



UNIVERSITI TEKNOLOGI MARA

**THE MACROECONOMIC FACTORS
THAT INFLUENCES THE HOUSING
PRICE IN MALAYSIA**

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ABSTRACT

The major objective of this study is to determine the relationship between independent factors and Malaysian house prices. The impact of the independent variable on housing prices is also examined in this article in order to determine which macroeconomic factors have the greatest impact on housing prices. Property prices in Malaysia have grown sharply in the year following the Asian financial crisis, resulting in an affordability dilemma and, eventually, regulatory solutions. The study will take undertake over a ten-year period, from 2011 to 2021. In addition, the rate of inflation, the rate of interest, and the rate of unemployment are all considered independent variables in this article. To assess the link between the variables and the housing price, Descriptive Analysis, Normality Assess, and Regression Analysis are utilised. Secondary data was obtained from reputable data sources such as the Statista website, Bloomberg terminal, and Refinitiv Eikon website. The findings of this study are likely to cause alarm among Malaysian officials concerning pricing swings. Because the probability value of the regression analysis of interest rates and unemployment rate is smaller than the significance level of 5% in the regression, we can conclude that the independent variables, interest rate and unemployment rate, are determinants for the dependent variable, housing price. The findings will also help economists make well-informed decisions by allowing them to see how macroeconomic factors affect Malaysian property values. To keep housing prices in Malaysia constant, the government should be more active in policy execution. An increase in the cost of living would be inconvenient for the Malaysian people. Because the breadth of this issue in Malaysia is so narrow, future researchers may wish to extend the study period or look at other macroeconomic variables that influence property prices in Malaysia to broaden their coverage.

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TABLE OF CONTENT

Contents	
CHAPTER 1	9
1.1 Introduction	9
1.2 Background of Study	11
1.3 Problem Statement	14
1.4 Research Questions	15
1.5 Research Objectives	16
1.6 Significance of Study	16
1.7 Scope of the study	17
1.8 Limitations of the study	18
1.9 Definition of Key Terms	18
1.9.1 Lending Rate	18
1.9.2 Unemployment Rate	19
1.9.3 Inflation Rate	19
1.10 Summary	19
CHAPTER 2	20
2.1 INTRODUCTION	20
2.2 Literature Review on Inflation Rate	20
2.3 Literature Review on Interest / Lending Rate	22
2.4 Literature Review on Unemployment Rate	23
2.5 Theoretical / Research Framework	24
2.6 Summary	25
CHAPTER 3	26
3.1 Introduction	26
3.2 Sampling	26
3.3 Data Collection	26
3.4 Variables	27
3.5 Research Design	28
3.6 Hypothesis Statement	29
3.6.1 Inflation rate	29
3.6.2 Interest Rate	29
3.6.3 Unemployment Rate	29
3.7 Research Methodology	30

CHAPTER 1

INTRODUCTION

1.1 Introduction

Housing finance is defined as a money and credit system that allows for the construction, improvement, purchase, rental, maintenance, and repair of all sorts of housing (Garnett, 2005). The housing financing system differs from country to country, depending on the country's direction, policy, and lending guidelines. Housing finance in Malaysia has two purposes: it finances property construction for developers and provides end-to-end financing to homebuyers. Malaysia's manufacturing, actual production, and trade investment growth rates all decreased due to the Asian Financial Crisis in 1997, owing to a lack of demand in the country's economic development. The financial crisis impacted Malaysia's housing market.

Economic fundamentals and supply and demand dynamics in the local housing market generally influence house prices. From time to time, there is an increase in Housing prices that are higher than what is supported by the economic principles, resulting in a housing bubble. The bubble eventually bursts, resulting in a significant reduction in the asset's value. Prices of real estate and wealth destruction are shown physically on the 2008 Global financial crisis. This indicates that the house price somehow relates to the country's economy. The understanding of macroeconomic drivers that influences the housing price is essential for the stability of Malaysia's economy

Malaysia has benefited from expanding the housing industry as a growing country. Home equity is among the most important investment and the