handful of people I know go through the application

process on their own. Those people don't need to rush up, as they could take as much time as they want to build their building on their own plot." Developer #2 demonstrated. Although the officially announced timeframe is 45-days, developers have to wait for 3-6 months to get a permit.

Dealing with these agents is said to be a relatively straightforward process and helps developers to go through different stages as quickly as possible. Developers just need to accompany brokers only on the first day of submission to sign paperwork and then brokers take care of all subsequent tasks. "My brokers are very trustworthy. They even guarantee the issuance of construction permit if my proposed building design is within regular standards." Developer #6 described their satisfaction. Even if some application files run into troubles and undergo further examination, they can get the developers in touch with the right people to sort things out. "The department keeps finding fault in my structural drawings. So, my broker introduced me to a structural engineer who is familiar with the YCDC regulations. I ended up using his service for that project, as well as for my future ones." Developer #8 recollected. However, a couple of developers mentioned that even the process with the broker could take more time than usual if the department undergoes restructuring. "Working with brokers gives me a little peace of mind. Even if our application is delayed, brokers let us know instantly what is causing the delay." Developer #11 stated.

This stage of applying for a construction permit through an intermediary still involves a lot of money. Brokers offer a one-stop comprehensive service package and tend to charge \$800-\$1,200 per project. In other words, permit-related costs could add up to \$800 for a six-story building, \$1000 for an eight-story building and \$1,200 for a

twelve-story building. Although brokers do not declare how much of it is shared with their insiders, it is estimated that the officials of the building department get at least 70% while the remaining 30% goes to the brokers. We could take a closer look at the breakdown costs of applying a permit for a six-story building on the 25x50 plot (Table 6.2). As mentioned before, the actual proposal examination fees are based on per square feet rate and the number of floors. Since the announced official rate is just about \$0.040 per square feet for proposal fees and \$0.012 per square feet for a demolition permit, much of the fees that developers have to pay to brokers are unaccounted for. Although small developers, more or less, pay the same amount of charges, medium-scale developers sometimes need to pay additional under-the-desk fees to the officials. These additional costs are listed as *entertainment fees* in their accounting books. Developer #10 specifically mentioned that “It is part of our job to pay additional money to the officials if we do not want hiccups during the permit process. Since our project has a huge potential of profitability, we need to ensure that reviewers quickly review our documents and approve them without requesting a significant amount of changes, which otherwise could complicate our schedule.”

Table 6.2: Average cost breakdown for permit application

Type	Cost
Demolition Permit	\$150
Mini-proposal Fees	\$250
Structural Calculations	\$150
Full-proposal Fees	\$250
Total	\$800

Actual Procedure

The actual application process is a two-staged one. First, they have to submit a mini-proposal with a list of required documents. The approval of the mini-proposal

usually comes back with the eligibility to submit a full proposal with requested changes to the proposed structural drawing. Then, developers are supposed to adjust the drawings and submit them with a list of construction materials to be used in the project. Submission of new large-scale drawings and material lists is called the *full proposal*. The extent of the role that developers and brokers play in getting relevant documents varies from one project to another. In general, developers try to gather all relevant documents that are approved by the licensed engineer, the landowner and the ward officials. Once all these documents are ready, they are given to the brokers. Sometimes, the brokers and structural engineer are hired side by side so that the transition from the mini-proposal stage to the full-proposal one goes more smoothly and swiftly. In most cases, the request for changes to the proposal is something to do with the foundation in structural drawings. Brokers could just communicate with structural engineers, produce new drawings and submit them straight to the building department. On another note, brokers contact developers only if there is a request for significant changes to the building design and foundation layout.

The very first step to obtaining a construction permit is to obtain a land title certificate from the YCDC's land department. Since most landowners live on the land bought or inherited from another person, they usually do not have the correct title certificate with their name on it. Some people own their land grant but have never applied for a land title certificate and cadastral map of their own plot in the past, in which case they have to submit a request to the land department and advertise in the newspaper that any rightful owner can oppose to the process. If there is no objection, the department issues a new title to the current landowners. With this title certificate,

the landowners have to sign a contract and agree to transfer *general power* to the developers who can then carry out all related tasks as a substitute owner of the land. This contract becomes enforceable after it is formally registered at the office of registry. Regarding the processing time and costs of land title, Developer #4 explained that “Although the YCDC promises two weeks for a land title certificate, one week could actually mean a whole month of processing. We have to pay about \$100.” Given the lack of effective central registration, developers need to go through a lengthy verification process with the land department. Many developers interviewed mentioned that they were able to seek help from title brokers, who are currently working within the land department, to speed up the process to one month at most.

Second, they need to buy an application package for about \$10 to fill out the form and several other agreement templates. The form is very simplistic as it primarily asks for information about the development project and the total review fees based on announced per sq. rate. However, there is neither further explanation about the internal review process nor guidelines on compiling required documents. The application package seems to put a lot more emphasis on agreement templates, which bans the initiation of construction project before a permit has been issued, mandates the key role of the licensed contractor in managing the project and prohibits tenants from dwelling in the building before a Building Completion Certificate (B.C.C.) has been issued. Developers also have to sign an agreement that they will pay fines and forfeit their license if they are found to be violating any of these rules. Generally, these agreements are indeed important pieces of regulations the developer need to understand and adhere to strictly. However, the building department places much

concern on simply getting developers to pay fines and fees, instead of enforcing these agreements on the ground. The biggest problem is that anyone can borrow a license from licensed contractors for about \$4,000 per project and apply for a construction permit. Several developers including some of my informants encounter this situation. Although they have the knowledge and training to be qualified contractors, the costly and difficult process prevents them from getting licensure and claiming name to their development projects. If this oversight remains unsolved, the quality of construction projects and safety of tenants could be compromised in the future, as well.

Third, developers need to obtain consent from two neighbors on both sides. Many developers cited the aspect of dealing with neighbors as one of the most difficult parts of their job. They need to secure approval from ten neighbors from the surrounding area unless there is a high-rise building in the street or within the township. While some neighbors do not completely object to the construction project, they are claimed to be sensitive whenever there are some objects leaning onto their side or a pile of construction materials touching their properties. Therefore, developers try to be as courteous and respectful as possible in taking care of the space around the site. Many developers interviewed also opt to politely introduce themselves as officers-in-charge and ask the neighbors to report any inconvenience to them directly instead of filing complaints to the township office. Developer #3 stressed the importance of neighbor relationships to their work, saying “We have to meet with the neighbors every single day while the project is in progress. It could be a nightmare to deal with fussy neighbors so we try our best to get on good terms with them by handing out small presents and socializing with them every now and then.” The

general consensus is that developers do not generally encounter major problems securing consent from the neighbors, but it is tricky to deal with them in later phases of the project.

Fourth, developers need to compile a couple of recommendation letters from the ward and township offices. Since many apartments nowadays are being rented out, the building department has integrated clarification requirement into the permit application process. Besides, developers are required to notify the current renters about the imminent plan to re-develop the site so that they can plan ahead and find another place where they can move in. In that case, a support letter from the ward and township offices that the current renters are aware of the plan is strictly required. If there is no renter, a support letter from the ward office will suffice. The developers claimed that such a regulation is necessary and helps all the parties involved to avoid any potential legal disputes that could arise from the rental-related problems. Similarly, a tax clearance letter from the township municipal office is a requirement so that the landowners make a full payment for electricity, water and land taxes. If there is any remaining bill that the landowners need to settle, developers have to pay it for them in the municipal office and get a recommendation letter. Securing these letters from the local offices is mentioned to be a straightforward and standard procedure. Developer #7 further explained, “Dealing with ward and township office could be hard for the first-timers only. We have done multiple projects and know almost all local officials. For us, this step of gathering documents is relatively easy.”

Fifth, developers must carry out technical tests and come up with the building design. They bring in a group of external surveyors to a conduct soil test on the plot

and theodolite readings of the neighboring buildings. The developers mentioned that pre-construction theodolite measurements are particularly necessary because they could use them as evidence against any of the neighbors accusing them of causing any slight inclination to their buildings. Almost all developers have no issue implementing this step as an external third party could be easily hired to provide technical services. In order to prepare drawing sets, developers seek out a senior licensed engineer, who can approve and sign the proposed building design. Medium-scale developers such as Developer #8, #9, #10, #11 and #12 have their own in-house team of senior and junior engineers working on the building design and the streamlining of the application process. On the other hand, for small developers including Developer #1, #2, #3 and #4, the designs are drawn up by internal young engineers and approved by external licensed professionals. These external engineers charge per project rate in order to stamp their seal on the drawings and vouch for the proposed building design. This carries a lot of risks, as the licensed engineer could be held responsible if a building suffers from poor quality and construction defects.

There are several huge discrepancies between the application procedure on paper and the actual one of applying for a permit on the ground. Firstly, developers do need to submit the recommendation letter from the ward office that the applicant is alive. This requirement seems redundant and unnecessary on the document list, considering that developers have to not only provide many documents, which could not be obtained through an intermediary, but also go into office to sign paperwork in person. Secondly, although the bills of quantity are listed as one of the required documents, they no longer need to prepare them as part of the application package. In

the past, the building department checks to make sure they plan to buy necessary materials and pay tax on imported ones. The material list is no longer checked and examined but still listed as a requirement. Thirdly, it is announced that an electronic version of proposed drawings and both the site and building layout plans are requested on a CD. However, all the developers interviewed once followed up with the CD requirement last year, but they can only submit hard copies nowadays. The format of delivery is not yet updated on the regulation pamphlet. Fourthly, developers are additionally required to contact the central fire department and get an approved design for the fire escape ladder, which needs to be incorporated into the building design. This requirement, however, is not listed at all on the pamphlet and first-time applicants would only find this out from brokers, officials and other developers.

6.5 IMPLEMENTING PROJECTS

Macro-level Institutions: Politics, Laws and Social Norms

This stage has widespread legal ramifications, as the regulatory environment is characterized by an opaque inspection process and weak enforcement of building regulations. The existing construction regulations established in the late 2000s have a limited scope of the construction process, as they primarily deal with setback, the building height, the elevator and staircase. These regulations apply to buildings of – 1) three stories and lower and 2) four stories and higher (Table 6.3). The major neighborhood-wide regulation is the restriction of building height in areas close to pagodas so that new buildings could not be higher than the sacred monuments around the city. This is the only regulation that seems to be strictly followed while the level of

enforcement on other construction regulations is unclear. Particularly, the guidelines seem to be presented as *conditional* where anyone who has limited space could choose to provide reasonable evidence and seek exemption from the building department. This situation creates a loophole for developers and officials to cut corners in construction safety and gain financial profit. “Many developers I know don’t follow the setback regulations. The officials knowingly told them to extend the construction up to the front edge of the plot after the inspection has been done.” Developer #2 claimed. Even the chairman of the Committee for Quality Control of High-rise Building Projects (CQHP) admitted that most regulations are on paper and they have yet to enforce any of them. Serious lack of standardized building controls and codes has reflected upon poor building quality and disorganized urban environment further feeding into the ever-increasing hazardous risks over time.

Table 6.3: Construction Regulations

<ol style="list-style-type: none"> 1. Attic is to be at least 8’ away from the ground and could not be more than 60% of the ground floor area. 2. For residential buildings, the floor height must be at least 10’ for the ground floor and 9’ for the others. 3. If the top floor is to be constructed on the flat roof, it has to set back 3’ and could not be larger than 50% of the total floor area of the top floor. 4. If a six-story building is more than 62’ in height, an elevator must be installed. 5. If a building’s height is 62’ without an elevator, a top floor is not allowed and only a pitch roof is permitted. 6. For four-story buildings and higher, a fire escape ladder must be installed within the plot boundary. 7. For twin-rooms layout, the staircase must be at least 9’x4’ in a zig-zag form. For single-room layout, the staircase must be spiral with at least 4’ in diameter or zig-zag with at least 9’x4’. 8. For four-story buildings and higher, damage to the neighboring buildings could be minimized by these rules. Strip footing must be set back at least 4’ from the plot boundary; pile foundation at least 2’ away from the plot boundary and the pile edge.

Source: YCDC

Dealing with building and construction inspectors, as mandated by the regulations, is a major component of this last stage for developers. Theoretically,

inspections should lead to enforcement of rules, but this is not the case in Yangon. The developers interviewed had different experiences of dealing with inspection officials who are mostly painted as troublemakers. “We have to deal with not only incoherent regulations but also inspection officials who are looking to empty our pockets.” Developer #4 asserted. “The building officials are attentive and speedy when it comes to inspecting construction sites. They are quick to file complaints on several issues, which range from the location of material piles on site through to the color of the paint used for the exterior of the building.” Developer #7 described some of the problems that they face. The most common way of fixing legal issues arising from inspection is making under-the-table payment to the township officers. “One of my friends even paid per-floor entertainment fees to the officials so that they didn’t come to his site and bother with inspections at all.” Developer #8 explained. If bribing does not solve the problem, developers just pay the fines and violate the rules intentionally. They are able to do so as the amount of fines set for major violations are unrealistically too low (Table 6.4). For instance, a developer who wants to cover up unfinished inspection checks could simply lose a logbook, pay \$20 and yet retain the rights to proceed to the next stage.

Table 6.4: Amount of fines for violations

Item	Rate	Fines
Pre-permit Construction	1 sq. ft	\$0.25
Pre-permit Demolition	1 sq. ft	\$0.03
Exceeding Building Height	1 ft	\$60
Attic	1 sq. ft	\$0.30
Loss of log book		\$20
Pre-permit Dwelling		\$120

Source: YCDC

In addition to the construction work, developers are responsible for compiling

necessary documents and apply for a B.C.C. application without which they could not sell the completed units to buyers. Table 6.5 describes a list of the required documents:

Table 6.5: Required documents for the Building Completion Certificate (BCC) application

1. Application from the department
2. A copy of the applicant's National Identity Card
3. Recommendation from the ward office that the applicant is alive
4. A copy of the building permit
5. A copy of the approved building design
6. A copy of receipt for building permit application fees
7. A log book containing the records of licensed engineer and inspection engineers
8. A receipt of trash bin purchase from the department of pollution control and cleansing
9. Tax clearance approval from the tax department
10. For four-story buildings and higher, the following additional approvals are required:
 - a) Recommendation from the ward office that the landowner agrees to the constructed building
 - b) Approval from the township office that drainage channel has been cleaned and an electric meter has been installed
 - c) Approval from the department of engineering (water and sanitation)
 - d) Approval from the fire department
 - e) Approval from the Yangon's electricity supply board
 - f) Agreement from the landowner and licensed contractor on the usage of electric meter and transformer
 - g) Results from the theodolite reading on building inclination
 - h) Photographs of the building from four sides, electric meter, water pumping motor and septic tank
 - i) Agreement from the developer that a smoke detective sensor will be installed
11. Agreement from the developer that the drainage channel will be set up according to the regulations and renovation will be implemented if the existing drainage system and sidewalks are destroyed

Source: YCDC

Micro-level Institutions: Social Networks and Institutional Arrangement

At the micro-level, the last stage of development work involves carrying out the construction, dealing with site inspections, and selling the finished units to buyers. Although these activities are complicated by weak legal and political institutions, developers are able to craft several strategies to deal with operational challenges.

Construction

In order to successfully manage construction, developers strive to have a thorough understanding of the construction materials market. This step involves spending hours on learning about currently available and new materials in the market. Depending upon price, materials have different quality grades, which make it easy for shops to mix up different materials and send them to construction site. Developers are wary of receiving less than what they actually pay for and compromising the safety standards of the building. Therefore, all developers interviewed emphasize the need to tell the quality of materials as well as the need to purchase from shops they know personally. “Many material shop owners are known for being untrustworthy and stealing materials unless their delivery of requested materials could be checked extensively. So, it is safer for me to work with someone I know personally.” Developer #3 spoke about the importance of working with those you know well. Despite several reported cases of violations in the industry, all informants state that they strictly follow the minimum standards set by the YCDC. If landowners want them to use higher quality materials beyond our provision package, they work out a plan with them.

Knowing how to deal with construction workers is an important factor to this implementation stage, as the pace of work completely depends upon them. The existing labor market has been characterized by the shortage of skilled and reliable workers. Many major firms are able to overcome this human resource constraint by actively recruiting young people who have received their education abroad and returned home to work. However, many small-scale developers have failed at growing

their business because they could not keep a pool of reliable and trustworthy manual laborers. Almost all informants rated ‘being able to nurture a team of good workers’ as one of the biggest challenges for developers. “We always have to make sure the workflow does not stop so that our workers do not need to leave for another construction project, otherwise it will be very hard to regroup all workers who have a relevant set of skills.” Developer #4 described the way they handle workflow. Many developers including Developer #1, #2, #4 and #6 even have to accept small construction projects in between just to keep a team of good workers employed without any unemployment period. On the site, workers are usually categorized into six teams – 1) carpentry 2) masonry 3) coiling and tying metal rods 4) water and electricity 5) doors and windows and 6) painting. Each team has its own leader and developers correspond with them directly to make sure they clearly follow the instructions of the site engineers. Typically, group leaders with long years of experience understand how to read drawings and delegate tasks to their team members.

One interesting finding I have learned from the developers is that having minor differences between what is on the construction drawings and what they *actually* build on site is necessary part of construction management. This is partly due to the way construction drawings are replicated from another project without detailed adjustment to the site context. Developers simply do not hire experienced architects to come up with unique design and rely on the mass-produced drawing sets instead. Another problem arises from poor construction management guidelines, where the communication channel between the site manager, civil engineers and architects are

broken in most cases. Many site engineers end up using what is coined as the *drawing while building/building while drawing* technique during the construction phase. Many developers feel that such an approach is necessary because their partners barely understand the construction process. “For one project, the landowner requested structural changes even after the permit was secured. This put me in a tricky position to find a way to mediate between private interests and legal mandates.” Developer #5 described one tricky situation with landowners.

Site Inspections

The developers know how to build strategic relationship with the inspection team headed by a township municipal engineer. Once the earth is dug up, one inspection takes place, then the column formwork is set up and the iron rods are laid out. After an approval is granted for this stage, workers pour the concrete into the framework to form floor slab as part of the foundation work. Afterwards, inspection of the site takes place as every floor goes up. Each inspection takes place at least half an hour. If the construction teams follow the regulations announced by the YCDC, they should not have problems securing approvals. However, to make the inspection process go more smoothly and swiftly, developers emphasize the need for an alliance with the inspection engineers. “We need to be as diplomatic as possible and establish a close relationship with the engineers so that they willingly and happily take time to check and approve our construction project.” Developer #12 confirmed. The developers interviewed also understand that they will not be able to move on to another stage and finish the project on time without the signatures of inspection

engineers in the work plan book. They also mentioned that the process of building a bond could involve giving presents, paying a fee or returning favors to the inspection engineers.

In addition to accommodating inspections by the township engineer, developers need to contact several related departments and ask for their respective teams to come to their sites and inspect their completed work. Particularly, departments from building, road and transportation, fire, water and sanitation sectors carry out more inspection on the following aspects of the building: exterior and interior finishes, internal wiring, waste discharge set-up, the location of septic tank, water connections and others. Nevertheless, only one team can do inspection at a time. Therefore, it could take about 2-4 months to schedule appointments and finish the post-completion inspections. For each inspection, developers have to pay up to \$1,500 for both official charges and under-the-desk fees to the teams in case they complain about the structural situation and their request for changes could not be logistically fulfilled. Following this stage, developers can compile clearances and approvals into one package and submit it to the YCDC to apply for a Building Completion Certificate (BCC). The next step is the payment of tax to the township office, which is set at about \$600 per floor. Only after this tax receipt has been submitted can the YCDC refund the building insurance (\$5,000) back to the developers. Getting insurance money back from the YCDC is considered to be the pinnacle of a project as many things could have gone wrong during construction and inspection phases.

Sale and Marketing

For the next step, developers need to collect money from pre-sale unit buyers and start selling all remaining units. Due to high demands of the units, most developers interviewed are able to sell out new units within a couple of months. The process of selling units to buyers is said to be a relatively straightforward process for small developers. “We could not hire a lawyer for every single transaction so we use a standardized sale contract to be signed by ourselves and buyers. If buyers want to bring in their own lawyers to ensure the legality of the contract, we are open to it as long as the proposed terms are within acceptable standards.” Developer #5 stated. For buyers in the post-construction period, negotiating the sale price is the biggest issue as most of them make a single full payment upon purchase. Even after all the units are sold and the tenants move into their new houses, some developers such as Developer #1 and #4 are obliged to help to solve problems that could arise from any part of their buildings such as wiring and plumbing. While such help is offered based on the close relationship that developers have with the tenants, some tenants seek help from their networks and take care of their own issues.

Setting up sale and marketing teams is the key institutional arrangement for many medium-scale developers to be able to sell all units on time and achieve a targeted return rate. The marketing team is in charge of advertising their projects and extending their market reach while the sale team is responsible for selling units. Different strategies are employed not only to bring back the past customers but also attract new ones. “As many people nowadays buy units to sell them back or rent them to the expatriates, we particularly keep in touch with the past buyers by distributing

pamphlets. We also make calls to them and invite them to opening ceremonies of new projects.” Developer #11 described the PR side of their business. In order to reach new customers, their projects are extensively advertised in mass media such as TV, radio, magazine and weekly journals. Some developers would just give fancy names to their development projects and set a promotional period for early buyers. Offering a higher commission fees to brokers is another effective way to boost up the sale of units, as they have bigger incentives to put all potential buyers in touch with the developer. Additionally, many developers believe that promoting a professional image is linked to the success of their project. Many of the developers I have met have set up their showrooms to display an impressive array of building models and beautiful renderings so that new buyers who would walk into their office understand the credibility of their work and experience. They also have their own in-house lawyer to give advice on the sale contract process, as well as tackle legal issues that could arise from the construction projects.

SUMMARY

The developers on the supply side of the market encounter another unique set of institutional challenges at both the macro and micro-level. Since the amount of urban land available for development tends to be quite limited and expensive these days, market information is highly prized and sought after. Developers actively try to find out about potential deals through brokers, personal networks, referrals and customer walk-ins at their offices. They continuously learn how to employ location and size criteria, as well as conduct a sophisticated feasibility analysis to gauge the

suitability of the site. Along with the classic 100% owned private investment, they have also crafted the joint-investment arrangement with the landowners to share costs and minimize risks. With regard to the negotiation process, developers have to figure out the value of land, estimate construction costs and make a calculated benefit offer to landowners. Re-development of old buildings demands more craft and skills since they need to convince every single tenant to accept the proposed compensation package. At the same time, undeveloped financial market limits the availability of credit for market agents. In order to overcome financing constraints, developers manage to integrate construction functions into their development businesses, sell pre-sale units, pool funds from other investors and engage in a variety of secondary businesses. Gathering all necessary permits and approval is said to be the most challenging stage for developers since the regulations laid out by YCDC are vague and conditional. Permit brokers primarily play a key role in navigating developers around the loopholes and securing a permit on their behalf. For the construction phase, developers are familiar with construction materials and know how to retain a group of skilled manual workers. They try to build a positive relationship with inspection officials who check every stage of their construction work and recommend for a Building Completion Certificate. Setting up sale and marketing teams, building reputation, and having extensive professional networks are also found to be essential ingredients of successful development work.

Chapter 7: Quantitative Analysis

The preceding chapters were able to show how the current institutional framework can both complicate and facilitate the operations of market agents. This chapter, which is divided into two sections, builds upon those findings and extends analysis into transactions and development through a quantitative approach. In the first section, a regression model is implemented to infer household demand for a variety of physical and spatial housing characteristics. This model helps deduce a basic price function for Yangon's housing market and approximate fair value of housing units. On the other hand, the second section is made up of two parts. Firstly, it summarizes the findings of an original survey of developers in five different townships of Yangon. The survey documents the prevailing perceptions and trends of current practices, which I personally characterize as something born out of necessity in a constrained institutional environment. Secondly, a regression model is employed to explore the relationship between the productivity of developers and other explanatory characteristics. This model is capable of predicting the number of units a developer could produce and identifying key traits and qualities, which account for explaining why certain developers are more productive and efficient than others.

7.1. HOUSING TRANSACTIONS

Although the institutional analysis of housing demand reveals unique strategies of purchasing properties and securing ownership rights, it begs questions about the fair value of housing units and the nature of household demand for various characteristics.

Lack of precise estimates of market price manifests itself in the overpricing of properties, improper tax adjustments and inappropriate appraisal of house values. Since housing units are transacted as bundles of positive and negative attributes with unique specificity, their market prices vary (Can 1992; Sheppard 1999). Although properties have actual market value, individual features of these units have no observable prices. Therefore, it is important to understand the relative effect of housing attributes and analyze the structure of implicit prices the consumers face in purchasing units. Estimation of housing prices lays the groundwork for the construction of comprehensive housing price index, which could help tremendously with policy formulation and economic forecasts. Moreover, this quantitative approach is a meaningful extension of the institutional analysis, as the housing market in Yangon has never been subject to rigorous investigation. In a broader context, this is the first ever study to infer the parameters of housing demands and develop a price function for the residential market in Yangon.

7.1.1 Modeling Housing Prices

For several decades, the hedonic pricing model has been used as a primary tool to estimate the market value of housing units (Mason and Quigley 1996; Palmquist 1980; Rosen 1974). The hedonic approach allows us not only to explore the relationship between attribute preferences and property prices, but also scrutinize the marginal effects of these characteristics on the prices. When it comes to actual implementation of the model, there is no standard functional form to use, but the semi-logarithmic function is recommended in the literature (Malpezzi, 2003; Fan et al.,

2006). The semi-log form normalizes the data and provides the convenient interpretation of the estimates as percentage changes in the dependent variable. Thus, the hedonic pricing model for this study takes the following general form:

$$\ln price = \alpha + \sum_i \beta_i X_i + \varepsilon ,$$

Where price is in a logged form, α is a constant term, β_i is the regression coefficient of the i^{th} housing characteristic, X_i , and ε is the residual error term. Also, the ordinary least square method is used in estimating price function.

Data and Variables

The underlying data for this study were collected from property listings published in a real estate journal called Golden Hexagon between January and February 2014. A listing does not specify the exact address of each unit; it only mentions the name of township and road classification where the units are located. Moreover, with price data, there is a variety of interior and exterior physical characteristics available for each property put on sale, as well as other spatial factors such as being close to the market or on the corner of a building. These factors are defined and listed in Table 7.1. In addition, the basic descriptive statistics for each variable used in the analysis are provided in Table 7.2. Overall, the dataset includes the asking price and other additional information of 551 dwelling units in Yangon.

Table 7.1: Definitions of the Variables Used in the Analysis

Variable	Definition
PRICE	Asking price of the apartment
SQFT	Total number of square feet of living space
ROOM	Total number of rooms
AC	Total number of air-conditioners

PHONE	A binary variable indicating whether the property has a phone line (=1 if yes, 0 otherwise)
PARQUET	A binary variable indicating whether the interior has parquet flooring (=1 if yes, 0 otherwise)
HWOOD	A binary variable indicating whether the interior has hardwood flooring (=1 if yes, 0 otherwise)
FURN	A binary variable indicating whether the property is furnished (=1 if yes, 0 otherwise)
ATTIC	A binary variable indicating whether the property has an attic (=1 if yes, 0 otherwise)
CORNER	A binary variable indicating whether the property is located on a corner (=1 if yes, 0 otherwise)
MARKT	A binary variable indicating whether the property is close to a market (=1 if yes, 0 otherwise)
PRES	A binary variable indicating whether the property is a pre-sale type (=1 if yes, 0 otherwise)
NEW	A binary variable indicating whether the property is located in a new building (=1 if yes, 0 otherwise)
TFARE	A binary variable indicating whether the property is located on a thoroughfare (=1 if yes, 0 otherwise)
ROAD	A binary variable indicating whether the property is located on a road (=1 if yes, 0 otherwise)
STREET	A binary variable indicating whether the property is located on a street (=1 if yes, 0 otherwise)
ALLEY	A binary variable indicating whether the property is located on an alley (=1 if yes, 0 otherwise)
FLOOR	Floor number of the property

Table 7.2: Descriptive Statistics of the Study Variables

Variable	Mean	Std. Deviation
PRICE	1112.96	845.587
SQFT	917.58	328.274
ROOM	1.23	1.359
AC	0.97	1.268
PHONE	0.25	0.440
PARQUET	0.16	0.365
HWOOD	0.28	0.449
FURN	0.33	0.470
ATTIC	0.29	0.456
CORNER	0.23	0.419
MRKT	0.27	0.442
PRES	0.19	0.395
NEW	0.32	0.467
TFARE	0.13	0.340

ROAD	0.18	0.387
STREET	0.41	0.492
ALLEY	0.28	0.447
FLOOR	2.02	2.063

The interior physical characteristics applied include SQFT, which is the total number of square feet of living space, ROOM, which is the total number of bedrooms, ACs, which is the total number of air-conditioners. FURN indicates whether the unit in question is fully furnished for potential buyers. Other physical attributes such as PHONE, PARQUET, HWOOD, and ATTIC are in binary form specifying whether the property has phone connection, parquet flooring, hardwood flooring and an attic. Phone line connection is seen as a very desirable attribute as Myanmar Posts and Telecommunications (MPT) no longer grants line connections because of capacity constraint. Similarly, the parquet and hardwood flooring, which are considered to be expensive features of any house, inflate property prices. Having an attic is perceived to be an amenity as dwellers could use it as storage space or a guest room. According to several studies including Sirmans, Macpherson and Zeitz (2005), Laurice and Bhattacharya (2005), Decker, Nielsen and Sindt (2005) and Coulson and Lahr (2005), a property price is expected to increase in the presence of desirable physical characteristics. Therefore, the coefficients for SQFT, ROOM, AC, PHONE, PARQUET, HWOOD, FURN and ATTIC are expected to have a positive relationship with the price of a property.

The main exterior physical characteristics investigated are CORNER, NEW and PRES. Firstly, CORNER indicates whether the unit is located on a corner, while NEW describes a unit that is located in a new building, and finally PRES explains

whether the unit is a pre-sale type. Another important variable is FLOOR, which indicates the floor number of the unit. Sirmans, Macpherson and Zeitz (2005) and other related literature explain that a unit located on a corner can be sold at a higher price as dwellers enjoy a better view and more sunlight. A unit located in a newly established building is also more appealing since potential dwellers will not need to renovate or repair it in a long time. Therefore, the coefficients of CORNER and NEW are expected to have a positive effect on the price of a unit. On the other hand, as explained in the institutional analysis of housing demand, pre-sale units are priced much lower since developers are basically assembling enough funds to keep the project going during the early stages of development. Hence, the coefficient for PRES is expected to have a negative relationship with the price. Similarly, units located on the ground floor can be sold at the highest premium price, as they could be easily converted into shops or used for various other commercial purposes. The prices of units are expected to go down as one goes up the floor level. Thus, the coefficient for FLOOR is expected to be negative.

The five spatial control variables are MRKT, TFARE, ROAD, STREET, and ALLEY. Firstly, MRKT indicates whether a unit has a market in close proximity, TFARE shows whether a unit is located on a thoroughfare. Secondly, ROAD describes a unit located on a main road, while STREET refers to a unit that is located in a side street. Finally ALLEY shows a unit that is located in an alley. Furthermore, being close to the market is seen as an advantage as the neighborhood then will have more restaurants, supermarkets and grocery stores nearby. Thus, a unit with a market nearby (MRKT) typically commands a higher price. The other four spatial variables

were derived from the classification of the path where the unit is located. Compared to alleys, those units on thoroughfare, road and street are considered to be in a better location and command higher prices as dwellers would not only have closer access to public transportation, but also enjoy a larger and cleaner space. Therefore, the coefficients of TFARE, ROAD and STREET are expected to be positive while ALLEY is assumed to have a negative effect on the price. As these four variables represent the same type of information, ALLEY will be treated as a base category and excluded from the regression model.

Empirical Results

Three models were estimated to separate out the effects of different categories of characteristics on housing prices. The results were reported in Table 7.3. To generalize findings outside of the sample, all models were checked to make sure the data meet underlying assumptions. First, there is no significant sign of multicollinearity in the data. The level of Tolerance, which explains how much of the variability of the specified independent is not explained by the other independent variables in the model, should be larger than 0.10. In all models, tolerance of each variable is larger than 0.70, representing very low correlations among variables. Likewise, the inverse of tolerance value, the Variance Inflation Factor (VIF), should be less than 10. VIFs of all variables are just around 1, confirming the absence of multicollinearity in each model. The Durbin-Watson statistic in each model falls between 1 and 3, indicating lack of autocorrelation among residual terms. In order to test the normality of residuals, both a histogram and a normal probability plot (P-P)

were used. The histograms show normal distribution and the straight lines of all points in the P-P plots also indicate a sign of normality. The residuals scatterplots were also checked to make sure the data follows the assumption of linearity and homoscedasticity. The graphs depict a random array of dots, evenly dispersed around zero in a rectangular form, indicating the fact that there is no heterosecdasticity in the data. Additionally, the outlier threshold, where the standardized residual values exceed 3, was applied to all three models.

Table 7.3: OLS Estimates of the Hedonic Pricing Model

Variable	Model (1)		Model (2)		Model (3)	
	Coeff	Beta	Coeff	Beta	Coeff	Beta
CONSTANT	5.640		5.926		5.820	
SQFT	.001	.338***	.001	.326***	.001	.324***
ROOM	.095	.195***	.081	.167***	.073	.150***
AC	.092	.177***	.068	.130***	.067	.128***
PHONE	.180	.120***	.117	.078**	.090	.060*
PARQUET	.443	.245***	.306	.169***	.263	.146***
HWOOD	.175	.120***	.178	.122***	.154	.105***
FURN	.236	.169***	.166	.119***	.143	.102***
ATTIC	.189	.131***	.075	.052*	.089	.062**
CORNER			.137	.087***	.132	.083***
PRES			-.219	-.132***	-.209	-.126***
NEW			.219	.155***	.195	.138***
FLOOR			-.093	-.291***	-.093	-.292***
MRKT					.097	.065**
TFARE					.287	.148***
ROAD					.227	.132***
STREET					.114	.085**
R ²	0.567		0.719		0.743	
Adjusted R ²	0.561		0.713		0.735	
F	88.737		114.588		96.441	
N	551		551		551	

Significant at 5% (*), 1%(**), 0.1% (***)

Model (1) is the base model representing all interior physical characteristics. The coefficient of determination (0.567) indicates that the combination of all independent variables explains a reasonable share of variation in housing price. The

significance of F-value, at the one percent level, further indicates the overall strength of the base model. All 8 coefficients estimated are statistically significant at less than one percent level.

Model (2) adds four exterior attributes – CORNER, NEW, PRES and FLOOR. Compared to the base model, there is a significant improvement in predictive power as the model now is able to explain 71.9% of the variance in the price. Of all 12 coefficients estimated, 10 are statistically significant at less than one percent level and the remaining 2 are at the one percent level and the five percent one. Although the original parameter estimates coefficients have slightly lower values, they are generally robust to the change in specification.

On the other hand, Model (3) presents the full model accounting for the possible effects of other location factors with the inclusion of MRKT, TFARE, ROAD and STREET. The explanatory power of the model now has 0.743, while all of the estimated coefficients are statistically significant across estimates. Of the 16 estimated coefficients, 12 are statistically significant at less than one percent level, 3 at the one percent level and the last one is at the five percent level.

All variables in Model (1)–(3) have the expected sign and most of them are highly significant. Successive improvement from the base to the full model is observed with t-values remaining significant and R^2 increasing.³ Therefore, it is with a high degree of confidence that the contribution of each explanatory variable to the

³ This is the case because I used the backward method in implementing the regression model. I initially started out with more than 20 independent variables. After I ran the very first regression, I found that some variables were insignificant in predicting the price. I discard them. The remaining significant ones were categorized them into interior, exterior and locational attributes.

market price could be approximated in the following equation:

$$\ln(\text{Home Price}) = 5.820 + 0.001(\text{square feet}) + 0.073(\text{bedrooms}) + 0.067(\text{air-conditioners}) + 0.090(\text{phone}) + 0.263(\text{parquet}) + 0.154(\text{hardwood}) + 0.143(\text{furnished}) + 0.089(\text{attic}) + 0.132(\text{corner}) - 0.209(\text{pre-sale}) + 0.195(\text{new building}) - 0.093(\text{floor level}) + 0.097(\text{market}) + 0.287(\text{thoroughfare}) + 0.227(\text{road}) + 0.114(\text{street})$$

Since the dependent variable is expressed in natural log term, coefficients of independent variables could be interpreted as percentage effect on the dependent variable per one unit change in the regressor. With respect to the interior features of a unit, one additional square feet implies a 0.1 percent increase in the market price of a unit. The presence of phone connection yields a positive housing response of roughly 9 percent. This is followed by more modest price increases triggered by an additional bedroom and an extra air-conditioner – 7.3 percent and 6.7 percent, respectively. The flooring type appears to exercise a large effect on the price. Holding other factors constant, a unit with parquet flooring commands a roughly 26.3 percent higher price than that without, whereas a house with hardwood flooring commands a roughly 15.4 percent higher price than that without. With other factors held constant, a fully furnished unit commands approximately a 14.3 percent higher price than an unfurnished one, whereas a unit with an attic commands nearly 8.9 percent higher price. Regarding the response of price to exterior features, a unit located in a new building typically commands a 19.5 percent higher price than that located in an old building. Similarly, being situated on a corner of a building yields a price premium of about 13.2 percent. On the other hand, the pre-sale type reduces the price of a house by 20.9 percent, whereas an additional floor level up decreases the price of a unit by 9.3 percent. The spatial control variables have a tremendous impact on the price.

When other factors are held constant, a unit close to a market secures about a 9.7 percent premium, compared to one located far away from important facilities. Being located on a thoroughfare commands a price premium of about 28.7 percent over other similar properties, which are not situated in the same prestigious location. Similarly, a unit situated on a main road or a street commands price premiums of about 22.7 percent and 11.4 percent, respectively.

Beta values could be compared to deduce the relative contribution of independent variables to the model. When the variance explained by all other variables is controlled, the floor level of the unit has the largest beta value at -0.324, thus making the strongest unique contribution to explaining the housing price. Other variables, making the second and third most important contribution, are the amount of square footage of living space (0.292) and the total number of bedrooms (0.150). At the same time, being equipped with phone connection (0.60) and having an attic (0.65) have the lowest Beta values and are the least influential characteristics for the model.

Practical Implications

The price of housing unit was positively affected and determined by: the square footage of the finished living space; the number of bedrooms, air-conditioners; phone connection, parquet flooring, hardwood flooring, an attic, furnished interior and corner room. A significant premium was also paid on average for a house located near the market, on a thoroughfare, on a main road or street. The pre-sale status and the floor level of the unit were found to negatively impact the housing price. Of all 16 independent variables, the floor level, the total number of bedrooms and square

footage of living space make the strongest and most effective contribution, explaining the price of a house, while the presence of phone connection and an attic make the least contribution.

7.2 HOUSING DEVELOPMENT

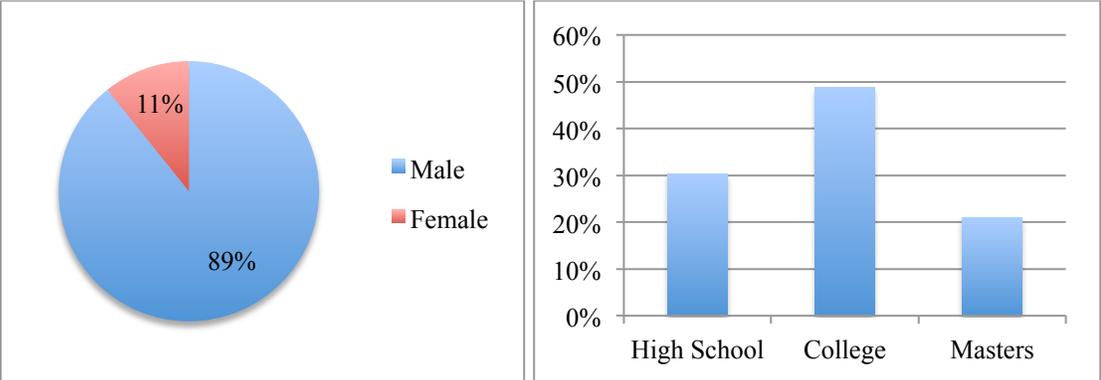
In the previous chapter, the way the current institutional set-up impedes and complicates the development operations of key informants was thoroughly explained. In addition, the way informants utilize their social networks and create innovative arrangements to minimize costs and engage in transactions was also described. Do their experiences resonate with the rest of the developer community? What are the prevailing norms and current practices at large? Which factors account for the productivity of developers? How does the industry cope with institutional shortcomings and forge its way to lucrative development projects? In order to answer these questions, I have designed and administered a survey of developers in eight townships in Yangon. With a team of six field assistants, I managed to survey 158 developers over the course of five months, from March through to July 2014. We collected socioeconomic information, as well as related data on all five areas of work: finding sites, negotiation, permit application, financing and implementation. Collectively, this data represents a study of baseline condition of current practices, prevailing norms, dispute resolution, social capital and political capital of developers at the local level.

7.2.1 Developer Survey: Practices and Norms

Profile of Developers

The profile of developers surveyed indicates the predominantly male, middle-aged and fairly educated population. The composition is made up of 89% men and 11% women (Figure 7.1). The average age of the developers is 47.2 years old, with the range varying from 30 to 62 years. As for educational attainment, on average they have 13 years of formal schooling (Figure 7.1). This high number presents a fairly educated group as almost 50% have at least finished their college education while 20% have acquired their master's degree.

Figure 7.1: Male-Female Composition and Educational Qualifications

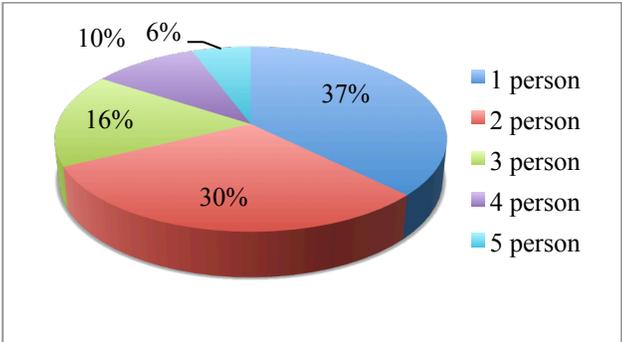


Source: Developer Survey (2014)

While the majority of the developers are supported by a small team of full-time employees, many of them lead their businesses and implement development work singlehandedly. Specifically, solo-developers account for the biggest chunk of the composition with 37% while the 2-person teams follow up with 30% and 3-persons teams with 16% (Figure 7.2). About 61% of the respondents mentioned having prior relevant experience with either development or construction work. They also have

relatively young and growing businesses since the average number of years they have been engaging in development work is 4.13 years. The number of years in business ranges from 2 to 10 years.

Figure 7.2: Number of Full-time Employees



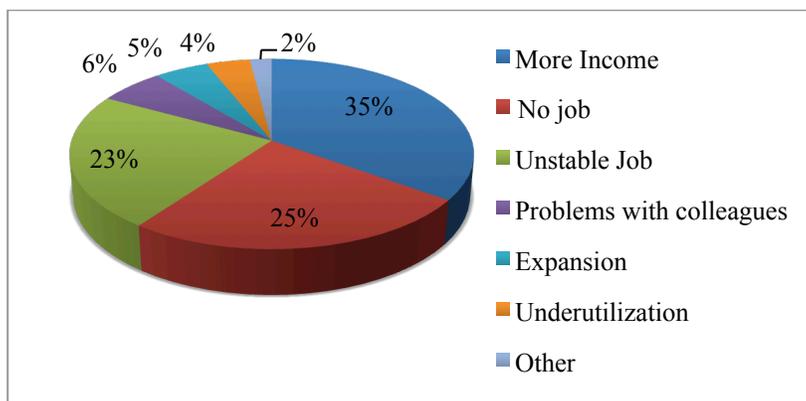
Source: Developer Survey (2014)

All 158 respondents have developed a total of 997 projects, which include 12,948 housing units. The minimum level of unit production is 30 while the maximum is 150. More than 90% of the projects took the form of a joint-venture partnership between both the developer and landowner, while the remaining 9% were carried out as 100% private investment projects. This trend is in line with the findings from the previous chapter where the developers are increasingly looking to landowners as their potential partners in projects due to skyrocketing land prices. On the other hand, there is a 53%–47% split between those holding a developer license and those who do not. This almost *even* percentage is not surprising since licenses are usually borrowed from experienced developers at a certain fee and used in the permit application process even though such practice is considered illegal.

In order to understand how these development businesses came into existence, the respondents were asked to choose from seven different options the most important

reason that made them start their business. The top three selections were: additional stream of income, being unemployed and careers lacking prospects. These three were picked by about 75% of the respondents (Figure 7.3). Therefore, these answers indicate that development businesses were primarily driven by job and income opportunities in the first place. When asked whether someone's experience in founding and running a development business has motivated them to start their own business, about 59% answered yes. This percentage covers more than half of the respondents and indicates the tremendous influence exercised on them by other developers so as to join the growing industry.

Figure 7.3: Reasons to Start Development Business



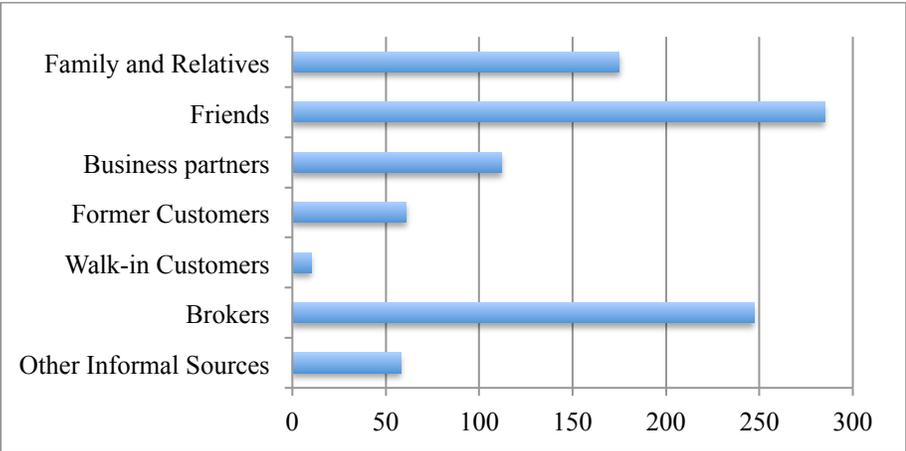
Source: Developer Survey (2014)

Finding Project Sites

In order to identify the sources of market information, in the survey, the developers were asked to rank the three most likely sources from which they could learn about potential land deals. Based on their responses, 3 points were awarded to the source being selected first, 2 points to the second source and 1 point to the third source. The total scores were computed to determine the final ranking order. The most

important sources for the developers are friends, brokers, family and relatives (Figure 7.4). These sources are more or less in line with the findings from the institutional analysis section that brokers and close acquaintances play a key role in putting the developers in touch with potential landowners and sellers. On the other hand, former and walk-in customers received the lowest scores– a fact that indicates the relatively low level of importance in facilitating market information.

Figure 7.4: Scores for Sources of Market Information

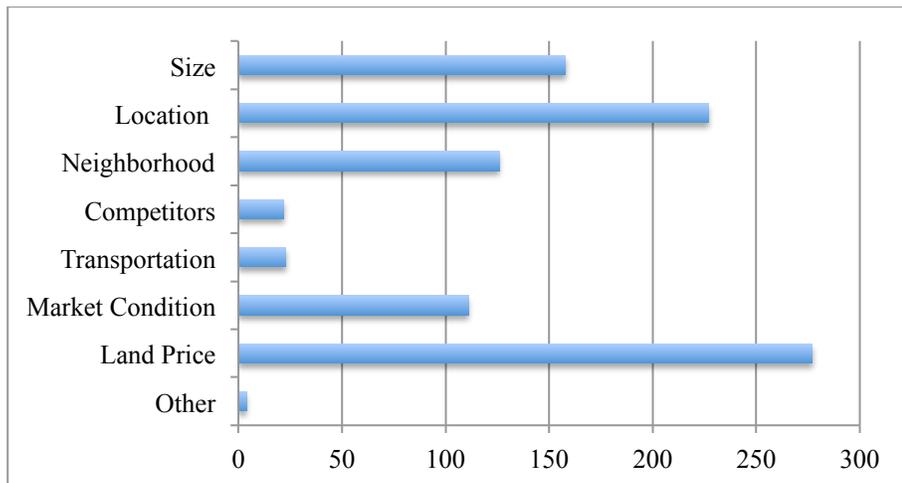


Source: Developer Survey (2014)

Once developers find an available piece of land, which characteristics do they primarily assess to make their decision on the next step? The respondents were asked to rank the three most important criteria they are most concerned about. Land price was singled out as the most important aspect (Figure 7.5). Given the recent hike in land and housing values, pricing is believed to be the most urgent concern for the majority of developers as their profit totally depends upon it. The second and third most important aspects are the location and size of a plot. As explained in the institutional analysis section, developers usually look at road classification and plot

size to decide whether they should go ahead with a deal. These factors still hold true for a larger developer population. Another matter worth investigating is whether developers focus on the townships they know relatively well and have prior knowledge about. About 58% of respondents confirmed that more than 50% of their projects are located in the same townships where they either live or work. This supports the fact that local areas that they are already familiar with are good places to jumpstart their development work and ensure their success.

Figure 7.5: Scores for Land Characteristics



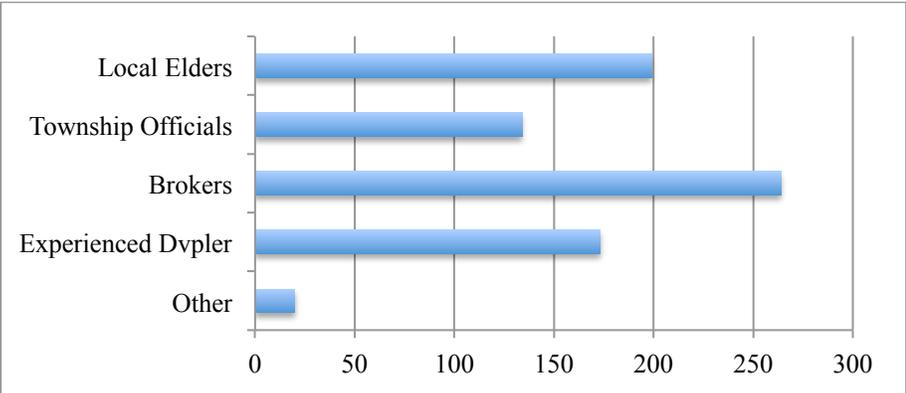
Source: Developer Survey (2014)

Negotiation

As explained in the institutional analysis, the negotiation process for a 100% private and joint-venture approach is slightly different. The respondents were asked to rate the difficulty of engaging in different negotiation stream on a scale of 1 to 5. On average, the private approach was given a difficulty score of 3.2 while the joint-venture one was given 4.2. The difference between these two scores highlights the complicated practicalities involved in setting deal terms with landowners, whereas

private investment projects just involve a land transaction. Regarding the sources for help with the negotiation process, the respondents were asked to rank the three most likely ways of getting help to overcome deadlocks (Figure 7.6). With the highest score of 264, brokers were identified as being the most helpful source for the respondents. This, however, is expected as brokers have huge incentives such as 2% commission fees and would do all they can to bring two parties to an agreement. Local elders and experienced developers also turn out to be the second and third helpful sources the developers could resort to. It is the least likely to get support from the township officials, and other sources include lawyers, consultants and governmental officials.

Figure 7.6: Scores for Sources of Negotiation Help



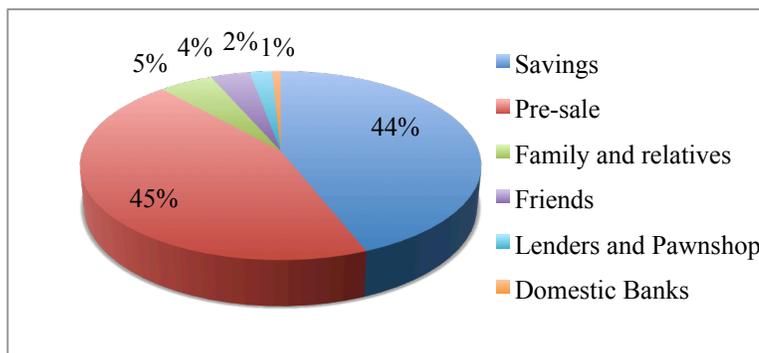
Source: Developer Survey (2014)

Financing

Since Myanmar does not have a functional financial market, developers have encountered a great number of barriers in securing enough financing for their projects. It is particularly important to identify the exact sources of capital for development operations. The respondents were asked to report the percentage breakdown of current funding sources. The results are reported in Figure 7.7. On average, savings and pre-sale are the two biggest sources as they account for 44% and 45% of total funding,

respectively. Family, relatives and friends provide a combined 9% of the capital. The domestic banks and other informal sources such as moneylenders and pawnshops do not seem to be important sources for developers as just about 3% of funding comes from them. Therefore, the current financial landscape indicates that the developers primarily use their own savings and pre-sale funds to finance their work.

Figure 7.7: Sources of Capital



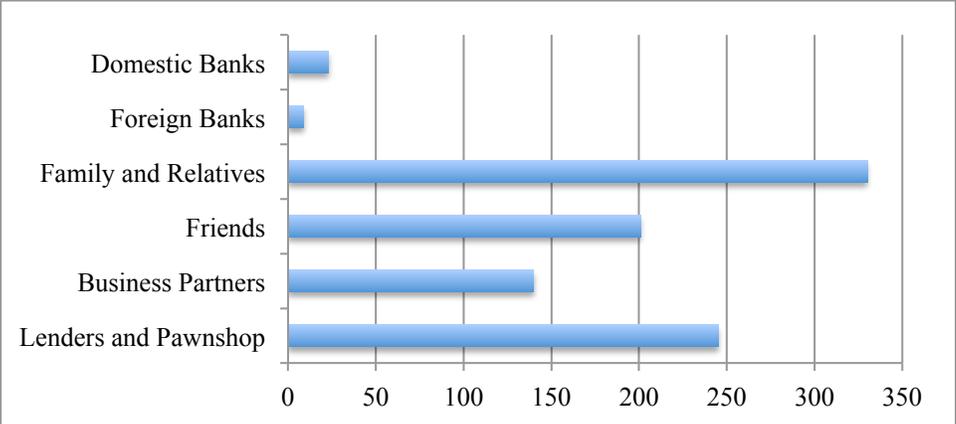
Source: Developer Survey (2014)

The subsequent question asked is: what are the three most likely sources of money if an unexpected investment opportunity comes up? The respondents were asked to rank three out of six options. The scores for each source were computed depending upon the first, second and third choices (Figure 7.8). When savings and pre-sale source are taken out of the view, the choices among the respondents portray different scenarios of borrowing money. Family and relatives come forward as the most important source of funds the respondents could resort to for a loan.

Interestingly, informal lenders and pawnshops seem to be very reliable sources as they receive the second highest score. Friends and business are the third and fourth important sources of funds while the domestic and foreign banks are the least likely sources. The difference in scores of informal lenders and formal banking institutions

highlights the ease and accessibility of borrowing from the former compared to dealing with the latter. The overall results also indicate that family, relatives and friends are important sources of emergency loans for development business.

Figure 7.8: Scores for Potential Sources of Funds



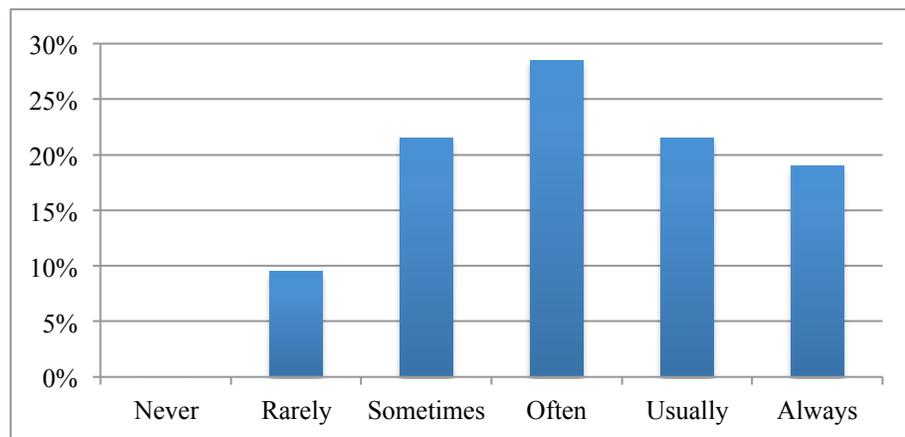
Source: Developer Survey (2014)

Permits and Approvals

To understand the developers’ experience with the process of applying for permits and approvals, the respondents were asked to specify the degree to which they either agree or disagree on issues related to documentation, application, brokers and department officials. On a scale of 1 to 7, the most frequent level of agreement that the developers have a good understanding of the documentation process needed for a permit is 3. None of the respondent gave a rating higher than 4, which indicates the overall poor understanding of the documentation process. Regarding the use of brokers, the most frequent rating is 2. None of the respondents was neutral or agreed to the statement that they could apply for a permit without brokers. Additionally, all respondents strongly disagreed, disagreed or somewhat disagreed to the statements

implying that the application process is transparent and that they can easily approach department officials. As a result, the most frequent rating for both statements is abysmal 1. Overall, all four statements received very low ratings and confirmed the high level of opaqueness and difficulty for the developers to go through the application process.

Figure 7.9: Frequency of Interaction with Brokers



Source: Developer Survey (2014)

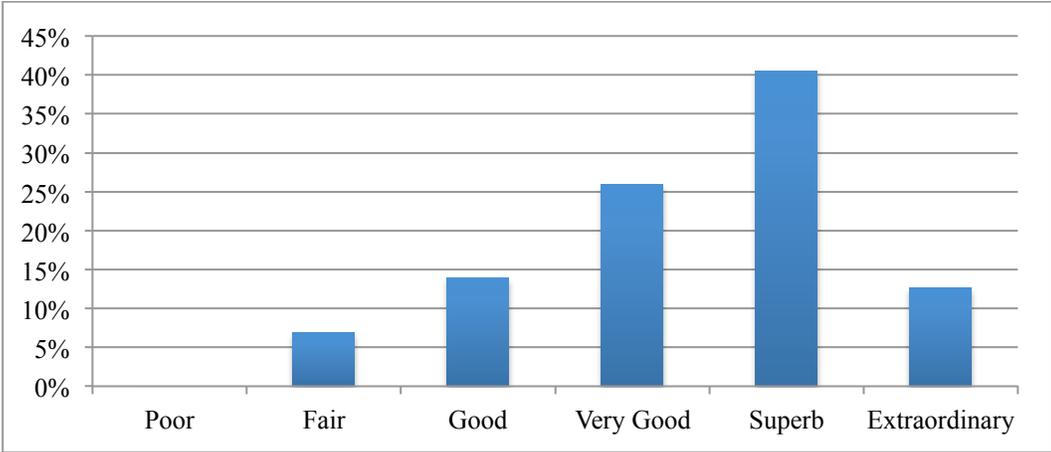
Since brokers primarily facilitate the permit application process, it is necessary to further assess the nature of their interaction with developers. The respondents were asked to describe the frequency of working with brokers when they apply for a permit (Figure 7.9). The most common answer among the respondents (28%) is *often*. The second, third and fourth largest groups chose “sometimes”, “usually” and “always”. These results show the embedded role of brokers within the permit application process as they play an instrumental role in securing permits for developers. Even though many developers choose to work with brokers, the application process still takes a considerable amount of time. All the respondents mentioned that they have to wait for 4 to 10 months in order to get a permit, and the

most common waiting period ranges from 6 to 8 months. Additionally, an overwhelming 91% mention that an informal gift or a payment given to officials is expected or rather requested during this application period.

Implementation

In the implementation phase, developers need to acquire materials, hire workers, construct buildings, and accommodate site inspections. Firstly, in the survey, the respondents were asked to rate their knowledge of construction materials on a scale of 1 to 6 (Figure 7.10). The most frequent level of knowledge reported is “Superb.” More than 75% of the respondents claimed to have a very good, superb or extraordinary understanding of the materials used in a project. This confirms that a good level of knowledge about material sale and purchase is very important for the developer community.

Figure 7.10: Knowledge of Construction Materials Market

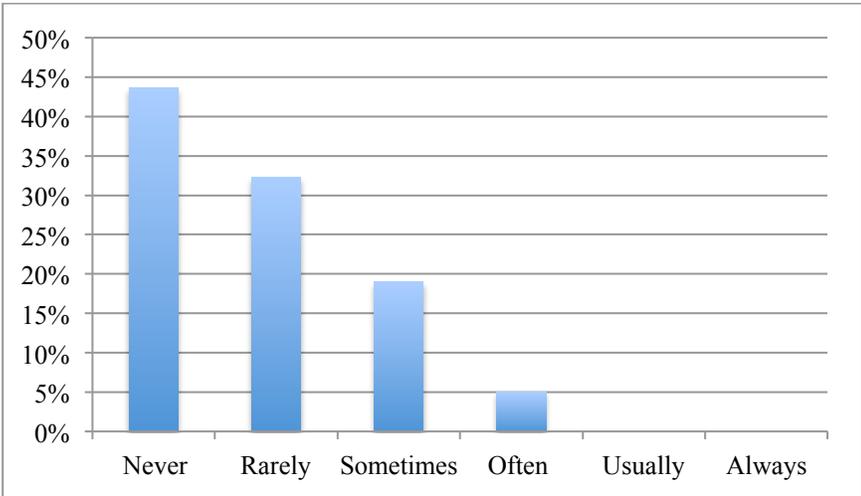


Source: Developer Survey (2014)

The next set of questions focused on the process of dealing with construction, as well as site inspections. It is necessary to clarify that responses to these questions

might be biased as they could implicate the respondents in legal matters. However, the answers offer a fascinating glimpse into the legal aspects of the construction process, which has never been securitized before. The survey asked the respondents to report the frequency of making unauthorized changes to drawings after a permit has been secured (Figure 7.11). More than 75% of the responses claimed to have never or rarely made such changes. Only 5% have reported to change drawings often. On the other hand, all respondents reported that inspection officials visit their project sites. When asked whether a gift or an informal payment was expected or even requested, 86% of respondents chose “yes”. These results indicate that developers tend to adhere closely to the construction guidelines but still feel the urge or need to go through the highly corrupted nature of the inspection process.

Figure 7.11: Frequency of Making Unauthorized Changes to Drawings



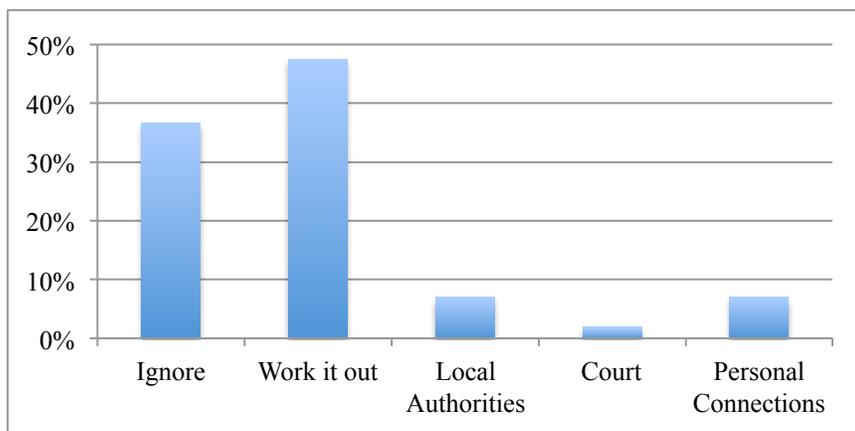
Source: Developer Survey (2014)

Dispute Resolution

Since disputes are common in various areas of business, an efficient market should be coupled with effective ways to resolve such disagreements and protect the

interest of market agents. The development industry is not free from similar conflicts that could potentially arise from interacting with landowners, material suppliers, customers and others. During the survey, the respondents were required to identify the way they generally handle disputes with other actors (Figure 7.12). Interestingly, the two most common methods are working things out between two parties and simply ignoring the matter. Filing a lawsuit at court is the least common way of tackling issues, which further highlights the shortcoming of legal institutions. Only about 7% of the respondents also utilize personal connections to solve, as well as approach the local authorities for help. The process of dispute resolution could be characterized by the sheer lack of regulatory support from legal institutions.

Figure 7.12: Handling Disputes Strategies



Source: Developer Survey (2014)

To further assess the role of courts and administrative authorities, the survey asked whether the respondents had been to court as a plaintiff or defendant in the past 3 years. About 92% reported that they had not been to court while the remaining 8% have interacted with courts in the capacity of either plaintiffs or defendants. This very sharp difference between two percentages shows that courts are not treated as an

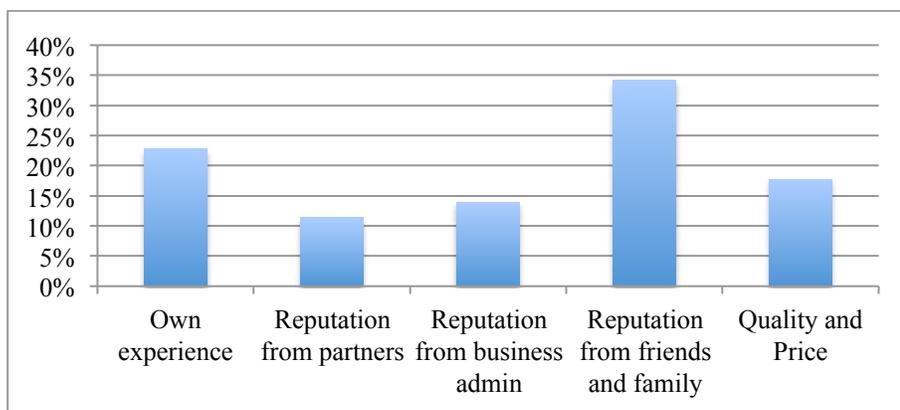
important institution of the business environment for developers. The subsequent questions aimed to draw out the perceptions of the court system. On a scale of 1 to 7, the respondents were asked to specify the degree to which they agree to positive statements about the courts being fair, quick and able to enforce their decisions. As expected, the most common answer across all three statements was “strongly disagree” – 55% on fairness, 65% on speedy processing and 60% on enforceability. While the majority of respondents have chosen either ‘disagree’ or ‘strongly disagree’, none of them expressed any level of agreement to all statements. Furthermore, the survey asked them about the frequency of offering gifts or giving extra money to officials in order to get things done with regard to customs, taxes, licenses, regulations, services etc. On a scale of 1 to 6, the most common answer was 6, which means developers always have to make additional payments to expedite the process.

Informal Norms

When formal institutions fail to work to the benefit of the majority, informal rules emerge and facilitate the operations of the market instead. Given the constrained institutional environment, the development industry is expected to have a multitude of unwritten norms about engagement and expectation. First, the survey attempted to look into informal rules about dealing with material suppliers. One question asked was whether they would find out if one of the suppliers deceived another developer. About 63% of the respondents indicated they would not find out about such malpractice while the remaining 37% were positive. Since the majority believed they would not be able to detect any malfeasance, they would be very careful to pick someone whom

they could trust and engage in business with. The survey asked the respondents what they based their decision on when choosing a supplier of input materials. Out of five options, the most popular answer was relying on good reputation according to the information from family and friends (Figure 7.13). The second most popular answer showed that respondents mostly trust their long experience when deciding on a specific supplier. Therefore, words from family and friends and own instincts are very important factors which usually help developers in their decision making process regarding suppliers.

Figure 7.13: Choosing Suppliers



Source: Developer Survey (2014)

The next set of questions focused specifically on the norms of helping. The respondents were presented with three positive statements and asked to rate the level of agreement on a scale of 1 to 7. The largest portion of the respondents (37%) somewhat agreed to the statement that most of their business acquaintances provide business advice to others. In fact, more than 75% picked ‘somewhat agree’, ‘agree’ and ‘strongly agree’ to the voluntary provision of advice among acquaintances. However, helpfulness is not evident when it comes to lending money. The majority of the respondents (35%) somewhat disagreed that most of their business acquaintances

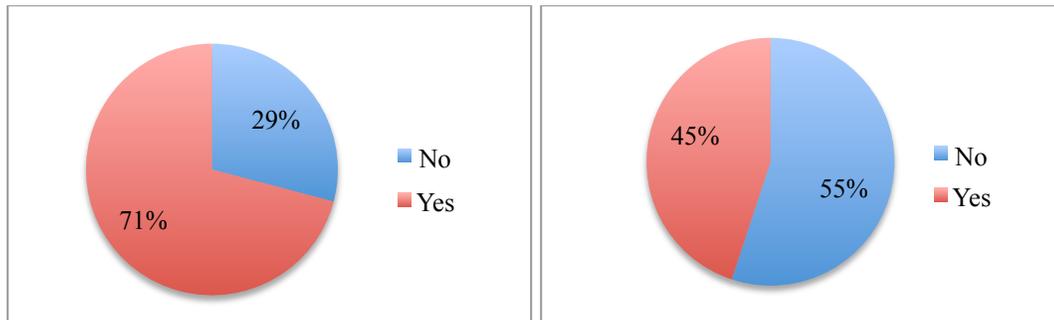
would lend money to others at low interest rate. A total of 68% chose ‘somewhat disagree’ and ‘strongly disagree’ to the possibility of borrowing money from their friends. Regarding the possibility of passing on unfulfilled customer requests, the most common response (29%) can be considered a sort of agreement. Although the responses were spread out across all options, the total percentage of the respondents who expressed agreement (39%) outweighed those who expressed disagreement (36%). The overall results indicate that developers in general are expected to be helpful in providing business advice and sharing customer requests but not so much in lending money.

Social Capital

In order to assess whether social capital plays a role in facilitating business relationships and streamlining market information, the survey focused on a few behavioral questions about networking. Particularly, the respondents were asked whether they had attended events such as conference, networking and exhibition organized by leading local organizations. A staggering 71% gave a positive response (Figure 27). As a follow-up question, the respondents were asked to report the total number of hours they spend in a typical month at those events. Although some people did not spend any time at business and social events, some people reported to have spent up to 15 hours in a month. On average, they reported to spend about 4.45 hours every month, which shows the certain level of activeness within professional groups and business associations. Additionally, the respondents were asked whether they socialize with customers in order to sell units more quickly. About 45% of the

respondents answered ‘Yes’ (Figure 7.14). All these results indicate that developers are actively expanding their social networks through customers and business events.

Figure 7.14: Attendance at Business Events and Socializing with Customers

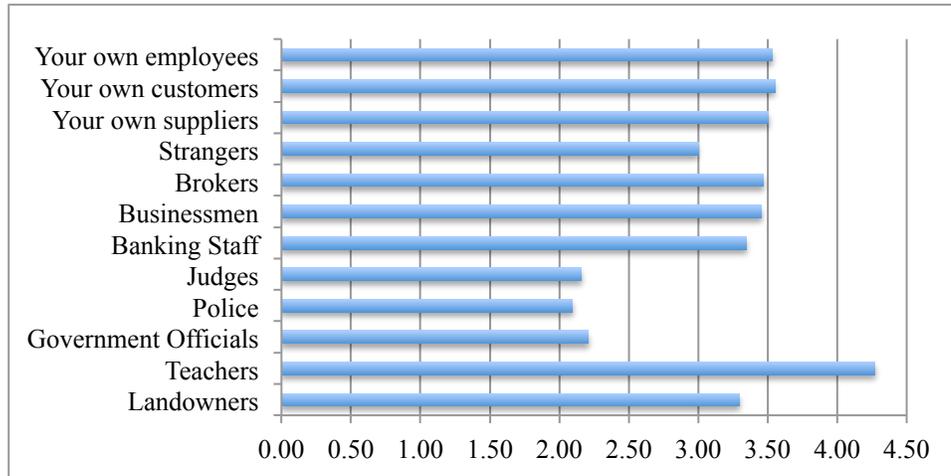


Source: Developer Survey (2014)

In order to understand issues related to social status, the survey asked the respondents to step into the shoes of ordinary people and rank private developers on a scale of 1 to 10. The rank most commonly mentioned was 6. More than 80% of the respondents chose ranks 4, 5, 6, and 7. These numbers indicate that developers perceive their profession as the middle status within the social hierarchy. Next, the respondents were required to rate the trustworthiness of different types of people on a scale of 1 to 5 (Figure 7.15). The average highest rating of 4.27 was given to teachers, who are considered to have a respectable and relatively high social status. The second cluster of people who got the second highest ratings was their own customers, employees and suppliers. This indicates that high level of trust among those the developers already have working relationships with. Brokers, businessmen, banking staff, landowners and strangers are the next trustworthy people. On the other hand, judges, police and government officials are given the lowest rating and thus considered to be very untrustworthy. One interesting thing to note is that the

respondents trust strangers (3) way more than the legal and governmental professions (just over 2).

Figure 7.15: Trustworthiness Scale



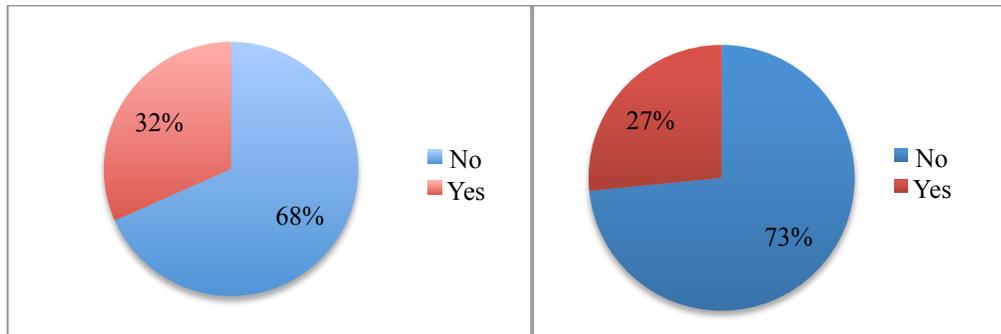
Source: Developer Survey (2014)

Political Capital

Theoretically, political capital should allow one to mobilize their political resources, secure contracts and get things done quickly in a changing business environment. In order to gauge political capital, the survey asked the respondents whether they had worked in the Government, the number of government officials they could approach for help and whether they were members of any political party. About 68% of the respondents claimed not to have any position in the Government while the remaining 32% had a prior working relationship within the government sector (Figure 7.16). It is safe to assume that more than half of the developers in the industry are expected not to have worked as government employees before they switched to development. Also, when asked about the total number of government officials they could resort to for help, the most frequent number reported was two people. Some developers did not have any acquaintances in the government sector while some

claimed to have personal relationships with up to ten officials. Furthermore, the majority of respondents (73%) do not belong to a political party. Given the relatively new transitional period to democracy, this high percentage is not surprising.

Figure 7.16: Prior work with government and membership with a political party



Source: Developer Survey (2014)

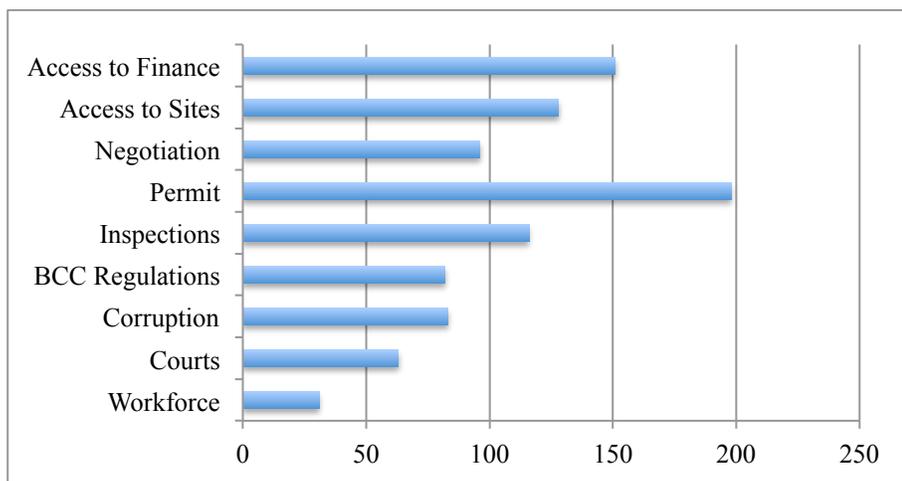
Biggest Obstacle

The lack of developed institutions is manifested in the formation of the constrained business environment. As explained in the previous chapter, developers encounter several challenges in all different stages of their work. These challenges could be generally classified in nine elements – 1) access to finance 2) access to potential sites 3) negotiation with landowner 4) construction permit application 5) inspections 6) BCC regulations 7) corruption 8) courts and 9) inadequately educated workforce. One important question to ask is what the biggest challenge for them is. The respondents were required to rank the top three biggest obstacles. And scores were computed for each item being selected first, second and third.

Construction permit could be identified as the biggest obstacle for developers (Table 7.17). This result confirms the same finding collected from the key informants that application process is the most challenging aspect of their work. Access to finance

is rated as the second biggest obstacle. Credit shortage is a fundamental characteristic of the Burmese economy, and a similar issue could be observed in the development industry, as well. The third biggest obstacle is access to potential sites. Since land price is hiking up exponentially, finding a good site seems to be the major challenge developers face right off the bat. Understandably, finding a project site is regarded as one of the top three challenges. On the other end of the spectrum, both courts and workforce receive the lowest scores. Since developers tend to solve issues through non-legal approaches, the court system is not important enough to impose a barrier for their day-to-day activities. Similarly, finding workers could be considered as the least important issue among the given list of challenges.

Figure 7.17: Scores for Biggest Obstacles



Source: Developer Survey (2014)

7.2.2 MODELING PRODUCTIVITY OF DEVELOPERS

Productivity could be defined in many different ways depending on the context of research. For the construction industry, productivity refers to labor productivity measured in the work produced per man-hour (Al-Zwainy et al, 2013; Ailabouni and

Gidado, 2012; Shehata and El-Gohary, 2011). In economics, the total factor productivity (TFP) is the most common proxy for gauging the efficiency of firms (Bartelsman and Dhrymes, 1998; Levinsohn and Petrin, 1999; Bah and Fang, 2015; Goedhuys et al, 2008). To assess the productivity of development enterprises in this study, it does not make sense to take man-hour calculations into consideration since productivity is not just driven by labor. At the same time, it was not possible to get extensive data on value-added, capital stock and capacity utilization rate in order to calculate TFP. Therefore, the total number of units the developers have produced is used as a simple proxy to measure productivity of their work. This study has intentionally chosen not to modify this dependent variable in the per-employee form since only a small team of people leads most development businesses. Productivity rates would be very sensitive to any subdivision and differ so much from the baseline numbers.

In order to explore the relationship between productivity of developers and the explanatory variables, the multiple linear regression approach has been used. The model for this study takes the following general form:

$$Unit = \alpha + \sum_i \beta_i X_i + \varepsilon$$

where ‘unit’ is the total number of developed units, α is a constant term, β_i is the regression coefficient of the i^{th} capital variables, X_i , and ε is the residual error term. Also, the ordinary least square method is used in estimating the productivity function.

Data and Variables

The cross-sectional, individual-level data was obtained from the survey questionnaire of 158 developers. The dataset contains basic socio-economic characteristics and other variables relating to legal capital, political capital, social and strategic capital. These factors are formally defined and explained in Table 7.4, while the basic descriptive statistics for each variable are provided in Table 7.5.

Table 7.4: Definitions of the variables used in the analysis

Variable	Definition
UNIT	Total number of units the developer has implemented
YRBIZ	Total number of years the developer has been in business
PRIOR	A binary variable indicating whether the developer has prior relevant work experience (=1 if yes, 0 otherwise)
AGE	Age of the developer
YRSCHOL	Total years of schooling the developer has had
BROKER	Frequency of working with brokers in the permit application process (0-6)
DVPLIC	A binary variable indicating whether the developer holds a license (=1 if yes, 0 otherwise)
PPLGOV	Total number of people from the government sector the developer could approach to enlist help
POLPART	A binary variable indicating whether the developer is part of a political party (=1 if yes, 0 otherwise)
POSGOV	A binary variable indicating whether the developer has held any position in the Government (=1 if yes, 0 otherwise)
HREVENT	Total number of hours the developer spends at events organized by professional groups or business associations (=1 if yes, 0 otherwise)
SOCIAL	A binary variable indicating whether the developer socializes with customers (=1 if yes, 0 otherwise)
HRLEARN	Total number of hours the developer spends on learning about market (=1 if yes, 0 otherwise)
MATMRKT	Understanding of the construction materials market (0-6)
SALEMM	Frequency of setting up sale and marketing teams to sell units (0-6)
SAMETWP	A binary variable indicating whether the developer has more than 50% of projects in the same township as he/she works and lives (=1 if yes, 0 otherwise)

Table 7.5: Descriptive Statistics of the Study Variables

Variable	Mean	Std. Deviation
UNIT	81.87	35.356
YRBIZ	4.13	1.446

PRIOR	0.39	0.488
AGE	47.22	7.862
YRSCHOL	13.51	1.830
BROKER	4.19	1.242
DVPLIC	0.53	0.501
PPLGOV	3.27	2.691
POLPART	0.27	0.443
POSGOV	0.32	0.467
HREVENT	4.46	3.803
SOCIAL	0.45	0.499
HRLEARN	12.73	4.693
MATMRKT	4.38	1.092
SALEMM	3.03	1.262
SAMETWP	0.58	0.496

The first group of variables represents human capital. They include AGE, YRSCHOL, YRBIZ, and PRIOR. According to Aw (2002), Aw et al (2001) and Bigsten and Gebreeyesus (2007), small and medium-sized firms are as productive as larger firms and contribute significantly to the productivity growth of the industries they belong to. The age of a developer and the years of schooling that they had are expected to have a positive relationship with the productivity of development firms. Similarly, prior experience at a construction site and the number of years the business has been running should contribute to human capital of an enterprise and enhance its productivity.

The second group of variables, which assesses the developer's capital to deal with legal constraints, is BROKER and DVPLIC. Previous studies indicate that corruption, which imposes huge burden on output, is detrimental to economic growth (Bardhan, 1997; Blackburn et al., 2006; Shleifer and Vishny, 1993). As seen in the institutional analysis of housing supply, brokers play an instrumental role in guiding

developers with regulations and securing construction permits. The frequency of working with them is expected to increase unit productivity. Having a developer license is also expected to increase the efficiency of developers, as they would no longer need to pay fees or borrow licenses from experienced ones.

Variables that measure the strength of political capital include POLGOV, PLPART and POSGOV. Several studies indicate that political capital is an important source of productivity as managers are able to secure credits and permits through political connections (Peng and Luo 2000; Faccio, Masulis, and McConnell 2006; Park and Sehart 2001). The total number of government officials that developers could approach for help, as well as being part of a political party should streamline workflow and improve productivity. On the other hand, Nee and Opper (2012) and Fan, Wong and Zhang (2007) stated that managers, who are former or current government bureaucrats, have low efficiency because of their lack of management skills and professionalism. Therefore, productivity is expected to be low for someone with a position in the Government or has held one in the past.

Social capital is assessed through two variables – HREVENT, the number of hours a developer spends at professional and business events and SOCIAL, whether a developer socializes with customers in order to sell units more quickly and efficiently. As seen in Powell (1998), Powell et al. (1999), Ahuja (2000) and Greve et al. (2010), social capital has a positive impact on the performance of firms. The more hours a developer spends attending events, the bigger the social network they are expected to have and thus the more productive they are bound to become. Socializing with customers is also assumed to improve their network and help build their customer

base. Therefore, SOCIAL is expected to have a positive relationship with productivity.

The last group of variables gauges the strategic capital of developers. These variables are HRLEARN, the total number of hours a developer spends learning about the market, MATMRKT, the extent of knowledge about the construction materials market, SALEMM, the frequency of setting up sale and marketing teams to sell units and SAMETWP, whether a developer has more than 50% of projects in the same township where she or she lives and works. All these variables are expected to have positive coefficients, as they should enhance the strategic capital of developers and increase their productivity.

Empirical Results

Three models were estimated to understand the effects of different categories of explanatory variables on the productivity of developers. The OLS estimates were described in Table 7.6. All models were scrutinized to make sure the data does not exhibit any significant sign of multicollinearity. In all models, the tolerance level of each variable is larger than 0.70, indicating very low correlations among variables. Similarly, the Variance Inflation Factors (VIF) of all variables are just around 1, confirming the absence of multicollinearity in each model. A lack of autocorrelation among residual terms was verified by the Durbin-Watson statistics, which fall between 1 and 3 in each model. Histograms and the normal probability plot (P-P) were further checked to test the normality of residuals. The histograms indicate normal distribution and the straight lines of all points in the P-P plots suggest no deviation from normality. The residuals scatterplots were also used to make sure the data follows the assumption

of linearity and homoscedasticity. There is no heterosecdasticity in the data since the graphs show a random array of dots evenly dispersed around zero in a rectangular form. Additionally, the data in all three models meets the outlier threshold where the standardized residual values exceed 3.

Table 7.6: OLS Estimates of Productivity Model

Variables	Model (1)		Model (2)		Model (3)	
	Coeff	Beta	Coeff	Beta	Coeff	Beta
<i>Human Capital</i>						
YRBIZ	14.567	0.596***	3.634	0.149**	3.957	0.162**
PRIOR	15.189	0.210***	6.226	0.086*	7.141	0.099**
AGE	0.816	0.181**	0.212	0.047		
YRSCHOL	1.570	0.081	0.448	0.023		
<i>Legal Capital</i>						
BROKER			2.727	0.096*	2.984	0.105**
DVPLIC			3.675	0.052		
<i>Political Capital</i>						
PPLGOV			2.385	0.182**	2.715	0.207***
POLPART			-1.587	-0.020		
POSGOV			-1.453	-0.019		
<i>Social Capital</i>						
HREVENT			1.518	0.163**	1.576	0.169***
SOCIAL			9.382	0.132**	9.297	0.131**
<i>Strategic Capital</i>						
HRLEARN			1.192	0.158**	1.279	0.170***
SALEMM			3.319	0.118**	3.426	0.122**
SAMETWP			8.160	0.114*	7.810	0.110**
MATMRKT			1.199	0.037		
R ²	0.646		0.860		0.856	
Adjusted R ²	0.637		0.846		0.847	
F	69.868		58.366		97.544	
N	158		158		158	

Significant at 5%(*), 1%(**), 0.1% (***)

Model (1) is a simple productivity equation based upon basic human capital characteristics without legal, social, political and strategic variables. The model explains 63.7% of the variance in the productivity, while the F-value is significant at the one-percent level. Of the 4 estimated coefficients, 2 are statistically significant at less than one-percent level and 1 at the one-percent level. It is interesting to note that

the total years of schooling does not make a significant contribution to the prediction of productivity, even at the base level.

Model (2) represents a fully extended model including all capital variables. With all explanatory variables, the adjusted R^2 value has drastically increased from 0.637 to 0.846. Inclusion of legal, capital, social and strategic capital variables accounts for an additional 20.9% of the variance in productivity. Of the 15 coefficients estimated, 9 are statistically significant – 6 at the one-percent level and 3 at the five-percent level. It is noteworthy that, as expected, the only negative coefficient belongs to POLPART and POSGOV since people with personal connections to the government sector and political parties are assumed to have poor management skills, which negatively influences their productivity.

Model (3) is a reduced model with those variables whose coefficients are statistically significant. The coefficient of determinant (0.847) indicates that the combination of all explanatory variables explains 84.7% of the variance in the productivity of developers. The significance of F-value at the one-percent level indicates the overall strength of the reduced model. Of the 9 coefficients estimated, 6 are statistically significant at less than one-percent level and 3 at the one-percent level.

All variables in model (1)–(3) have the expected sign and most are statistically significant. Through successive progression from the simple to the reduced model, the adjusted R^2 value keeps increasing while the t-value remains significant. Therefore, it is with a high degree of confidence that the precise contribution of each explanatory variable to the productivity of developers could be deduced in the following equation:

Unit Productivity = -0.970 + 3.957 (years in business) + 7.141 (prior experience) + 2.984 (broker) + 2.715 (people in government) + 1.576 (event hours) + 9.297 (customer relations) + 1.279 (learning hours) + 3.426 (sale and marketing) + 7.810 (same township)

In regard to the response of unit productivity to basic human capital characteristics, an additional year of being in business leads to a higher level of productivity by 3.957 units. When other factors are held constant, having prior experience of working on a construction site helps developers to produce 7.141 more units compared to those without any relevant experience. When it comes to legal capital, an increase in the frequency level of working with brokers is associated with the development of 2.984 more units. Having relationship with additional officer from the government sector results in the development of 2.715 more units. With respect to the social capital of developers, an additional hour spent at business and networking events increases their productivity by 1.576 units. By holding other factors constant, the productivity of those developers who socialize with customers increases by 9.297 units. Additionally, the strategic capital variables have a great impact on productivity. An additional hour spent learning about market results in higher productivity by 1.279 units. An increase in the frequency level of setting up sales and marketing teams commands higher productivity by 3.426 units. And those who have more than 50% of projects in the same township as they live and work are able to develop 7.810 more units.

In order to draw a conclusion about relative contribution of explanatory variables, the Beta values have been checked. When the variance explained by all other variables is controlled, the top two characteristics, which make the strongest

contribution to the prediction of productivity, are the total number of governmental officials that developers know (0.207) and the total number of hours spent at business and networking events (0.170). On the other hand, prior working experience (0.099) and the frequency of interacting with brokers (0.105) have the lowest values and are the least influential variables in the model.

Practical Implications

Productivity of developers was positively affected by the following factors – the total number of years in business, the prior experience, frequency of working with brokers, and the number of government officials that can be accessed, the total number of hours spent at events, and whether one socializes with customers. Productivity is also positively influenced by the total number of hours spent learning about market, the frequency of setting sale and marketing teams and whether one has more than 50% of projects in the same township as he/she lives and works. Of the 9 explanatory variables, the number of government officials who can offer help and the total number of hours spent at events make the strongest unique contributions to explaining productivity while the frequency of working with brokers and prior working experience make the least unique contribution.

SUMMARY

The quantitative analysis of transactions and development reveals interesting details about the characteristics of housing market and developers. The hedonic model analysis shows that properties appreciate in a rational pattern according to the

availability of housing services. Particularly, the floor level, the total number of bedrooms and square footage of living space are dominant housing attributes that increase property value. On the other hand, a survey of the developer community portrays a fairly educated middle-aged group that has finished high school and college. Most of them are solo-developers or supported by a small team who have been in the development business only for a few years. Friends and brokers are key channels to acquire information on potential project sites. The negotiation process is more challenging in private investment than in joint-investment projects. In order to assemble capital, developers primarily rely on their own savings and pre-sale methods. As for permits and approvals, they claimed to have poor understanding of documentation requirements and mainly work with brokers to secure a construction permit. Coupled with sound knowledge of materials market, they implement construction and deal with site inspections by making additional payments and offering gifts to officials. The overall productivity of developers could be positively explained by the number of years in business, prior experience, interaction with brokers, the extent of social and political networks, learning behavior, and sale and marketing efforts.

Chapter 8: Market Institutions

This chapter aims to integrate what we have learned so far and propose general models for transaction, development and market processes. In particular, it reorganizes key findings from the previous chapters and presents them in a way that could lead to theoretical generalizations about market institutions in Yangon. The content is organized into four parts. First, event-sequence models for housing transaction and development processes are proposed, and institutional context is repackaged as a cluster of forces that shape the economic activities of market agents. Second, findings related to housing market institutions are presented in order to draw general conclusions from the analysis of institutional mechanisms. Third, practical information about market efficiency and implications for enhancing the role of the state in housing sector are discussed. Fourth, a general framework that accounts for the internal and external institutional mechanisms is constructed for the pre-sale unit market.

8.1 Market Institutions

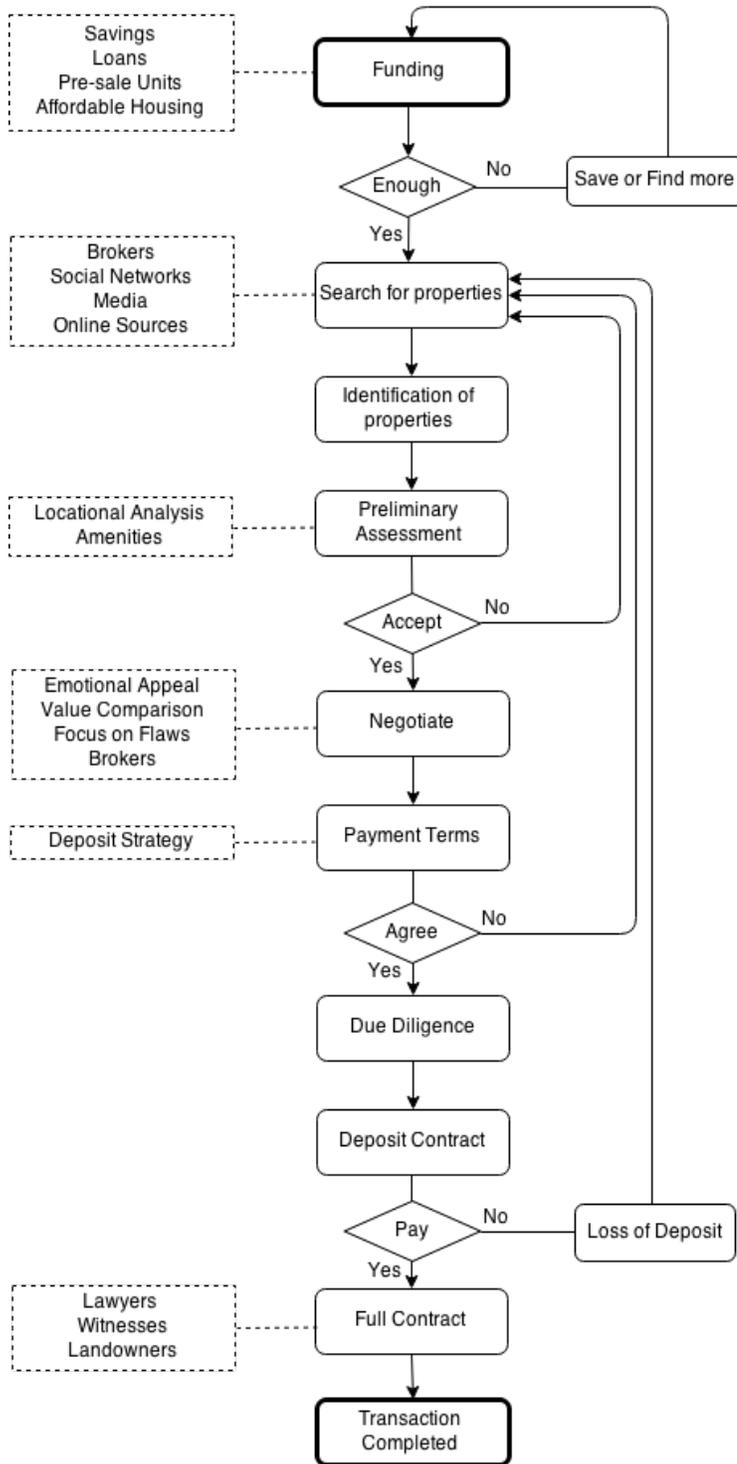
The overall institutional analysis both from qualitative and quantitative approaches allowed me to garner details about the agency relationships in the market structure but also to generalize about behaviors of agents and their relationships to political, legal and social structures. In the literature, attempts to explain the institutional dynamics of the housing market are differentiated at the theoretical level. Political scientists rely on institutional lenses to understand how political and legal constructs bring about market behaviors. Sociologists emphasize social network

theories in explaining the influence of social and cultural ties upon the activities of market agents. Quantitative research in economics is purely driven by neo-classical theories, which assume full rationality and access to complete information. As a disciplinary researcher grounded in planning, I explained how these different theoretical streams converge and shed light on the rise of Yangon's housing market. When doing so, I attempted to overcome the common oversight found in many studies, which tend to focus exclusively on producers and their competitive relationships. I maintained a balanced view of the market by investigating both housing transactions and the development process on the demand and supply sides of market. This approach enabled me to look into important issues such as the social relationships of agents, informal institutions and market efficiency.

I unpacked the black boxes of housing transaction and development by investigating every event of the processes through institutional lenses. Such detailed analysis reveals the complexity of actions and the variety of agency relationships taking place within the market structure. There are many bottlenecks and constraints along the way, which the agents have to overcome in order to bring their work to completion. Based upon the findings, I created event-sequence models for transaction and development processes in Yangon. Although some operations could have slightly different workflows, the models presented here represent the majority of the work processes. Specifically, these models explain the processes for transactions of class B properties and development of pre-sale small and medium-scale projects. These models could be seen as pipelines through which transactions and projects flow through at different paces. The speed actually depends on how strategically agents

could utilize institutions and forge informal arrangements to overcome frictions between each stage.

Figure 8.1: Transaction Model for Class-B Properties



8.1.1 Transaction Process

A logical model for the transaction process in Yangon would start with funding instead of a property search; assembling financing is the single most important factor for a family (Figure 8.1). With no access to credit, not enough money simply means the continual cycle of saving or finding more money. To get useful market information, they have to rely on multiple channels such as brokers, social networks, media and online sources. Once suitable properties are identified, they conduct preliminary assessments such as amenities requirements and locational analysis. If a unit is found to be satisfactory, they engage in negotiations with the seller. If the seller agrees to the offer and the proposed payment terms, they then conduct due diligence to establish legitimacy of the titles. Then, the buyer pays a deposit to the seller, which marks the formation of the deposit contract. Within an agreed timeframe, the buyer is supposed to settle the remaining amount and sign the full contract. The contracting process is formally legitimized with the involvement of lawyers, landowners and the seller's partner as witnesses. From searching units to signing the full contract, many things can go wrong along the process, returning the potential buyers to the searching stage. However, many buyers use a combination of different strategies and informal arrangements outlined in the dotted boxes to minimize risks and transaction costs for each stage.

Table 8.1: Institutions of Housing Transactions

INSTITUTIONS	Housing Transactions	
	Facilitate	Complicate
Family	X	
Buddhist Customary Laws	X	
Outdated Laws		X
Religious Capital	X	
Corruption		X
Bargaining Culture	X	
Land Grabbing		X
Lack of Housing Finance		X
Cash Economy		X
Lack of Government Support		X
Social Networks Family and Friends Brokers Lawyers	X	
Informal Arrangements Real Estate Brokers Information through Media Creative Negotiation Techniques Effective Financing Strategic Deposit Terms Robust Contracting Procedure	X	

Detailed analysis of housing transactions also reveals that several institutions complicate, as well as facilitate the process of purchasing property (Table 8.2). Key institutions that work against the operations of homebuyers could be identified as outdated laws, corruption, land grabbing, lack of housing finance, cash economy and lack of government support. The laws, which do not reflect the current environment, increase uncertainty and complicate the legality of market operations. Firstly, corruption creates frauds and reduces the overall efficiency of the market. Secondly, lack of government support for development and planning programs distorts housing prices and decreases the affordability level. Finally, reliance on the cash economy also makes it possible for black money to flow into the housing sector and for market speculation to become prevalent.

On the other hand, shortcomings of these institutions are compensated by a variety of factors such as family, the Buddhist customary laws, religious capital and a bargaining culture. A strong sense of family vs. non-family creates informal trust rules, which manifest themselves in the form of family members co-owning and co-signing sales contracts. The Buddhist customary laws facilitate engagement in transactions, as well as the process of claiming ownership of a property in various family situations. Superstition and cultural beliefs also play a vital role in housing transactions in the sense that they influence choices and enable agents to purchase properties in accordance with locally accepted principles. The culture of bargaining also helps buyers and sellers to come to an agreement and engage in an exchange effectively.

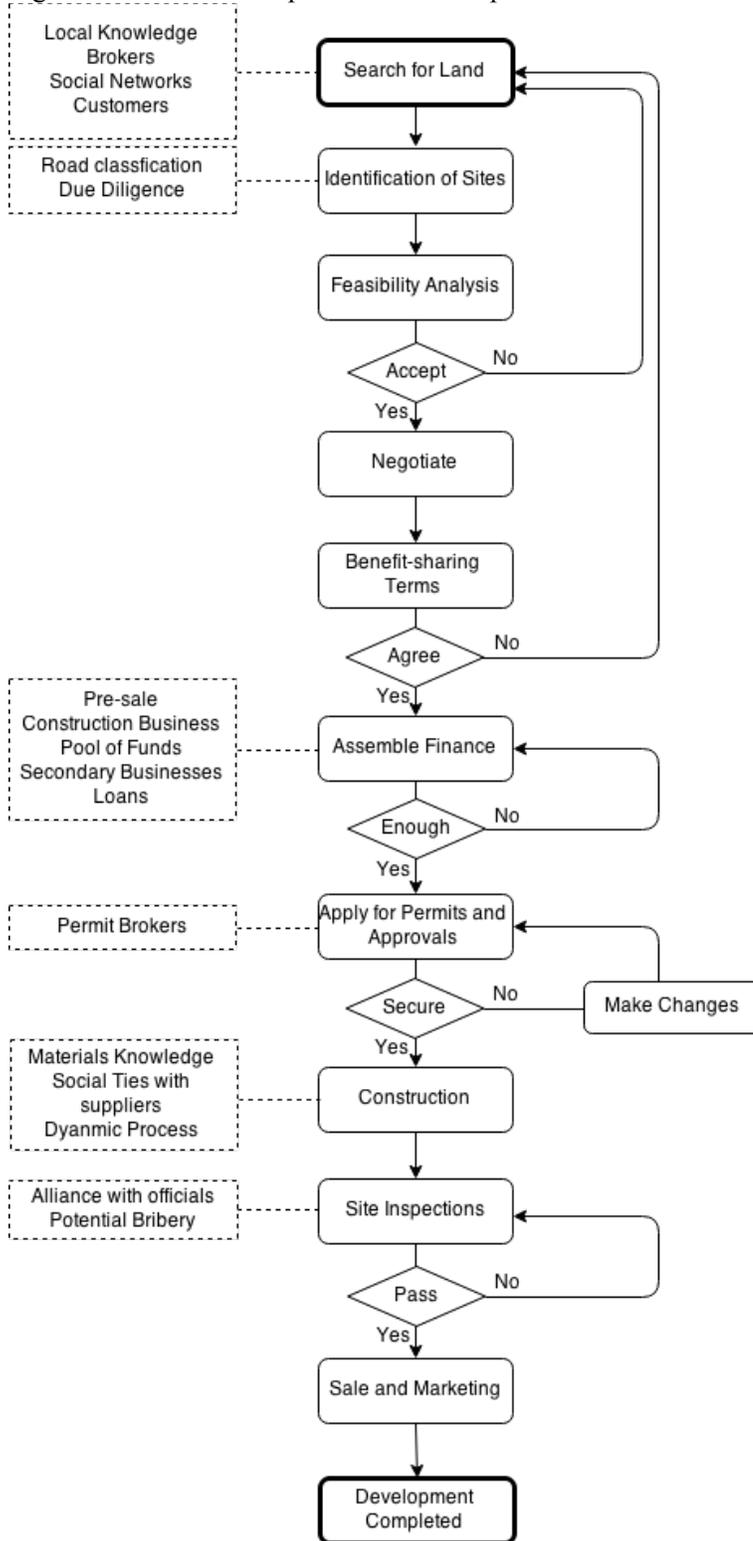
To a great extent, housing transactions take place because market agents utilize social networks and informal arrangements to acquire information and minimize transaction costs. In particular, agents use brokers to locate desirable properties and seek useful information through print media, personal networks and technological tools. A variety of negotiation techniques allows them to form a special relationship with sellers and carry out transactions successfully. Despite the prohibitive nature of housing prices, agents manage to find ways to deal with financial constraints, which include buying pre-sale units, setting strategic deposit terms and creating well thought-out payment plans. They are also capable of maximizing housing security by drafting a robust sales contract and legitimizing the contracting process with the involvement of a seller's partner and landowner as witnesses.

Hedonic analysis of housing values complements our institutional view of the

transaction process by providing fair value of properties and household demand for various characteristics. The price of a housing unit is positively determined by the square footage of living space, the number of bedrooms, air-conditioning, phone connection, parquet flooring, hardwood flooring, an attic, furnishings and corner rooms. A house located near a market, on a thoroughfare or on a main road demands a more significant premium than the one far away from those locational amenities. These quantitative findings are particularly helpful in informing relevant stakeholders, as they could use that information in rearranging the institutional set-up of the housing sector in terms of adopting effective tax regulations and setting appropriate appraisal rules.

8.1.2 Development Process

Figure 8.2: Joint-development model for pre-sale small and medium-scale projects



The joint-development process in Yangon more or less follows the typical development process found in most countries (Figure 8.2). The developers first have to access market information and find available land plots. They do so by building upon local knowledge about the market and connecting with brokers, previous customers, friends and family. They then have to choose the most suitable sites based upon where they are located, whether they have authentic titles and whether the project will be profitable. Then they have to enter into a negotiation process with the landowners. For joint-investment projects, negotiation means going over benefit-sharing terms with the owners. If anything goes awry from the beginning until this stage, the developers have to keep searching for a suitable site. Once the landowner is on board as a partner, they have to assemble finance by using several strategies such as selling pre-sale units, pooling funds, integrating construction work into the project, pursuing secondary businesses, and borrowing money. When they have enough capital, they have to start the lengthy process of securing permits and approvals through brokers. Once all documentation is obtained, they can start tackling construction by learning about the materials market and building social ties with suppliers. Part of this construction phase is dealing with site inspections. The developers build alliances with inspection officials and engage in potential bribery to get the necessary clearance. Lastly, sales and marketing teams are also set up to sell all units on time. Development projects proceed through this pipeline at a different rate depending upon how adeptly developers can utilize different sets of institutional mechanisms.

Table 8.2: Institutions of Housing Development

INSTITUTIONS	Housing Development	
	Facilitate	Complicate
Centralized Government		X
Incomplete Laws		X
Corruption		X
Property Rights		X
Underdeveloped Financial Market		X
Social Norms Land Market Demand Developers	X	
Social Networks Government Officials Brokers Family and Friends	X	
Informal Arrangements Focus on Selected Townships Creative Business Models Knowledge Building Effective Negotiation Techniques Permit Brokers Innovative Financing Strategic Construction Management Alliance with Inspection Officials Sales and Marketing Team Learning culture	X	

The institutional analysis of housing development reveals that several macro-level institutions tend to restrict the economic activities of developers (Table 8.2). The highly centralized governance structure impacts the development of basic infrastructure and distorts the land market. In addition, lack of transparent information creates an uncertain work environment and increases transaction costs. Weak enforcement of property rights decreases tenure security, as well as impedes the process of searching for available land. The underdeveloped financial market curbs the availability of credit to finance the work of developers. Corruption is another major institution that severely complicates the process of applying for permits and dealing

with site inspections.

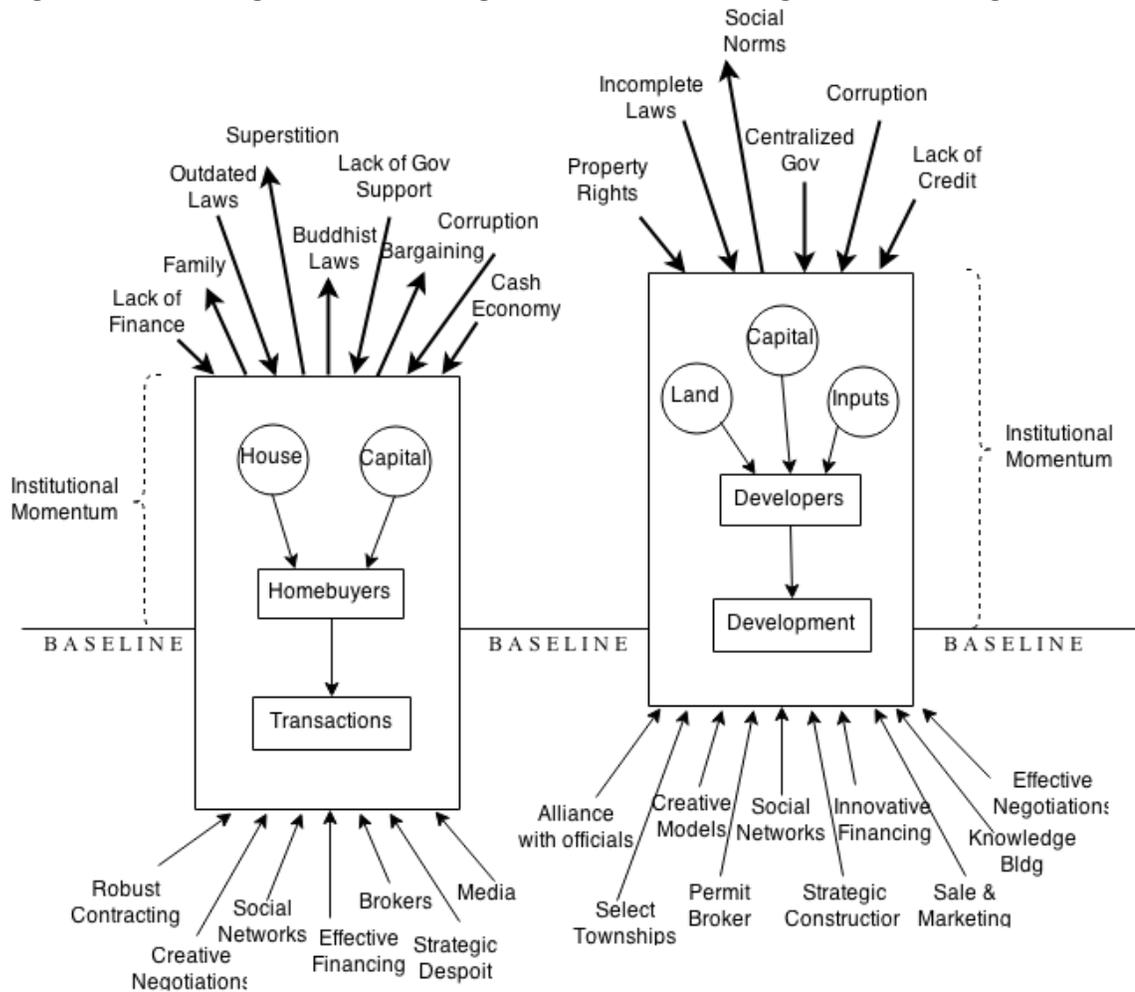
Various social norms help coordinate expectations and reduce transaction costs. Strong perception of land and housing as ways to store wealth creates a competitive environment in which developers strive to engage in successful implementation of development projects. A good understanding of market-demanded preferences also encourages them to both assess and fulfill the needs of consumers. Obligated to protect their positive image, developers have incentives to become as professional and effective as possible in financial dealings with landowners and homebuyers.

At the micro level, developers work around the institutional shortcomings in several innovative ways. They actively try to find out about potential deals through multiple channels such as brokers, personal networks, referrals and walk-in customers. They continually learn how to employ location and size criteria, as well as conduct a sophisticated feasibility analysis to gauge the suitability of the site. Along with the classic 100% owned private investment, they have also crafted the joint-investment arrangement with the landowners in order to share costs and minimize risks. Effective negotiation techniques are used to bring landowners and tenants to a deal agreement. Moreover, in order to overcome financing constraints, developers creatively manage to integrate construction functions into their development businesses, sell pre-sale units, pool funds from other investors and engage in a variety of secondary businesses. To secure a construction permit, they indirectly deal with vague and unclear regulations by utilizing the services of brokers and networking with government officials. Developers are also strategic with construction management, as they have a

thorough understanding of construction materials, know how to retain a group of skilled manual workers and try to build a positive relationship with inspection officials. Finally, setting up sale and marketing teams is also found to be an essential ingredient of successful development work.

The survey results shed light on important questions regarding who are the developers, where they come from and how they engage in development projects. Developers surveyed represent a group of predominantly male, middle-aged and fairly well-educated people. One third of the respondents are solo-developers and lead projects independently, while the majority of them employ a small team of full-time workers. A potential stream of additional revenue, existing unemployment and good career prospects in development are the top three reasons why they decided to join the industry in the first place. The most challenging aspects of their work are identified as permit application and access to finance. Additionally, various institutional characteristics explain the key difference between productive and unproductive developers. The overall efficiency of developers could be positively explained by the number of years in business, prior experience, interaction with brokers, the extent of social and political networks, learning behavior and sales and marketing efforts.

Figure 8.3: Enabling and Constraining Institutions of Housing Market in Yangon



The enabling and constraining aspects of different institutions for both transaction and development are summarized in Figure 8.3. At the most basic level, homebuyers need capital and properties to engage in transactions, while developers need land, capital and material inputs to take on development projects. The two activities in the rectangular boxes are constantly pushed and pulled by several institutional mechanisms. Complicating mechanisms create bottlenecks at different stages of work and are capable of pushing down the thrust of workflow below the baseline. Facilitating mechanisms work together to enhance transaction and

development processes, which in turn add more impetus to the activities. Here, I would like to define these dynamic forces upon the market as actor-driven institutional momentum, which can be measured from the baseline to the top edge line of boxes. For this study, the supply side clearly has more momentum than the demand side. The developers are more creative and entrepreneurial in accessing different sets of institutions and employing them in their extensive scope of work from finding land to developing it. In a developing country like Myanmar where many fundamental institutions are missing, what matters the most for market development is the internal workings of micro-level institutional arrangements and social relations, without which agents could not act by themselves.

8.2 Key Institutional Findings

Markets do not come into existence on their own. They are created by local actors and thus reflect the social and political landscape of a society at a particular time. In Yangon, capitalists and private investors are the key drivers of the housing market, since they have cash to buy, sell and invest in properties. According to political scientists, social chaos is the direct consequence of capitalist markets (Polanyi, 1957; Block & Evans, 2005). Social chaos has been witnessed in the form of escalating sale and rental prices, which push the working class out of their neighborhoods and lead to expropriation of valuable land in several communities. Such a situation would typically require heavy intervention of the government in mitigating the effects of gentrification, as well as formulating policies to protect the vulnerable. Due to the lack of incentives, motivation and technical knowledge, the

government is barely involved in the housing market. Without governmental support, market agents have forged their own local way of buying, selling and developing properties. Driven by informal relational contracts, different groups of market agents are able to bridge the missing link between the regulatory and governmental spheres and continue pursuing market activities.

Resource dependency is abundant in every area of the housing market. Homebuyers need to have access to money, market information and time so that they can search for desirable properties. Depending upon how determined they are to acquire a particular unit or how determined the seller is to sell it, a specific power structure occurs, and allows one side to dictate to the other. Being aware of this power relationship, all buyers attempt to enhance their resources and maximize the probability of success by saving money well in advance, working with brokers to scout for several properties and employing creative negotiation techniques. On the other hand, developers encounter a larger extent of dependency problems since they need to acquire many more resources such as money, land, time, labor, technology and raw materials. In order to survive in a competitive environment, they create ties with other actors and remain relevant. Since land development is such a costly business in Yangon, they try to minimize their dependency on land and capital by pursuing a joint-development model with landowners. They also attempt to internalize resources by working with intermediaries such as land brokers and permit brokers. Liaising with government officials and networking with competitors are other strategies they use to improve their power status and access to scarce resources during the development process.

There are fundamental differences in the nature of the relationship observed between buyers and developers. As the buyers have to interact with the sellers to purchase a unit, their relationship is primarily characterized by need-driven exchange. They build social ties with brokers and homeowners to search for affordable properties and transact those they want to acquire. On the other hand, the relationships of developers are more dynamic and competitive. Developers have entrepreneurial spirit by default, as their own survival and commercial success are at stake. They have extra incentive to work hard and constantly look for new ways to escape from competitive pressure. For instance, they provide differentiated housing products with varied size and qualities in order to build market niches. Some developers try to find land in areas far away from the downtown areas so that they do not face tough competition from large developers. Several small developers attempt to reduce competition by taking advantage of their extensive local knowledge and networks. Since it is impossible to undercut prices and compete with large firms, they pursue projects in areas they are already familiar with and where they have easy access to local government officials.

Market agents are found to be deeply embedded in institutional structure, and relational linkages between them mediate their economic transactions. The exchange of property among buyers, sellers and developers is not just dictated by the intersection of demand and supply forces in the form of price. All actors clearly have to find one another, build relationships and enter into an agreement. In a place like Myanmar where the rule of law is seriously compromised, transactions rarely take place between complete strangers. The market agents do not just rely on laws and regulations to engage in transactions; they actively seek out close relationships and

build personal knowledge of each other. Doing so helps minimize the likelihood of cheating and ensures the successful implementation of exchange. Additionally, it could be argued that institutional embeddedness has more important implications for developers than for homebuyers. The latter's economic actions have limited scope, which started with how much they could spend and then which properties fall into the affordability range. On the other hand, the developers have to interact with a wider range of actors such as landowners, brokers, inspection officials, sellers, material suppliers and lawyers. The nature of the relationship established with each agent could make or break the commercial success of a developer, as they all play important roles in all stages of development.

Trust born out of close ties plays an instrumental role in mitigating resource dependency and facilitating activities among market agents. In particular, it minimizes the likelihood of cheating and ensures that business deals and development projects will take place according to the agreements. In order to build trust, market agents partner up with those who have proven to be reliable and trustworthy. Back in the 1990s, many developers ran away with money, sold one unit to multiple buyers and left the project unfinished. The breach of trust has damaged the image of the development industry and taught a lesson to the next generation of developers. Developers nowadays are intentionally employing several approaches to build a trustworthy image among the customers. They care about the promises they have made to their prospective buyers, particularly as regarding the timeline within which they have agreed to deliver the completed unit. If they agree to deliver units in one year, they try to do whatever it takes to finish such units within the specified period.

They also make sure the building they construct is of high quality and standard so that the tenants would actually enjoy living there. Developers understand that one bad project could tarnish their image; building reputation is the only way to build up a customer base and expand their activities.

Informal rules play a key role in the growth of the housing market in Yangon. As the detailed analysis of housing transactions and development processes show, key mechanisms that facilitate the process of exchange, production and competition are informal norms and conventions instead of formal laws and regulations. The informality aspect is particularly evident for the stages in which the buyers negotiate with sellers, sign sale contracts and transfer ownership based upon mutual understanding. The friendship and trust the developers establish with other actors also helps them find available sites, secure coveted permits and deal with precarious site inspections. Because there are no step-by-step rules for exchange and development, market agents themselves craft locally acceptable ways of transacting and developing housing. In my opinion, these informal mechanisms emerge to compensate for the lack of robust market regulations that fail to work for the benefit of actors. They not only guide the repeated interactions of agents but also mediate problems that they otherwise would have a difficult time overcoming. In other words, market agents are accountable for building up those institutional structures. These structures in turn define actionable space for future exchanges and the agents discourage each other from deviating from socially acceptable behaviors.

Since the housing industry is in a constant state of flux, being responsive to changes in the market is one of the requirements for survival. If the agents are not

agile enough to innovate and adapt to the new environment, they probably have to exit the market at some point. Study of non-active agents in this project further highlights this vulnerability aspect. Buyer #2 had already signed a deposit contract on a very good deal, but in the midst of real estate frenzy, many other buyers approached the seller with a much better offer. The seller initially asked for an increase in sale price but eventually nullified the deposit contract. The buyer failed to move quickly on a great unit and lost it to someone one with better capital and market information. Similarly, Developer #1 is a solo-developer who used to operate on his own. It took him a long time to not only understand the application process but also secure permits and approvals. Even though he worked hard to develop a building with high standards, his units were not sold on time. He failed to employ several strategies that other developer used in drawing in new customers, building reputation in the local area and liaising with township officials. Starting from 2013, he could not find good sites and lost many of them to more aggressive developers. He eventually decided to move on to working in another industry.

Another interesting characteristic of Yangon's housing market is how the developers are constantly assessing their position in the market and watching out for new strategies that would help them perform better. They spend hours attending networking and business events to set up new social ties and gather information about the latest developments. They also set aside time to learn about business tools and read the news in order to stay abreast of the market trends. Active learning gives them a better sense of where they are positioned in the market, as they are able to gather more information about prevailing prices and new products in the market. The market

coming to a halt in early 2015 further shows that the local agents are not sure how to respond to housing prices and the plethora of new housing projects. They are now on the sideline, re-assessing their status, watching each other and calculating their response to new changes potentially caused by the year-end election. This finding is very much in line with White's view of the market as an organizational field (1981). The market agents are not only signaling to each other via prices and products but also collectively shaping emergent market structure.

8.3 Market Efficiency

Compared to well-developed cities, a developing city like Yangon has shown a housing market with a very fluid nature. Because of sweeping changes in the political landscape, the national economy gained momentum in the midst of growing expectations and emergent norms. The equilibrium price has been barely stable as the processes of buying, selling and developing housing are shaped by new policies, laws and regulations. To meet the rising demand, developers compete with each other to build up new projects and sell those units. Housing prices rose steeply in 2013 and almost doubled within two years. In response to escalating prices and political risks, the market eventually subsided in the first half of 2015. The number of transactions significantly decreased and the developers are having difficulty selling pre-sale units and assembling finance. Local investors are delaying their investment projects and keeping a close eye on the political events that will lead up to the year-end election. Social and political dynamics are constantly shifting and impacting the emergent market structure. The agents, who are embedded within these changing contexts,

collectively create several equilibriums at different times. They also form different social relationships and forge institutional arrangements to carry out their tasks successfully.

The concept of efficiency is a controversial topic in sociology literature. When it comes to the housing market, there could be various levels of efficiencies depending upon what scope of market structure one is looking at. If the focus is exclusively on the business environment in which small and medium firms operate, the order of market segment is efficient since they are able to use efficiency-enhancing mechanisms such as social relationships and institutional arrangements to learn, adapt and compete with each other effectively. Such order also induces growth and further competition among market agents. However, considering large firms and looking at the overall structure, the existing order exhibits a high level of inefficiencies. Powerful firms are able to exert much influence upon the activities of other smaller actors. By leveraging their size, capital, and connections with government, large firms have better access to confidential information about land deals, market trends and development projects. They act upon valuable information and gain an unfair advantage in reaping benefits before anyone else. Instead of promoting equity, this overall market structure exacerbates the resource dependency problem among agents and induces a distinct form of hierarchy among competitors.

The role of government in the development of the housing market in Yangon could be defined as stagnant at best and unproductive at worst. The existing legal framework is barely sufficient to protect property rights as well as guide the actions of market agents. Most of the existing rules are incoherent and outdated; they end up

creating more constraints than opportunities. The lack of credit and a formal banking sector create major market imperfections. Many key issues related to housing transactions and the development process remain unregulated. In particular, market agents have to deal with a great deal of uncertainty when they buy units, obtain formal ownership, look for land plots, apply for permits and accommodate site inspections. Several state-owned enterprises and large firms are clearly dominant and capable of influencing the market. Although there are discussions to introduce competition and anti-trust laws in congress, the government has not done anything concrete to prevent cartelization and monopolization. Given these shortcomings in the wider institutional environment, the idea of the laissez faire approach is nonsensical. The government clearly should play an expanded role in modifying the existing market structure.

One way to assess efficiency is to examine the extent of complementary interactions among agents, market structure and government. If there is a link missing between any two of them, the market would not be able to become as efficient as it should be. Theoretically, through provision of regulations and laws, government dictates the level of competition among agents and the direction of market growth. Agents operate in this market order and exert some sort of influence upon structure. They also should be able to communicate with the state and push for improved and better regulations. In most developed countries, there are mechanisms for the government to collect feedback from the public, which are used for designing new policies. In Myanmar, the linkage between the state and market agents is sorely missing. The agents are only capable of shaping the market through informal

institutions, which is a very weak way of attaining efficiency. The government holds the key to this efficiency puzzle, as they could design an optimal market structure that works in tandem with agents' available capacity and resources. They could help eliminate deficiencies and provide correct incentives among agents so that they compete fairly and provide a variety of housing products in accordance with regulations.

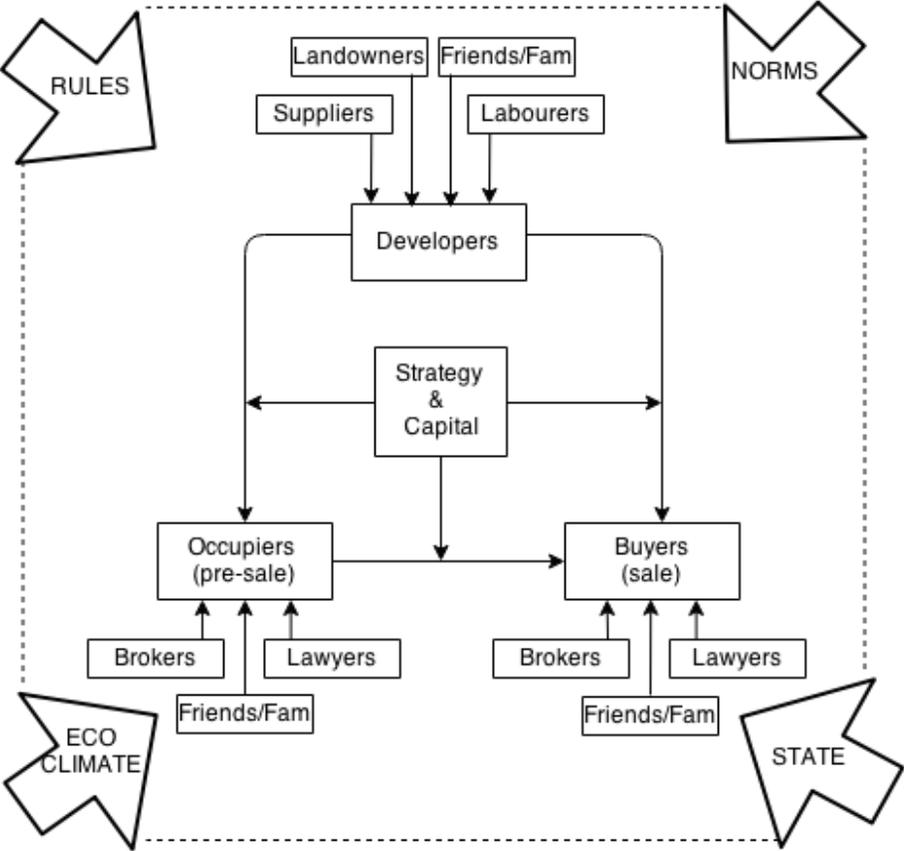
8.4 Structure of Housing Market

Property markets for different types of buildings take different forms, as they are shaped by unique sets of institutional, financial, social and legal factors at the local level. It is necessary to identify the unique structure of provision and transaction in a particular housing market in order to have a better understanding of development mechanisms that stem from several theoretical frameworks. As explained in the literature review section, property development models could be generally categorized into equilibrium, event-sequence, agency and structure. In my view, each model presents a methodological tool to analyze the property market and gives insights into the market process. In order to gain a comprehensive understanding of the housing market, it is necessary to conduct different types of analysis and integrate them into a framework of a market model that explains the linkages between institutional mechanisms and social agencies. Such an approach not only helps understand the relationships and roles of actors but also address institutional forces that organize the market process and drive its dynamics.

In this study, a contemporary market model for the pre-sale units is proposed

to shed light on the market process for the most popular type of housing in Yangon (Figure 8.4). Central to the model are three key players – developers who produce and supply units, occupiers who primarily purchase units through the pre-sale method and buyers who purchase units from the developers and occupiers. Interactions among them are shaped and bounded by four external factors – state, norms, rules and economic climate. Internally, these players have access to their own pool of capital and have the latitude to create various strategies in order to successfully implement their tasks. In addition to these basic inputs, they obtain additional resources through social relationships with other supporting agents. Specifically, developers rely on land from landowners, materials from suppliers, labor from skilled workers, and information and money from family and friends. With all these necessary inputs, they are able to engage in development and to supply housing to both occupier and buyers. On the other hand, agents on the demand side acquire information from brokers, legal advice from lawyers, and information and monetary help from family and friends. These additional inputs significantly aid occupiers in purchasing units from the developers, and buyers in re-buying from the original occupiers.

Figure 8.4: Structure of Development and Transaction for Pre-sale Units



Strategy is one of the internal driving forces that affects the entire system of social relationships within the market model. As seen in the development and transaction pipeline models, market agents are capable of utilizing different kinds of strategies in moving forward from one stage to the next so that they can produce and exchange properties. A combination of these strategic and informal arrangements allows agents to forge primary relationships with others and stimulates the connections among them. Depending upon whether the perspective is that of developers or buyers, different strategies exist on both sides of the market. In particular, developers build relationships with potential buyers by distributing pamphlets to previous customers, offering special discounts for early pre-sale buyers and including free additional

services in their units. They strive to deliver quality work on time, promote a professional image and build a strong reputation via word of mouth. At the same time, buyers seek out relationships with reliable sellers by learning about their background, gathering information about the market, and soliciting advice from brokers and lawyers. They also use creative negotiation techniques to strengthen their relationship with the sellers and reach an agreement as effectively as possible.

Circulation of capital is another internal factor that shapes all aspects of production and transaction processes. Without efficient flow of money, all social relationships would break down and market operations would come to a halt. Given that Myanmar does not have a developed financial market, the shortage of credit complicates the work of market agents; having enough funding becomes the first priority. Although developers could use some buffer in the form of financing money from pre-sale buyers, buyers normally have to have enough savings before they decide to buy a unit. Money borrowed from financial institutions and social contacts plays a limited role in the growth of transactions and development projects. Lax anti-laundering regulations make it easy for black money to flow into the economy at an exponential rate. In addition to illegal trade in teak, jade and precious gems, Myanmar is the second largest producer of opium, which means that all these illegal businesses serve as a major source of funding for real estate investments. Moreover, since housing transactions are done without strong documentation and registration processes, money could be easily hidden and invested in properties. These investments not only inflate housing prices but also cause the purchasing power of the general population to dwindle.

One of the external mechanisms that delineates the boundary of the housing market is the state. The state has the most crucial role to play in the housing sector, as it has the legal authority to use various bureaucratic mechanisms to make rules and shape incentive structures through judicial organizations. Again, the governmental system in Yangon is highly centralized; administrative offices at all levels get involved in formulating a plethora of local policies and programs. A lack of coordination among governmental agencies leads to overlapping of certain programs, which fail to address the deficiencies of the market. Most of the regulations enacted in the colonial period barely influence the day-to-day decision making of agents. Furthermore, the authorities do not have strong incentives to clarify rules and enforce regulations, and they could easily exploit uninformed agents. The relational contracts and informal incentives take the place of the court-enforced property rights and serve as the major governing mechanism for the market.

The second major mechanism important to the housing market model is the role of rules and regulations. Effective rules are capable of encouraging the behaviors of market agents in positive directions, while ill-conceived policies create bottlenecks and induce inefficiency. This regulatory aspect could be considered as the weakest link of the market environment in Yangon, as the majority of the existing laws are outdated and irrelevant. Several key areas related to the housing market remain unregulated. On the ground are just a few bylaws, which barely guide the work of developers and buyers. In many areas of development and transaction, the agents have to take the initiative and create informal arrangements so as to expedite the workflow and finish the task. For example, buyers set up their own way of contracting and

purchasing properties at the local level, since existing regulations regarding taxation and registration of property deed do not work in their favor. Similarly, the developers have to deal with vague terms and guidelines when applying for permits and certificates but working with brokers and creating informal arrangements helps them minimize as much uncertainty as possible.

The housing market is shaped by a variety of social norms. In the local context, housing is not just a simple commodity to be exchanged; rather, it is imbued with cultural and sociological meanings. Housing is a means to store wealth and pass down an inheritance from generation to generation. A strong sense of pride is also attached to homeownership, which implicitly encourages every family to save money in the hopes of becoming a homeowner one day. Instead of holding cash in hand, they transform their savings into more secure and profitable assets such as housing and land. The suppliers are well aware of these norms, and meet increasing demand by actively looking for available lands and dilapidated buildings throughout the city. They focus on developing housing near schools and markets in order to cater to young working families. They also offer pre-sale units at good rates for young families, and additional promotional discounts to early buyers. Values and meanings about housing structure the actions and reactions of agents as well as the nature of their relationships. Other institutions such as media, civil society and organizations spread societal information and shape the norms about land, housing, and settlement issues.

The last external mechanism that influences the internal workings of the model is economic climate. In Myanmar this climate largely depends on the political environment, as international sanctions have long taken a toll on the national

economy. The unprecedented political changes in 2010 brought about the massive inflow of migrant and foreign workers into Yangon, which subsequently led to a shortage of housing units and a significant price increase in urban areas. As the local real estate market is seen as untapped investment potential, huge development projects have been launched every week without adequate infrastructure in place. In addition, the ongoing restructuring of the national economy and the recognition of housing as a major investment asset propels the boom in construction activity and property development. The housing frenzy hit its highest point in 2013 when property prices almost doubled within a year and the working classes were priced out of their neighborhoods. In combination with exorbitant housing values, the looming general election cooled down market activity in late 2014. Investors and developers are delaying their projects until the election is over so that they can reassess political risks and plan their next move.

SUMMARY

Event-sequence models developed in this chapter shed light on the precise nature of transaction and development processes that agents have to encounter in Yangon. While the development model is nothing out of ordinary, the transaction model is surprising, since it starts with a funding search instead of a property search. The stage-by-stage extensive analysis of transaction and development reveals the facilitating and complicating quality of institutional mechanisms. Particular institutions that work against the operations of homebuyers include outdated laws, lack of housing finance, a cash economy and lack of government support. On the other

hand, developers have to work around the highly centralized government, corruption, incomplete laws and shortage of credit. Agents are deeply embedded in institutional structure, and this embeddedness has important implications for the development of the housing market. Strong ties with other agents, relationships built upon trust, the ability to conform to informal rules and being adaptable to new changes, help mediate economic transactions. Compared to homebuyers, developers are found to be more competitive and entrepreneurial, as they have extra incentive to be commercially successful. Since several important macro-level institutions fail to address market deficiencies, macro-level mechanisms such as social networks and informal arraignment become crucial tools for agents in overcoming resource dependency problems in every stage of their work. Based upon these findings, a general structure of market for pre-sale units is developed. With internal access to strategies and capital, primary and secondary agents have to operate within the institutional boundaries defined by state, rules, norms and economic climate.

Chapter 9: Conclusion

This dissertation examined the development of the housing market in a transitional economy. In Myanmar, the existing financial structure is underdeveloped, the legal system is compromised and the property rights regime is largely undefined. Despite these shortcomings, a countless number of transaction deals have been witnessed, along with competitive implementation of development projects and the growth of agents and brokers within the housing industry. What are the actual driving forces that give way to the growth of these transactions and land development project deals? Seeking an answer to this question from an institutional perspective is important for a transitioning economy like Myanmar, seeing as it is undergoing a series of reforms. A mature, integrated understanding of the housing market will help us to rearrange the current setup so as to steer social, economic, legal and political forces towards a solution that will benefit all stakeholders. Therefore, an attempt was made to search for a general mechanism that shapes the operations of housing transactions and development processes in Yangon.

9.1 Findings of the Study

In Chapter 4, through secondary sources, it was discovered that the institutional context of urban development is more complex than what was initially thought, in terms of being the one plagued with fundamental market problems. The reality is that government institutions dominate the societal space and have the largest influence upon the legal, social and economic spheres. Although the Government has

the legal authority to implement effective policies and programs, the highly-centralized and corrupt nature of an administrative framework does not create room for inter-government collaboration for the addressing of planning issues. Most duties related to the land and housing sector are loosely defined and incoherently included in both city and state municipal laws. The existing laws and regulations are neither updated nor explanatory enough to make impacts upon the day-to-day decision-making of agents. Seeing as law and enforcement continue to be seen as threats to livelihood, offering bribes and paying under-the-desk fees are considered to be a necessary part of their core business. The legal aspect of the institutional environment is the weakest link as the incentive structure of agents and positive outcomes of the program could have instead been facilitated effectively through legal tools.

The current economic and social environments are the very products of the previous military government, which has singlehandedly managed the national economy and affected the social fabric of the local community for the past 50 years. Due to sanctions imposed by the international community, Yangon has a very limited economic base, along with a few investment opportunities for the local. Real estate is perceived to be the prime investment asset, with reportedly constant appreciation of prices. Spurred by a cash economy and inflow of black money, the unprecedented inflation of the housing market not only brought about a boom in the construction industry, but also gave rise to professionals in a variety of housing-related sectors from consulting to brokerage. On the other hand, the prevalent norm about housing is that it not just a shelter, as it presents a means for a family to store their wealth and pass down an inheritance from one generation to the next. While the media plays an

instrumental role in sharing market and development news, the civil society organizations and educational institutions have limited impact on the housing sector. In response to serious knowledge and capacity gaps, the private educational centers have taken initiative and offered specialized training in real estate, land law and contracting.

In Chapter 5, the process of housing transaction from the political, legal, and social lenses at the macro- and micro-levels was analyzed. It was found that the housing transaction is complicated as well as facilitated by several key institutions. Major mechanisms that enable the process of finding and buying properties include norms about family, Buddhist Customary Laws, superstition, and bargaining culture. The other set of mechanisms, which include outdated laws, corruption, land grabbing, lack of housing finance, a cash economy and lack of government support, fail to work for the homebuyers at the macro-level. These not only make the process difficult for them to navigate, but also create loopholes along the way that endanger their ownership. In order to carry out feasible transactions, homebuyers must overcome institutional constraints in every stage of the process.

Compared to a typical transaction procedure starting with a property search, the actual process in Yangon starts with a funding search. A family ensures they have enough funds through savings or loans before they decide to buy a property. Those with limited funds choose to buy either pre-sale or affordable housing. Then, they effectively scout for valuable market information through brokers, personal networks, media and online sources. Once desirable properties are found, they are subject to amenities, needs and locational analysis in order to narrow down the list to a single

property that meets all requirements. In order to close the deal as efficiently as possible, they use a variety of creative strategies to build a bond with the seller and meticulously negotiate payment terms over deposit and balance. Despite unrealistic tax regulations and property registration rules, the homebuyers engage in the locally unique way of contracting a transaction with the approval of homeowners. They also attempt to maximize the security of their ownership by drafting a robust sale contract and getting the seller's partner and landowner involved as witnesses to the transaction.

Chapter 6 focused on the activities of housing developers on the supply side of the market and examined the process of housing development. Similar to housing transactions, development projects are also impacted by a variety of institutional factors at the macro- and micro-levels. Specifically, fundamental macro institutions such as governance, rule of law, regulations, property rights and financial market fail to work together to create an enabling environment for the developers. On the other hand, social norms about land, market demand and developers themselves facilitate and spur the pace of development activity. Other enabling micro-factors such as social networks made up of contacts from government officials, brokers, family and friends, and informal arrangements allow the developers to work around the institutional shortcomings in several innovative ways.

In order to initiate development work, the developers actively seek out potential deals through multiple channels such as brokers, personal networks, referrals and walk-in customers. They continually learn how to employ location and size criteria, as well as conduct a sophisticated feasibility analysis to gauge the suitability of the site. Along with the classic 100% owned private investment, they have also

crafted the joint-investment arrangement with the landowners in order to internalize costs and minimize risks. Effective negotiation techniques are employed to bring landowners and tenants to a deal agreement. Developers deal with financing constraints by creatively integrating construction functions into their development businesses, selling pre-sale units, pooling funds from other investors and engaging in a variety of secondary businesses. To secure a construction permit, they indirectly tackle vague regulations through brokers and acquaintances from the government sector. Developers are also savvy with construction management, as they have a thorough understanding of construction materials, know-how to retain a group of skilled manual workers and try to build a positive relationship with inspection officials.

In Chapter 7, it was explained that the private housing market in Yangon looks like any other market in a transitioning economy. Through a hedonic model analysis, it was found that properties are appreciated in a rational pattern according to the availability of physical and locational amenities. In particular, the market values the square footage of living space, the number of bedrooms, air-conditioners, phone connections, parquet flooring, hardwood flooring, the existence of an attic, a furnished interior and corner room. A significant premium is also paid on average for a house located near the market, on a thoroughfare, on a main road or street. The pre-sale status and the floor level of the unit are found to negatively affect the housing price.

Through administering a survey to a large sample of developers, it became possible not only to capture the profile of the developer community, but also to identify prevailing norms and current practices. The majority of developers are a fairly well-educated, middle-aged group who have finished high school and college. Most of

them are solo-developers or supported by a small team who have been in the development business for only a few years. Friends and brokers are key channels through which to acquire information on potential project sites. The negotiation process is more challenging in private investment than in joint-investment projects. In order to assemble capital, developers primarily rely on their own savings and pre-sale methods. In terms of permits and approvals, they claim to have poor understanding of documentation requirements and mainly work with brokers to secure a construction permit. Coupled with sound knowledge of the materials market, they implement construction and deal with site inspections by making additional payments and offering gifts to officials. The overall productivity of developers could be positively explained by the number of years in business, prior experience, interaction with brokers, the extent of social and political networks, learning behavior, and sale and marketing efforts.

In Chapter 8, based upon the findings from the institutional analysis of transaction and development, event-sequence models were presented that reflect the market process in Yangon. The institutional context was unpacked, along with a proposal for a theoretical model of institutional forces that constantly push and pull the economic activities of market agents. The interplay of facilitating and complicating forces results in institutional momentum that drives the thrust of workflow above the baseline condition. The majority of the positive forces are found to be actor-driven momentum. They are also critical to creating an enabling environment for the market, as the agents are able to use a variety of micro-level institutions such as social networks and informal arrangements to compensate for the lack of working

institutions at the macro-level. Additionally, the developers are more creative and entrepreneurial in assessing different sets of institutions and employing them in their extensive scope of work. They have extra incentive to work hard and constantly look for new ways to escape from competitive pressure.

Another point that was discovered is that market agents are deeply embedded in the institutional structure, as all actors have to find one another, build relationships and enter into an agreement. In the midst of relational linkages, trust becomes an instrumental tool in mitigating resource dependency and facilitating activities among market agents. Successful agents are able to nurture trust and develop personal relationships as they help mediate economic transactions and minimize the likelihood of cheating. Instead of following formal rules and regulations, they are able to take advantage of informal norms and conventions, which in turn facilitate the process of exchange, production and competition. Being responsive to changes in the market is one of the requirements for survival in Yangon. If the agents are not fast enough to adapt to the new environment, they have poor chance of making it in the long run. Moreover, developers are capable of assessing their position in the market and detecting new strategies through networking and learning culture.

Finally, an integrated model was presented, for understanding the structure of the pre-sale housing market. Central to the model are three key players – developers who produce and supply units, occupiers who primarily purchase units through the pre-sale method and buyers who purchase units from the developers and occupiers. Interactions among them are shaped and bounded by four external factors – state, norms, rules and economic climate. Internally, these players have access to their own

pool of capital and have the latitude to create various strategies in order to successfully implement their tasks. In addition to these basic inputs, they obtain additional resources through social relationships with other supporting agents. Driven by the linkages between institutional mechanisms and social agencies, this model explains the unique structure of market operating in Yangon.

9.2 Reflections on Research Methodology

The major advantage of doing fieldwork in my own community is that, as an insider, ease of access was increased in terms of knowledge of the informants I was studying. Yangon still presents a highly restricted research environment, where the general population has a strong sense of fear of divulging information to a complete stranger. It would be very difficult for someone who does not speak Burmese to go into the community and gain the trust of informants. My background put me in a unique position to leverage my knowledge of local customs, behavioral nuances, and cultural norms when setting up relationships within the local community. Specifically, my polite and respectful interaction with the Burmese people put them at ease, engendered less hostility, and maximized the chances of eliciting genuine answers. I also have a special insight into matters that could appear trivial to an outsider; this affected the way I formulated my research questions and gathered the relevant data, and eventually led me to discover different answers that could elude an outsider engaged in similar research. In addition to this, I put my own network of friends, colleagues, and acquaintances to effective use whenever I encountered obstacles in getting access to certain sources of information.

Despite my language skills, cultural knowledge, and research experiences, I have several preconceived notions of the Burmese context. This could have biased the way I viewed and understood the data, and the way I interpreted the experience of participants. I could have run the risk of taking too subjective a stance in my research and presenting a skewed version of the reality. Carrying out research in my own cultural environment could have, over time, caused me to become embroiled in local land issues and lose sight of the long-term research goals. It took a considerable amount of effort, time, and social skills on my part to deal with the bureaucracy, reach the people I wanted to talk to, and gain those people's trust. There were also other scenarios where I feel my own insider background worked against my research endeavors. Some Burmese hold foreigners in extremely high regard and tend to go out of their way to help them. Rejections from such people made me consider what the outcome would be if I were a non-Burmese researcher, or even approached them with a foreign collaborator.

Issues concerning land and housing are sensitive in Myanmar. People are always wary of any individual who inquires about land, seeing as they assume that person could be a government agent or a land speculator investigating them for taxation, land acquisition, or commercial motives. I spent a considerable amount of time talking to people about my academic background and my research project to make sure the participants understood the purpose of my inquiry. To avoid any suspicion of abuse of power, I worked collaboratively with the participants and sought their support during all phases of the research. They were also informed of all data collection devices and activities. Similarly, there were instances where the informants

asked for reciprocity from me in terms of advising them on legal land disputes or applications for land titles. I tried to help the informants as long as this did not pose a potential risk to my research goals. Additionally, I encountered harmful information being disclosed by participants during interviews. For example, several developers were engaging in unlawful activities in getting permits, or failing to adhere to financial guidelines. In either of the above cases, the individual's anonymity was protected, and sensitive information was not disclosed during either the data collection or the analysis process.

For this study, I intentionally set up sequential exploratory design and utilized mixed methodologies to achieve a broad perspective of the housing market in Yangon. Although the institutional analysis of housing transaction and development reveals important mechanisms that work for and against the agents, it begs important questions about the fair value of housing units, the nature of household demand, the type of suppliers and the market-wide trends. The primary qualitative phase allowed me to generate themes about experience and actions of agents and feed the results into the secondary quantitative approach. Through triangulation of data sources, I have reached a stage where the analysis of the research problem is comprehensive and provides new threads to understand the developer community and capture the market-wide trends quantitatively. My findings would have been incomplete and misleading if I did not engage in both types of research. I absolutely agree that the mixed-method approach demands a lot of time, energy, planning and collaboration on the part of the researcher. However, it was a highly rewarding experience for me, seeing as I ended up with a rich amount of data and analyses that could be very useful for policy-

planning and future studies.

9.3 Policy Implications

One of the goals in this study is to inform policy planning with respect to urban development, through an analysis of housing transactions and development work. From the findings, there are several implications for reforming existing policies and putting the right set of institutional arrangements in place. As discussed previously, the problem with the housing market in Yangon is the lack of complementary interactions among agents, market structure and government. Particularly, the linkage between state and market agents or the public to speak broadly is sorely missing. Seeing as Myanmar is transitioning from dictatorship to democracy, improving the housing market and facilitating sustainable urban development would start with breaking down the barriers to local engagement and promoting the participation of all societal members in deliberative policy-making processes. Therefore, it is necessary to outline political, governmental, legal and social pathways through which we can hopefully empower both public and private voices and give them the confidence they need in order to bring about effective development in Yangon.

Political Institutions: Although there are countless areas within political institutions that need clear definition and implementation, the current constitutional setup is the key reason why large-scale civil policy dialogues are not taking place. Therefore, the 2008 constitution should be amended to remove inappropriate or unfair clauses that

could render the governance system un-democratic. Seeing as military personnel occupy 25 percent of seats on the parliamentary committee, they are the most powerful voting bloc on any legislative changes, which otherwise should be decided among representatives of the voters only. The role of the military should be properly redefined as the defense mechanism for the country so that the parliament can function democratically and consequently preserve the integrity of the public's voices and wishes. Appointments of chief ministers should also be in the hands of citizens so that they can vote for those who understand their pressing local issues and are qualified enough to manage natural resources. These key changes at the state level could take decades but would convey a strong message that all citizens can have a say in decision-making processes; this would stimulate political culture and promote public participation at the grass-roots level. Additionally, the functioning of government should be improved by giving a greater degree of authority to local governments. In Yangon, local issues could be most effectively managed at the local level without political interference from, and reliance upon, the regional and state government. This would encourage government officials to become competent in their areas of service provision and capable of making bold policy decisions in collaboration with local communities.

Governmental Institutions: Among the public, the popular view of the YCDC is that the institution is highly inefficient and corrupt. If the city government wants to tackle housing problems and improve the performance of market, the YCDC needs to reform its public image and root out prevalent corruption. The decision-making process

associated with use of public lands, development of affordable housing projects and formulation of housing policy, should engage citizens to build consensus and transparency. In addition to recruiting well-qualified urban planners, the YCDC should also focus on developing effectiveness at the municipal level by sharing expertise and experiences among different departments and units. The government officials not only need to have extensive training in administrative and management skills; they must also continue to learn about the existing legalities, policies, and institutional framework. Several enforcement mechanisms should be in place to make sure responsible parties carry out related tasks, as stated in the policy document. Existing bylaws and regulations need to be reviewed and updated to make sure the correct procedures for permit application, construction inspection and completion certificates are enforced thoroughly. Additionally, the YCDC needs to be wary of falling into the common trap of organizational apathy after regulations or guidelines are established.

Legal Institutions: Seeing as good governance goes hand in hand with the rule of law, the central government needs to make sure that the Burmese society is governed by this law. Just and clear laws should be made not according to the will of individual leaders, but upon the consensus of the public in general. The judicial system should implement transparent and ethical enforcement mechanisms that subject all persons and institutions to the same rules and standards. Since most Burmese citizens do not understand their rights or have the capacity to claim them, promoting a strong rule of law would help create a pro-citizen society where human rights violations are

minimal. As long as citizens derive a sense of security from a robust criminal defense and legal aid system, they will not be fearful of advocating for their rights and expressing dissenting views. This would engage citizens to engage in dialogues and kindle their participation in policy-making processes. Regarding sector-specific institutional arrangements, it is necessary to establish a national-level housing authority not only to lead the way for essential legislation on housing and land issues throughout the country, but also to adopt policies related to conservation, development, and appropriate use of land resources. The DHSHD should provide necessary support to the UPD so that they can clarify legal issues related to protection of property rights, development of mortgage finance and provision of housing subsidies, since it will be the only major institution with legal authority to develop the local housing sector. In collaboration with the national-level housing authority, the UPD will also need to co-create a housing law and clarifies the duties of other organizations and institutions within the municipal area.

Social Institutions: Seeing as social institutions have a great impact on the behavior of the actors, they play a role in decision-making processes and in the management of public affairs. Unfortunately, the Burmese society, compounded by severe economic hardships, has been facing declining social capital over the past few decades. Government officials need to take necessary measures to reinforce the strength of social network ties and reestablish the norms of trustworthiness and reciprocity within society. For example, the Ministry of Social Welfare should incentivize citizens to implement trust-building programs such as township meetings, neighborhood

associations, and voluntary associations. Such social activities would allow local members to come together, build bridging relationships, engage in reciprocity, and gain a sense of unity across the community. On the other hand, as it takes incremental time to nudge social norms in a positive direction, the city government officials should tackle the people's attitude towards housing. Since housing prices are exorbitantly expensive nowadays, it is necessary to promote rental housing as a viable alternative. It would be beneficial to organize a housing campaign to raise public awareness about different types of housing, basic financial skills and renter's rights among families and households. Additionally, education about housing and land issues should be strengthened not only through academic institutes, but also through informal channels. In collaboration with international NGOs, local initiatives should be given support in providing more training workshops on capacity building and housing management. Instead of sticking with the engineering side of housing and land, universities and colleges should expand their education programs on social science and offer a more balanced and structured view on tackling problems within the context of urban planning. For example, courses on planning methodologies, housing policy, land use management, and community and economic development planning would be very helpful for students.

9.4 Recommendations for Future Research

Several issues could be identified as potential threads for future research, in order to further understand the dynamics of the housing market and improve the state of urban development in Yangon.

Spatial character of home and land values: Since there is a serious knowledge gap regarding the spatial information of Yangon, it would be worthwhile to collect necessary data and map the gradient values. The hedonic model developed in this study provides a starting point through which to take into account quantile effects and spatial autocorrelation by integrating quantile regression into spatial econometric modeling. Quantile plots could be used to further investigate the effects of estimators on different market segments and quantify substantial variations in the implicit prices along the distribution of prices.

Institutionalization of local-based housing transaction mechanism: The most interesting aspect about housing transactions in Yangon is the locally unique way of buying and selling properties without any registration. Although this informal approach is based upon mutual understanding of agents, buyers are very vulnerable to exploitation at the hands of crooked sellers. It would be appropriate to study how to formalize this local-based transaction process and how to separate property taxes from title registration so that the transfer of property rights is at least documented and valid from the legal standpoint.

Regulations over Permits and Construction Standards: Permit application and site inspections are major breeding grounds for rampant corruption and pose significant barriers for the developers. If the supply side of the housing market is to become efficient, those two areas need to be thoroughly regulated so that there are clear standards and requirements to be met in order to develop quality properties. Based

upon the details learned from this study, it would be worthwhile to further examine the current practices and restructure the regulatory environment of housing development.

Formulation of housing policy: Because of close linkages between the housing sector and local economy, having an effective housing policy could help the city government achieve greater economic objectives. Since there is no housing policy in Yangon, it would be very beneficial for a study to look into the formulation of policy guidelines in collaboration with different stakeholders. It is particularly important to analyze what kind of role the government wants to play, how to improve the quality of housing stock and how to nurture the mortgage market as well as provide housing subsidies to low-income households.

Comparative Studies between Yangon and Mandalay: Seeing as each city is shaped by a unique set of institutional factors, it would be interesting to replicate the research using a similar theoretical framework in Mandalay, which is the second biggest city located in upper Myanmar. The planning process in Mandalay is managed by the Mandalay City Development Committee. This committee has its own mandate to oversee development permits and construction standards. Compared to metropolitan Yangon, many parts of Mandalay are still rural areas where people have a strong sense of community and traditional norms about housing and land. Studying Yangon and Mandalay comparatively could lead to different findings about the institutional impacts on urban environment. Key lessons could be potentially drawn and applied to local housing sectors in both locations.

APPENDIX

Interview Guide for Homebuyers

1) Finding the house/land

Tell me about yourself, your work, and your family.

What were the major reasons you were looking for the new house/land?

What were the first things you did when you decided that you wanted a house?

Did you look up property listing in magazines, newspapers, and online sources?

Did you ask for information about the real estate market from friends and family?

Did you get in touch with real estate agents and construction firms?

Were you aware of existing property laws and land regulations?

Did you ever consider renting a house instead of buying one?

How long did you look for a house?

What were the major characteristics that you looked for in the property?

2) Negotiating the deal

What were the major reasons you wanted that particular house? What were the major characteristics about the house that you liked?

Was there any difference between the asking price and the sale price?

How did you determine what price to offer the seller?

How did you negotiate on price and counter offers with the seller?

Do you think you had a good understanding of how housing amenities raise the value of property?

Did you get any help from real estate agents and brokers?

Did you feel that most sellers asked for a fair price?

How did you feel about house/land speculation by investors?

3) Financing the house/land

What were the major sources of financing for the new house?

Did you apply for a mortgage loan from a bank? What was the process like?

How long had you been saving to buy a house?

Did you borrow money from friends or relatives?

Could you easily afford to buy the house?

What happened if you could not secure enough financing?

What would you do if the seller backed out of the deal?

How did you feel about spending a lot of money on a house compared to investing money in a business or in other commodities?

Did you incur any extra expenses besides the house price?

Did you take the economic and political climate into account when you looked for ways to finance the deal?

4) Getting a title

What was the process like to close the deal and sign the sale contract?

What kind of legal documents were required to prove your ownership?

How much did you have to pay for administrative and legal costs?
Did you seek advice from friends or relatives regarding where to get legal services? Did you receive any help from other sources?
Did you have any knowledge of the filing process? Did your lawyer do all the work for you?
Did you have to pay taxes to the city government?
How much did it cost you to move your possessions?
Compared to your previous house, how did the new place change your commute to work, distance to shopping, and distance from family?
How did you feel about owning a house or land? Do relatives and friends perceive you differently because of the purchase?

Interview Guide for Developers

1) Finding the land

Tell me about your firm, your job responsibilities, and your work experience.
How many projects is your firm currently managing?
How formalized is your company? Are you incorporated, a small business, or what? Tell me about its organizational chart and any changes during the last five years.
What is the firm's business strategy?
How do you locate land appropriate for development? What are the characteristics you look for in land?
What listing sources do you look in for land?
Do you work with land brokers or other consultants?
Is there any strategy to locate the projects next to each other?
Do you take laws and land policies into account when finding land?
How do you think people feel about land development projects and real estate firms?
Do you perform market studies and feasibility analyses before you decide to green-light a project?

2) Negotiating price for compensation

What are the major reasons you decide you want that particular land?
How do you go about securing use rights and buying the land?
How do you determine what price to offer a landowner?
Do you feel that most landowners ask for a fair price?
How do you negotiate on price and counter offers with the seller?
Have you had any problems negotiating price with landowners in the past?
Do you enlist help from other firms and government agencies to overcome deadlocks?
Are you aware of existing policies and legal guidelines about land compensation?
What are the prevailing norms about land speculation?

Do you do anything to make sure there are no accusations of land grabbing or abuse of power?

3) Financing the project

What are the main sources of financing for the project?

Are you aware of any regulations over financing and development capital?

Do you apply for development capital from a bank? What is that process like?

Do you borrow money from friends or relatives?

What would happen if you could not secure enough financing?

Do you take the economic and political climate into account when you look for ways to finance a project?

Do you employ any innovative financing arrangements with potential buyers?

Do you collaborate with other firms to bring in more capital?

How do you establish credibility and build a good reputation?

4) Processing permits and approvals

Walk me through the permit-application process and the filing procedure.

Do you think the process is straightforward, or complex?

How long does it take you to get a project officially approved?

Do you work with brokers or any other companies to expedite the process?

Have you set up a special team within your organization to process permits?

What do you do if your application is rejected?

How much do administrative and legal fees cost your company?

What are the prevalent norms about seeking approval from city government and dealing with bureaucracy?

Do you think the permitting process should be simplified? Any procedural changes you'd recommend to city government?

5) Implementing the project

How long does it take you to complete a project?

How do you acquire building materials and products? Do you meet suppliers through family or friends? Where are they located?

How do you generally handle disputes with your suppliers?

Which channels do you use to hire management staff, technical staff, and unskilled labor? How many employees do you usually assign to a project?

How many each in management, technical and unskilled labor?

Do you find customers through social contacts?

How do you handle disputes with customers?

Do you use any sales and marketing strategies?

Where do you advertise your properties?

Do you use promotional programs to jump-start sales?

Does your firm conduct its own research and development activities?

Survey Questionnaire

DEVELOPER

ID:

Name:

Date:

Address:

1. Gender
2. When were you born?
3. How many years of formal schooling did you have? _____ years
4. How many fulltime paid employees do you have? _____ employees
5. How many projects have you completed so far?
_____ Projects _____ Units
6. Have you ever worked at a construction site before?
1. Yes 0. No
7. How long have you been running this development business? _____ years
8. Do you work under an official developer license?
1. Yes 0. No
9. What made you start your business? (Single choice only)
 1. Communication with colleagues was difficult – we never got along
 2. Could not fully utilize their abilities
 3. To have more income
 4. Expansion or diversity prior to private firm operations
 5. No job – unemployed
 6. Job lacked career prospects and stability
 7. Others – please specify _____
10. Was someone else's experience in founding and running a development business what motivated you to start your own business?
1. Yes 0. No
11. Have you ever held any position in a government office? Do you currently work in one? (Consider BOTH questions when choosing an answer).
1. Yes 0. No

12. Have you ever attended events such as conferences, networking or exhibitions at organizations like UMFCCI, MCEA, and IBPC?

1. Yes 0. No

13. In a typical month, how much time do you spend in events organized by professional groups or other business associations where you meet other developers and managers? _____hours

14. In a typical month, how much time do you spend reading news about real estate and learn about market trends? _____hours

15. Are you currently a member of any political party?

1. Yes 0. No

16. On a scale of 1 to 5, where 1=very untrustworthy and 5=very trustworthy, how much do you trust the following people?

1. Landowners
2. Teachers
3. Government officials
4. The police
5. Judges and staff of courts
6. Banking staff
7. Entrepreneurs/businessmen
8. Brokers
9. Strangers
10. Your own suppliers
11. Your own customers
12. Your own employees

17. How many people do you know you could approach from the government sector to enlist help? _____

18. Which sources help you get market information? Please rank the three most likely ways of getting information on potential land deals.

1. Family and relatives
2. Friends
3. Business partners
4. Former customers
5. Walk-in customers
6. Brokers
7. Other informal sources

19. Are more than 50% of your projects located in the same township as you live or work?

1. Yes 0. No

20. What are the major characteristics you assess once you spot available land? Please rank the three most important criteria.

1. Size
2. Location
3. Neighborhood quality
4. Competitors in the same area
5. Transportation access
6. Market conditions
7. Land price or profit-sharing ratio
8. Others

21. Assume you found a site where you want to develop a six-storey building. On a scale of 1 to 5, where 1=very easy and 5=very difficult, how much would you rate the negotiation process to either buy land or co-invest with landowner?

Model	Rank
100% private development	1-2-3-4-5
Joint-venture with landowner	1-2-3-4-5

22. Which sources do you turn to when stuck in the negotiation process? Please rank the two most likely ways of getting help.

1. Local elders
2. Township officials
3. Brokers
4. Experienced developers
5. Others – please specify _____

23. What were the sources of capital for the activities of this firm? (In percentage)

Source	Percentage
1. Founder's own money	
2. Pre-selling units	
3. Loans from family and relatives	
4. Loans from friends	
5. Loans from private lenders and pawnshops	
6. Loans from domestic banks	
7. Loans from foreign banks	
Others	
	100%

24. Assume an unexpected investment opportunity came up, what/who would you turn to in order to borrow money? Please rank your three most likely sources of money.

1. Domestic bank

2. Foreign commercial bank
3. Loans from family and relatives
4. Loans from friends
5. Loans from business partners
6. Other informal sources (money lenders, pawn shop, etc.)

25. How do you deal with the permit application process? Please rank the following from 1 to 7, where 1=strongly disagree and 7=strongly agree.

1. I have a good understanding of documentation process to get a construction permit.	1-2-3-4-5-6-7	
2. I can apply for a permit without the help of brokers or other intermediaries.	1-2-3-4-5-6-7	
3. The application process is straightforward and transparent.	1-2-3-4-5-6-7	
4. I can approach building department officials with any questions about the process or queries on the status of my application.	1-2-3-4-5-6-7	

26. How often do you work with brokers when you apply for a permit from the YCDC?

1. Never
2. Rarely
3. Sometimes
4. Often
5. Usually
6. Always

27. How long does it take to obtain the permit from the day of the application to the day the permit is granted?

1. 1–2 months
2. 3–4 months
3. 4–5 months
4. 6–8 months
5. 9–10 months
6. 11–12 months

28. In reference to that application for a construction permit, was an informal gift or payment expected or requested?

1. Yes
0. No

29. How would you like to rate your understanding of construction materials market?

1. Poor
2. Fair
3. Good
4. Very Good

5. Superb
6. Extraordinary

30. How often do you make unauthorized changes to the drawings after the permit is secured?

1. Never
2. Rarely
3. Sometimes
4. Often
5. Usually
6. Always

31. How often do you set up sale and marketing teams to make sure all units are sold on time?

1. Never
2. Rarely
3. Sometimes
4. Often
5. Usually
6. Always

32. In 2013, were your construction projects visited or inspected by officials?

1. Yes
0. No

33. In any of these inspections or meetings, was a gift or informal payment expected or requested?

1. Yes
0. No

34. On average, how long does it take to implement a six-storey building – from demolishing the old building to selling new units? _____ months

35. How does your firm generally handle disputes with your buyers and suppliers?

1. Ignore them
2. Try my best to negotiate and work it out between both parties
3. Bring the matter to the local government or administrative authorities
4. Go to court/file a lawsuit
5. Utilize personal connections to solve
6. Others– please specify _____

36. Have you been to court as a plaintiff or defendant in the last three years?

1. Yes
0. No

37. How does the court system affect your development work? Please rank the following from 1 to 7, where 1=strongly disagree and 7=strongly agree.

1. The court system is fair, impartial and uncorrupted.	1-2-3-4-5-6-7	
2. The court system is prompt.	1-2-3-4-5-6-7	
3. The court system is able to enforce its decisions.	1-2-3-4-5-6-7	

38. It is common for firms in development business to have to offer some irregular “additional payments or gifts” to the officials, to get things done with regard to customs, taxes, licenses, regulations, services etc. How often does this happen?

1. Never
2. Rarely
3. Sometimes
4. Often
5. Usually
6. Always

39. If one of your suppliers deceives another firm, would you find out?

1. Yes
0. No

40. What would you base your decision on, before choosing a new supplier of a crucial input material?

1. Just rely on my own experience
2. Good reputation according to long-term business partner
3. Good reputation according to information from business administration
4. Good reputation according to information from friends and family
5. The quality, price, and the supply time of the product.
6. Others – please specify _____

41. Do you socialize with customers in order to sell units quickly?

1. Yes
0. No

42. What do you expect from others? Please rank the following from 1 to 7, where 1=strongly disagree and 7=strongly agree.

1. I believe that most of my business acquaintances provide business advice to others.	1-2-3-4-5-6-7	
2. I believe that most of my business acquaintances would lend money to others at low interest rates.	1-2-3-4-5-6-7	
3. I believe that most of my business acquaintances would pass on customer requests to others in case they cannot take the order themselves.	1-2-3-4-5-6-7	

43. Imagine that ‘social status’ were like a ladder. On a scale from 1 to 10, where 1= the lowest and 10=the highest, where do you think private developers would be ranked

by ordinary people?

Rank _____

44. Which of the elements of the business environment included in the list, if any, currently presents the biggest obstacle faced by your firm? Please rank the top three challenges.

1. Access to finance
2. Access to potential sites
3. Negotiation with landowner
4. Construction permit
5. Inspections
6. BCC regulations
7. Corruption
8. Courts
9. Inadequately educated workforce

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