



UNIVERSITI TEKNOLOGI MARA

**THE DETERMINANTS OF THE RESIDENTIAL
PROPERTY PRICE IN MALAYSIA**

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ABSTRACT

Purchasing a dream house is one of the life goals. The developers' unwillingness to meet the rising household income and population growth has caused an excess supply of houses. The rise in the cost of living in Malaysia has affected the country's economy as well as its housing affordability. Despite the high supply, Malaysians cannot afford to buy houses due to current economic conditions. This research is attempted to identify the determinants of the residential property prices in Malaysia. The independent variables involved are unemployment rate (UR), lending interest rate (LR), gross domestic product (GDP), exchange rate (ER), and inflation rate (INF). The dependent variable involved is residential property prices in Malaysia. The design of this study will comprise time series data of each variable in quarterly basis from the Q1 2011 until Q4 2020. The test for data analysis used in this research are descriptive analysis, normality test, heteroskedasticity test, multicollinearity test, correlation analysis and regression analysis. The result of the study is unemployment rate (UR), gross domestic products (GDP), exchange rate (ER) and inflation rate (INF) are found to be significant while lending interest rate (LR) is found to be insignificant toward the residential property price in Malaysia.

Keywords: Residential property price, House price, UR, LR, GDP, ER, INF

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

Residential property are properties used as living space for individuals or households. Any property that a municipality has designated for single family homes, apartments, townhouses, and any other place where people live. Purchasing a dream house is one of the life goals. It serves as a shelter so that people can live in comfort and safe surroundings. In Malaysia, housing, particularly affordable housing, has long been a challenge. This has been worsened by a number of factors, the most significant of which being the expanding population and urbanisation process, which has pushed rural people to migrate to urban areas. Urban centres like as Kuala Lumpur, Penang, Johor Bahru, and Kota Kinabalu have a higher demand for housing than can be accommodated. This, combined with the high prices for land in these areas, has made it hard for many individuals to own their first home.

In Malaysia, the residential housing market is significant, and it has always had an impact on the economy's growth. According to Khazanah Research Institute in 2015, the median house prices in Malaysia were 4.4 times median yearly household income in the year 2014. This is considered "seriously unaffordable" for Malaysians when the median multiple stood above 4.0 times persistently from the year 2002 until 2014. Since the cost of living has not increased, many people have had a hard time saving enough for the purchase of a home. According to the National Property Information Centre (NAPIC), unsold residential property numbers have been on the rise since 2011, spiking in 2016-2017. The issue of housing is not its availability but its affordability. The average housing price in Malaysia has been showing a steady increase since 2010 from RM 200,000.00 average in 2010 to RM 400,000.00 average in 2018. Housing affordability issues can also have a negative impact on a country's economy, slowing growth. With the rising cost of living, many Malaysians have had a hard time saving enough for the purchase of a home.

1.2 Background of Study

For the past few years, residential property markets in Malaysia were characterised by conflicting developments and subject to multidirectional forces