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KEY FACTORS INFLUENCING RISING HOUSING PRICES: INSIGHTS FROM HOMEBUYERS IN SETAPAK, KUALA LUMPUR

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Abstract
The rising price of housing in Malaysia, particularly in urban areas like Kuala Lumpur, has significantly limited the ability of potential homebuyers to purchase homes. This situation is critical, as housing choices are fundamental indicators of an individual's or family's quality of life. Therefore this research aims to examine the factors influencing rising property prices from the perspective of homebuyers. A quantitative approach was employed, utilising an online questionnaire for data collection. A simple random sampling technique was applied, targeting homebuyers in Setapak, Kuala Lumpur, resulting in a sample size of 384 with a valid response rate of 40%. Data analysis was conducted using SPSS Version 25, focusing on mean analysis. The findings revealed that location is the most significant factor contributing to increased housing price, while both financial considerations and location are critical in home selection.These insights hold significant implications for homebuyers in their decision-making processes and for policymakers in formulating strategies to lower housing prices and align housing options with the quality of life for homebuyers.

Keywords: Factors influencing, housing price, housing preferences, elements affecting, homebuyer

1. INTRODUCTION

House prices in Malaysia are expected to rise by up to 10% annually until 2025, with no low-cost homes available for under RM 200,000 (Valuation and Property Service Department, 2024). The high cost of living in urban areas significantly complicates homeownership for younger generations, who often delay purchasing homes due to financial instability and the burden of down payments. In 2019, Malaysia's median income was RM 5,873, while the median house price soared to RM 320,000, highlighting a severe affordability issue (The Star, 2024). Although the government has implemented affordable housing programs and incentives, many units remain unsold, suggesting that price alone does not drive home purchases (Numbeo, 2024). Efforts like the Sales Service Tax (SST) to control price growth have proven ineffective, as stagnant wage growth fails to keep pace with rising housing prices (Azmi & Bujang, 2021). Additionally, homebuyers face challenges in the decision-making process, balancing financial concerns with the need to find a property that meets their requirements, especially since purchasing a home is a significant life commitment (Mentaza et al, 2017). This study aims to examine the factors influencing rising property prices from the perspective of homebuyers in the Malaysian market.

2. LITERATURE REVIEW

From a desk study of the relevant literature on the factors affecting rising house prices,

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it is evident that several elements influence housing prices, including location, economic stability, and financial capacity. Rising housing prices that outpace salary growth limit home-buying opportunities, particularly for younger individuals (Ismail, 2015). While higher-income households can afford a wider range of properties, those with lower incomes often struggle to purchase a home (Rameli et al., 2016). Economic factors such as interest rates, housing demand and supply, inflation, GDP, and exchange rate fluctuations significantly impact long-term home price trends, with studies showing that real GDP, inflation, and interest rates notably affect Malaysian housing prices (Pinjaman et al., 2023). Location is a critical internal factor influencing house prices, particularly in Malaysia, where proximity to urban centers significantly affects property values (Manaf et al., 2019). Additionally, the quality of the neighborhood, including public services and environmental quality, can elevate home prices (Chang & Lin, 2012). A property's value is also enhanced by its design and structure, with modern features and thoughtful layouts contributing to increased market value (Rong et al., 2020). Homebuyers prioritize various preferences, including house types, location, size, and neighborhood amenities (Foye, 2020). The overall quality of a house, determined by construction materials, workmanship, design, and modern safety features, further influences housing prices (Chieng et al., 2024).

3. METHODOLOGY

This research adopts a quantitative method using a questionnaire for data collection. A pilot test was conducted to ensure the validity of the questions and the reliability of the items, resulting in good reliability with a Cronbach's Alpha (α) value of 0.85. The questionnaire was administered online to potential homebuyers in Setapak, Kuala Lumpur using a simple random sampling. With Krejcie and Morgan's formula, a sample size of 384 was determined and only 154 responses (40%) were returned. While this response rate is lower than ideal, literature suggests that a 40% response rate can still yield valid and reliable data (Memon et al., 2020). The collected data were analyzed using SPSS version 25, focusing on descriptive statistics. The results were presented in tables, allowing for clear visualisation and ranking of the findings.

4. FINDING AND DISCUSSION

The analysis identifies six key factors contributing to rising house prices in Setapak, Kuala Lumpur: financial factors, economic conditions, location, neighborhood characteristics, house type and design, and house quality and construction technology. As in Table 1, the most influential criteria for homebuyers are financial and location factors, both with an average mean value of 4.23. Economic conditions rank second at 3.95, followed by house quality and construction technology at 3.87, neighborhood factors at 3.85, and house type and design at 3.84.

Table 1. Factors Affecting Rising Housing Price In Setapak, Kuala Lumpur

Factors	Attributes	Mean Value	Average Mean Value	Rank
Financial	**Price House**	**4.34**	**4.23**	**1**
	Loan Mortgage	**4.09**		
	Terms of Payment	**4.13**		
	Level of Income	**4.37**		

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Economic Condition	Supply and Demand	3.83	3.95	2
	Central Bank Policies	4.02		
	Inflation Rates	3.85		
	Government Policies	4.10		
Location	**Easy Access to Public Transportation**	**4.21**	**4.23**	**1**
	Proximity to Amenities	**4.28**		
	Proximity to Workplace	**4.19**		
	Presence of Public Infrastructure	**4.25**		
Neighbourhood	Safe Neighbourhood	4.19	3.85	4
	Aesthetic Environment	3.82		
	Environmental Quality	3.99		
	Social Community	3.40		
House Type and Design	House Type and Design	3.79	3.84	5
	Size and Layout	3.93		
	Interior and Exterior	3.77		
	Types and Quality of Finishing	3.87		
House Quality and Construction Technology	High Quality Building Materials	4.08	3.87	3
	Minimal Building Defects	4.15		
	Building Workmanship	3.79		
	Building Intelligent Applicable	3.46		

Source: Zakari (2024)

This study addressed the primary factors causing the increase in residential expenses and housing choices among homebuyers in Setapak, Kuala Lumpur. It enhances the understanding of how various attributes influence housing preferences, particularly in the context of increasing property prices. Previous research supports the findings that financial considerations, especially housing costs, are paramount for homebuyers (Numbeo, 2024; Rameli et al., 2016; Osmadi et al., 2015). By integrating these insights, the study sheds light on buyer priorities and the ongoing escalation of property prices. The findings can inform policymakers, builders, and housing industry stakeholders in developing more affordable housing solutions. Additionally, this research contributes to the academic discourse on Malaysia's housing market and may serve as a reference for other countries facing similar challenges.

5. CONCLUSION

In conclusion, the findings indicate that despite the high property prices in Setapak, Kuala Lumpur, homebuyers remain focused on their desires and expectations when making purchasing decisions. Many seek homes that align with their specific needs, preferences, and lifestyles while also being affordable. Notably, even though most respondents recognize the steep prices of housing in urban areas like Setapak and the Kuala Lumpur city center, they continue to be discerning in their home selection process. This trend can be attributed to the limited availability of land in these urban settings. To address these challenges, it is essential for the government and developers to collaborate in creating housing options that are both accessible and of high quality, catering to the preferences of homebuyers. By fostering a balanced approach, it is possible to create a more sustainable housing market that meets the needs of all stakeholders involved.

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