



UNIVERSITI TEKNOLOGI MARA

**DETERMINANTS OF HOUSING PRICE IN
MALAYSIA**

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ABSTRACT

Malaysian house prices are widely seen as overpriced, with the median all-house price much greater than the annual median income. Despite the fact that the issue of housing prices is common throughout the country, few research has been undertaken to discover the factors that influence its movement. The primary goal of this study is to investigate the factors of Malaysian housing prices from 2011 to 2020. In Malaysia, the variables considered are the unemployment rate, the gross domestic product, the housing price, inflation, and the interest rate. The Ordinary Least Squares (OLS) approach is used in this investigation. This study will be conducted using quarterly time series data from 2011 Quarter 1 to 2020 Quarter 4. The findings benefit a broad range of stakeholders, including investors, policymakers, housing developers, speculators, and home buyers.

Keywords: Housing Prices determinant, Unemployment rate, gross domestic product, inflation, interest rate

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

This chapter will discuss the overview of study about the background of housing price in Malaysia, the issues that related to this study, research question, research objectives, scope of the study, limitation of study, definition of key terms, and overall summary on this part of the section in this study.

1.2 BACKGROUND OF STUDY

Malaysian home prices or property values have risen and fallen drastically during the previous decade. This type of uncertainty has a noticeable effect on individuals seeking to invest in or purchase property in Malaysia. Numerous researchers have claimed in the past that housing costs are inextricably connected to purchasers' willingness to acquire a property (Sabrina, Khawaja, Nabilah & Siti, 2020). Increases in interest rates, housing supply, and inflation will result in a decline in home prices, whereas increases in GDP and local currency appreciation will result in a rise in prices (Saizal & Mori, 2020). Consumers, investors, and politicians all place a premium on the Malaysia Housing Price Index (MHPI). This is because changes in the Malaysian Consumer Price Index (MHPI) can have an influence on the Malaysian economy's efficiency and effectiveness, investment decision-making, and family wealth (Lim, Sim & Tan, 2016). According to Rahim & Co, property transaction activity in the third quarter of 2020 decreased 15.8 percent to 204,721 units, with a 21.6 percent decline in value to RM80.71 billion, compared to the same time in 2019. This has harmed the sector's recovery efforts, which began in 2018/2019 following several years of growth. The residential sector lost 14.3 percent of its volume and 14.8 percent of its value in the first nine months of 2020.