



UNIVERSITI TEKNOLOGI MARA

**THE RELATIONSHIP BETWEEN
THE MALAYSIAN POPULATION,
HOUSEHOLD INCOME, INFLATION
RATE, AND HOUSE PRICE**

**ADAWIYATUL MUNIRAH BINTI ABDUL
MUTTALIB
2020974297**

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ABSTRACT

The goal of this research is to see how different independent variables affect housing price in Malaysia by analysing the impact of the different variables on housing price in Malaysia. Real estate has become the safest but most expensive investment due to the continuous and consistent rise in real estate prices. Real estate is also considered to be the most profitable investment option. This research is done in hopes of finding the best variables that affect Malaysian housing prices. The variables to be observed in this study are the population growth, the average household income and the inflation rate. These variables will be tested to determine the relationship and significance against housing price. All variables including the dependent variable, housing price are all based in Malaysia. A twenty-year data collection period from 1999 to 2019 is used to determine the significance of the variables. The data is picked twice yearly with a six month difference in between totalling the data up to 40 observations. The data will be tested using Unit Root Test, Correlation Test or Covariance Analysis, Multiple Linear Regression Model, Coefficient of Determination and Adjusted R-squared. Data will be collected in the form of secondary data from official government websites and trusted websites for reliability of outcome. The websites chosen are the Department of Statistics Malaysia and the official Bank Negara Malaysia website. This study can benefit many parties such as investors, who can use the outcomes of this study to predict the future price of property investments and gain more profits. This research can also benefit the government. By knowing specific variables that have been affecting house prices, the government can work on creating housing affordability to Malaysians of all income group. Literature reviews include many past studies on this similar topic and discuss how the outcome varies from each study. Research methodology of this study explains the methods used to process the outcome and how the methods and formulas are relevant and suitable with the study. Future research on this topic is very much welcome with adjustments on location, data collection, additional variables and other suitable adaptation.

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

This study highlights the effect of various variables on property prices in Malaysia. Variables included in this study are the population growth, average household income, and inflation on Malaysian house prices. In this chapter, further discussion and introduction are prepared to explain details on this study, including the background of the study, problem statement, research questions, research objectives, significance of study, scope of study, limitation of the study, and a summary.

1.2 BACKGROUND OF THE STUDY

Malaysia's housing sector plays an important role in the country's economic development scene, supporting and sustaining the economy's growth (Wong and Aralas, 2019). The search for potential synergies between the property market and business activity in the rest of the economy has attracted the focus of much research effort. In particular, there continues to be growing interest in the relationship between house prices and new business formation (Gholipur, Khin, Tan-Kantor and Spong, 2021).

In the first quarter of 2021, the average house price in Malaysia stood at RM432,220. In the August 2021 report on GlobalPropertyGuide.com by Delmendo, it is recorded that Kuala Lumpur has Malaysia's most expensive housing with an average price of RM778,143, followed by Selangor, at RM486,659 and next Sarawak, RM475,899, trailed by Sabah (RM456,262) and Pulau Pinang (RM438,301). In contrast to all this, the lowest average house price is in Melaka, with average prices of just less than RM200,000 (Delemendo, 2021).

Like many other businesses during the global pandemic COVID-19, the property sector was also affected. The number of commercial and residential property sales drops, people, abandon their apartments in metropolitan areas, and households