

**THE RELATIONSHIP BETWEEN POPULATION AND  
INTEREST RATES TOWARD HOUSING PRICE IN SELANGOR,  
JOHOR AND PULAU PINANG.**

**RIALIANAREENAWATY BTE RAUB  
2005374727**

**Submitted in Partial Fulfillment  
of the Requirement for the  
Bachelor of Business Administration  
(Hons) Finance**

**FACULTY OF BUSINESS MANAGEMENT  
UITM, JOHOR**

**OCTOBER 2007**

**LETTER OF SUBMISSION**

October 22, 2007

The Programme Coordinator  
Bachelor of Business Administration (Hons) Finance  
Faculty of Business Management  
Universiti Teknologi MARA  
85009 Segamat  
Johor.

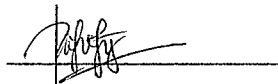
Dear Sir,

**SUBMISSION OF PROJECT PAPER**

Attached is the project paper titled "THE RELATIONSHIP BETWEEN POPULATION AND INTEREST RATES TOWARD HOUSING PRICE IN SELANGOR, JOHOR AND PULAU PINANG" to fulfill the requirement as needed by the Faculty of Business Management, University Teknologi MARA.

Thank you

Yours sincerely,



(RIALIANAREENAWATY BTE RAUB)  
2005374727  
Bachelor of Business Administration (Hons) Finance  
Faculty of Business and Management  
MARA UNIVERSITY OF TECHNOLOGY, JOHOR



DECLARATION OF ORIGINAL WORK

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

**“DECLARATION OF ORIGINAL WORK”**

I, RIALIANAREENAWATY BTE RAUB, I/C Number 841112-01-6530

Hereby, declare that,

- This work has not previously been accepted in substance for any degree, locally or overseas and is not being concurrently submitted for this degree or any other degrees
- This project paper is the result of my independent work and investigation, except where otherwise stated
- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature: \_\_\_\_\_

Date: 29/10/07

## **ACKNOWLEDGEMENTS**

In the name of ALLAH, the beneficent, the Merciful, Praised be to ALLAH for all giving me the life and health to go through this challenges of living in His Universe.

Foremost, I would like to take this opportunity to express my sincere gratitude to all those efforts facilitated in the completion of this research. Without helped and supported from various people, the completion of this research would not be made possible.

I would like to express my deepest gratitude and thanks to my advisor, En. Khairudin bin Mohd Sali @ Salleh from which I have sought and received valuable guidance, comments, views, advices as well as encouragement based upon his own extensive experience. I'm grateful for his tolerance towards my weaknesses and ignorance in process of completing this research.

A special gratitude also goes to my project paper coordinator, En Muhamad Sukor Jaafar, for his assistance in assisting the topic and the preliminary data gathering stages that help me futher understand the selected topic.

Lastly I would like to thanks to my entire classmate BBA Finance 06 and everybody who had directly or indirectly gives me the support, encouragement, constructive criticism, advises and help me in completing this project paper. Your cooperation's are kindly appreciated.

Thank you,

Wassalam

## ABSTRACT

This study is conducted to examine the general relationship between population and interest rates toward housing price over more recent period from 1999 to 2005. This study comprises three locations in Malaysia, which are Johor, Selangor and Pulau Pinang. Methodology used for the purpose of this research is multiple regression models.

House price may go up for many reasons. Some are the result of change in demand such as rising in population and interest rates. Regional population changes are a key factor when explaining house price performance. More people move to an area, the higher the house prices will rise. The mortgage interest rate is one such variable with a global impact, especially in the context of housing market transactions. The movements of interest rates may occasionally give misleading information about the direction and extent of movements in housing prices beyond rational limits. Interest rates are likely to have an important impact on housing prices and transaction volume.

According to my research populations appear strongly significant relationship in explaining the housing price level. While interest rates result show no significant relationship with housing prices. Since the interest rates are not significant this regression is acceptable because the adjusted coefficient of determination R-Square ( $R^2$ ) is equal near to 1. It indicates that housing price is strongly explained by population and interest rates.