UNIVERSITI TEKNOLOGI MARA

FACTORS THAT AFFECTING HOUSING PRICE INDEX IN MALAYSIA

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Final Year Project submitted in fulfillment of
the requirements for degree of
Bachelor of Business Administration (Hons)
Investment Management

Faculty of Business and Management

FEBRUARY 2022

ABSTRACT

The study is conducted to evaluate the effects of macroeconomic variables in the house price index in Malaysia from the period 2000 until 2020 by annually. The dependent variable used in this study is housing price index while the independent variables used are the gross domestic product, consumer price index, base lending rate, and money supply. The data was collected and computed based on their historical accounting from World Bank Information while dependent variable (HPI) is obtain from NAPIC and is analyzed based on time-series data. Based on the finding, gross domestic product and base lending rate is significant and positively influenced house price index in Malaysia. Meanwhile, in a long run Consumer price index and money supply have a negative impact on house price index. This means that economic indicators are essential aspects that will influence how house values change and function in the future. Further studies indicate that in order to achieve a better outcome, study should be conducted over a longer period of time, as this may affect the accuracy of the study's results. Furthermore, additional housing price research is needed to analyze how house prices change year to year based on various independent variables.

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CHAPTER 1: RESEARCH OVERVIEW

1.1 Introduction

Shelter or home is one of the many basic needs for human. It is where the place to seeks for safety and protection from bad weather and wild animals. It is essential for human survival but yet there are still issues with the pricing of a house and how much it costs to own a house. Due to this, the issue of residential property overhang existed. This invite concern of Malaysian on how will they be able to own a house.

From PropertyGuru website, on the first half of the year 2020, there were about 31 661 units go unsold in Malaysia with a total value of RM20.03 billion. This is very worrying as it is an important factor for survival. The top three (3) types of houses that were fail to be sold was high-rise units, terraced houses and semi-detached/detached units. In this millennium era, people tend to find houses that suits their affordability and getting mortgage loans are not easy these days. In 2019, the average price of a house, measured by the Malaysia House Price Index (MHPI), is RM426 155, while the minimum income still stands at RM1 200.

This is one of the reasons why the study is carried out in order to find what factor gives effect to the housing market. The Macroeconomic variables selected is Gross Domestic Product (GDP), Consumer Price Index (CPI), Base Lending Rate (BLP) and Money Supply that will be used to find the relationship between those variables with the housing price index. Most of the data will be obtained from the official website of World Bank information.

This chapter will discuss on the background of the study, problem statement, research question, significant of the study, scope of study, limitation of study and summary of the housing issues in Malaysia.