



**THE EXISTENCE OF HOUSING BUBBLE IN MALAYSIA: AN EMPIRICAL
ANALYSIS OF ECONOMIC FUNDAMENTAL FACTORS**

QURATUL AINI HASHIM

2013451348

**BACHELOR IN BUSINESS ADMINISTRATION WITH HONOURS
(FINANCE)**

FACULTY OF BUSINESS MANAGEMENT

UNIVERSITI TEKNOLOGI MARA

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ABSTRACT

Housing market in Malaysia had been developed from year to year. The demand for a living place had increased due to a better standard of living and modern lifestyle. This had caused the price of housing property especially to keep rising and beyond the affordability, lead to a formation of housing bubble. Therefore, this study will empirically tests and investigates the existence of the bubble and also determining the relationships of economic fundamental factors (demand side) with Malaysian housing price within 15 years period from 2001-2015. The economic fundamental factors include income, inflation and interest rate. Price expectation and housing bubble theory will be used to enhance the understanding of housing market. The detection of bubble was done by using Right tailed Augmented Dickey Fuller. Ordinary Least Squares regression will be applied to measure how each variable related significantly to each other. Other than that, several econometric technique like co-integration test, vector error correction model, VDCs and diagnostic testing analyses were also been applied in the study. The findings showed that there is an existence of bubble specifically from 2010 onwards. Meanwhile, GDP and BLR was the main contributor to the increase in HPI. It was also found that CPI has a long run relationship with HPI and no short run effect between HPI and economic fundamental factors.