



UNIVERSITI TEKNOLOGI MARA TERENGGANU

“FACTORS THAT AFFECT CHANGES OF HOUSING PRICE IN MALAYSIA”

NUR KHALIENA BINTI KAMARUDIN

2012627526

**BACHELOR OF BUSINESS ADMINISTRATION (HONS) FINANCE
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA TERENGGANU**

JUNE 2014

TABLE OF CONTENT

<u>Contents</u>	<u>Page</u>
Letter of Report Submission	i
Advisor's Declaration	ii
Student's Declaration	iii
Acknowledgement	vi
List of Figures	vii
List of Tables	viii
Executive Summary	ix
Chapter 1: Introduction	1
1.1 Background of the study	
1.2 Introduction	
1.3 Research Questions/Problem Statement	
1.4 Objectives of the study	
1.5 Scope of the study	
1.6 Significance of the study	
1.7 Limitations of the study	
1.8 Operational definitions	
Chapter 2: Literature Review	9
2.1 House price	
2.2 Inflation rate	
2.3 Gross domestic products (GDP)	
2.4 Interest rate	

Chapter 3: Research Methodology	14
3.1 Introduction	
3.3 Methodology of research	
3.3 Data collection method	
3.4 Research design	
3.5 Research framework	
3.6 Data Descriptive	
Chapter 4: Analysis and Findings	19
4.1 Introduction	
4.2 Descriptive statistics	
4.3 Stationary test (ADF unit root test)	
4.4 Lag determination	
4.5 Co-integration test	
4.6 Vector Error Correction Model (VECM)	
Chapter 5: Recommendation and Conclusion	28
References	30
Appendix	32

ACKNOWLEDGEMENTS

I am grateful and would like to express my sincere gratitude to my advisor Pn. Noorazlina Binti Ahmad and my second examiner Cik Nurulashikin Binti Romli for their invaluable guidance, continuous encouragement and constant support in making this research possible. I really appreciate their guidance from the initial to the final level that enabled me to develop an understanding of this research thoroughly. Without their advice and assistance it would be a lot tougher for me to complete this thesis project. I also sincerely thank for the time spent looking through and correcting my mistakes.

I acknowledge my sincere indebtedness and gratitude to my parents for their love, dream and sacrifice throughout my life. I am really thankful for their sacrifice, patience, and understanding that were inevitable to make this work possible. Their sacrifice had inspired me from the day I learned how to read and write until what I have become now. I cannot find the appropriate words that could properly describe my appreciation for their devotion, support and faith in my ability to achieve my dreams. My sincere big thanks go to all lecturers and friends of the Business Management Faculty, UiTM Terengganu, who helped me in many ways and made my education journey at UiTM pleasant and unforgettable. Many thanks go to BM2226C classmate members group for their excellent co-operation, inspirations and supports during this study. This two year experience with all you guys will be remembered as important memory for me to face the new chapter of life as an employee.

Lastly I would like to thank to anyone who contributes to my final year project directly or indirectly. I would like to acknowledge their comments and suggestions, which was important for the successful completion of this study.

EXECUTIVES SUMMARY

This study is an attempt to identify the factors that affect changes of house price in Malaysia from the year 1990 until 2011. The study also explores the relationship between the factors affect and house price in Malaysia. There are total of three macroeconomic variables such as inflation rate, gross domestic product rate (GDP) and interest rate were taken into the study with the house price index. The design of this study comprises of 88 secondary data of each variables from year 1990 until 2011 which are in yearly basis. Data has gathered from Bank Negara Malaysia, Trading Economics, and The Global Economy for 21 years. Researcher also collects the data from the World Bank website and it is used to confirm back all the variables that were related in determining the factors affects.

In the process of findings, there are few types of analysis were tested by using STATA Version 10.1, there are descriptive statistics, unit root test, co-integration test and vector error correction model (VECM). The result indicates inflation rate and interest rate are the factors in this study have positive relationship related to the house price, but only gross domestic product rate showsnegative relationshipfactors of the movement of house price index. The overall study intends to contribute and enhance both investors and government execution on scenario planning that have relationship upon the unpredictable rise of house price in Malaysia. This study might be resulted different for other country as the findings proved that the performance of house price in Malaysia is generally caused by the growth of economic situations.