



HOUSE PRICE DETERMINANTS : A MALAYSIAN CASES

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Table of Contents

LETTER OF SUBMISSION	3
CHAPTER 1 INTRODUCTION	7
1.1 OVERVIEW	7
1.2 PROBLEM STATEMENT	8
1.3 RESEARCH QUESTION	9
1.3.1 Main Research Question	9
1.3.2 Specific Research Question	10
1.4 RESEARCH OBJECTIVES.....	10
1.4.1 Main Research Objective.....	10
1.4.2 Specific Research Objectives	10
1.5 SIGNIFICANCE OF STUDY	11
1.6 SCOPE OF STUDY.....	11
1.7 DEFINITION OF TERM.....	11
1.7.1 Gross Domestic Product	11
1.7.2 Interest Rates.....	11
1.7.3 Inflation Rates.....	12
CHAPTER 2 LITERATURE REVIEW	13
2.1 MALAYSIAN HOUSE PRICE.....	13
2.2 GROSS DOMESTIC PRODUCT.....	14
2.3 INTEREST RATES.....	15
2.4 INFLATION RATES.....	16
CHAPTER 3 RESEARCH METHODOLOGY	17
3.1 INTRODUCTION	17
3.2 SAMPLE & DATA	17
3.2.1 Data Collection.....	17
3.2.1.1 Secondary Data	17
3.2.2 Variables.....	18
3.3 RESEARCH DESIGN	18
3.3.1 Purpose of Study	18
3.3.2 Types of Investigation	19
3.3.3 Researcher Interference.....	19

3.3.4 Study Setting.....	19
3.3.5 Unit of Analysis	19
3.3.6 Time Horizon.....	20
3.4 RESEARCH FRAMEWORK.....	20
3.5 SAMPLING DESIGN.....	21
3.5.1 Target Population.....	21
3.5.2 Sampling Size.....	21
3.5.3 Sampling Element Formula.....	21
3.6 STATISTIC/ECONOMETRIC METHOD.....	22
3.6.1 Test for Stationary: Unit Root Test	22
3.6.2 Normality test.....	22
3.6.3 Autocorrelation – Serial Correlation Test.....	23
3.6.4 Heteroscedasticity Test – Variance of Error Term Test.....	23
3.6.5 Test on Functional Form.....	24
3.6.6 Multicollinearity Test	24
3.6.7 Correlation test: Covariance analysis.....	24
3.6.8 Multiple Linear Regression Model	25
3.7 TEST ON ASSUMPTION OF MULTIPLE LINEAR REGRESSIONS.....	25
3.7.1 Normality test.....	25
3.7.2 Autocorrelation test.....	26
3.7.3 Heteroscedasticity test.....	26
3.7.4 Ramsey	26
3.7.5 MULTICOLLINEARITY.....	27
CHAPTER 4 DATA ANALYSIS	28
4.0 INTRODUCTION	28
4.1 Unit Root Test: Test of Stationary.....	28
4.2 NORMALITY TEST	31
4.3 AUTOCORRELATION TEST – SERIAL CORRELATION TEST	31
4.4 HETEROSCEDASTICITY TEST – VARIANCE OF ERROR TERM TEST.	32
4.5 TEST ON FUNCTIONAL FORM	32
4.6 MULTICOLLINEARITY TEST.....	33
4.7 CORRELATION TEST: COVARIANCE ANALYSIS	34

CHAPTER 1 INTRODUCTION

1.1 OVERVIEW

According to Maslow's, everyone in this world has a hierarchy of Need to fulfill on. The basic need for them is a shelter. Basically, a shelter will provide to anyone a protection from cold, hot, harm or danger. Rapid economic development has resulted in an increasing demand from residential property among urban areas in Malaysia. The increasing demand of house/residential property may be caused by any factors which may be come from qualitative factor or quantitative factors.

As a Malaysian, we are surrounded by stigma that has been set by certain group of people. For example, if you are an employee who is receiving MYR 60,000 and above per year, but you stayed only at higher-ground house (flats), people will never believe that you are receiving that amount of salary per year. As for result, you will follow the trend and eventually will bought a new house which suit your lifestyle and status as an employee who earn MYR60,000 per year.

Do you really believe that the house price represent its quality? There are always cheaper houses with a great quality, so please, make a good decision on deciding your first house. Price is always our biggest concern on buying a thing. Even if I wanted to buy shoes for example, I will survey as much shops as I can before making the decision. For me, money don't come easily, we have to work very hard to earn some Halal money each month.

There are two types of house investment, freehold and leasehold. Many people will seek to buy or invest on a freehold house as a leasehold house is basically own by the Government as the house is build on a Government's land. After the period of lease is ended, the house is still belongs to the Government. The nearer the time to end, the price of the house is also decreasing in value so if you are thinking to sell your house at that moment, you will earn some profit, not much, or maybe you will suffer lost from your investment.

1.2 PROBLEM STATEMENT

This project paper will focus more on house price in Malaysia and its driven factor that significantly influence it to kept increasing every year. Residential property market in Malaysia has experienced a price expansion and expanding at a significant rate hence a sudden price change could affect the first time house buyer to some extent.

According to Cindy & Nuzul (2012), house price can rise once updated with the public infrastructure like free way, public transport and nearby facilities such as shops, school, religion center, and many more. The house price will keep rising as the property owner or broker bid up the prices according to market demand.

The house price is the major obstacle for one to own their first house nowadays. The standard of living kept increasing but the salary for private employee still the same. How can they cope with the trends that change over the years? Should they starve just to be able to pay the installment every month? While social scientist view property as a social subject, others may look at it as a true or physical investment which we can feel, touch it every day other than investing on something that we can't see, touch and feel.

It is important to protect our own ground, Malaysia, from any outsider owning more house in Malaysia as compared to Malaysian. What we, as a citizen do is to kept bidding the price and work hard to own your preferred house other than just sigh when outsider owning more house in Malaysia. A sharp rise in house price with unsupportive economy fundamental and social back bone should lead to a burst and bubble in house market.

An assumption can be made that housing price is determined by the bundle attraction available surrounding the house, as I mention before, facilities. It is normally viewed as the house price is determined by the interaction of demand and supply. House price are generally affected by macro economics variables such as gross domestic product, interest rate, inflation rate and others, and the overall growth rate of the economy.

Research conducted by Tze San Ong (2013), shows that the fluctuation in the house price has significantly impacts on the economic conditions of the population and society. The housing price is expected to rise due to the imbalance between demand and supply as more demand are coming in and shorten in supply.