



THE STUDY ON FACTORS THAT INFLUENCE  
HOUSING PRICE IN MALAYSIA

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## PREFACE

This research paper is submitted as a part of the requirement to fulfill for the Bachelor of Finance (Hons) course. The title chosen for this research project is “The Study on Factors that Influence Housing Price in Malaysia”. It revolves around the factor that influence housing price in Malaysia.

House is a building that provides shelter to people. Based on Lee (2009), housing is an important asset and contribution to total asset of many households. House price will be affected by demand and supply of dwellings. On the supply side, the developers will focus on the cost of land and material for building, wages of workers, and government taxes while on the demand side demographic factors, interest rate, income will influence the house prices (Liu & Daly, 2011).

Nowadays, house not only a shelter it also as an investment. In recent years the house prices attract a lot attention because of house sector become more important in global (Algieri, 2013). With the encouragement of government policies, foreign investors are encourages investing on housing market Malaysia (Ong and Chang, 2013). The economic Malaysia has a rapid development in economic and this allow the demand for residential housing increase (Ong & Chang, 2013). Besides that, in Malaysia housing is a symbol of urbanization, social acceptance and achievement (Bujang, Zarin, and Jumadi, 2010).

## **ABSTRACT**

The main purpose of this study is to measure the relationship between macroeconomic variables and the housing price. This paper examines empirically whether the increasing trend in the Malaysian housing price is related to changes in the interest rate, inflation rate and consumer price index. The paper is exploratory in nature. The empirical data were collected from DataStream from January 2007 until December 2016. The paper provides empirical results that the interest rate, inflation rate and consumer price index are the key determinants of housing price. The paper is useful for speculators, investors and buyers to know which factors to account for in housing investment decision. This paper can serve as a guide for the government in stabilizing the residential housing price in Malaysia.

# TABLE OF CONTENTS

Copyright page.....	ii
Declaration.....	iii
Acknowledgement.....	iv
Table of Contents.....	v
List of Tables.....	ix
List of Appendices.....	x
Preface.....	xii
Abstract.....	xiii
CHAPTER 1 RESEARCH OVERVIEW	
1.0 Introduction.....	1
1.1 Background of Study.....	3
1.2 Problem Statement.....	4
1.3 Research Objectives.....	6
1.3.1 General Research Objective.....	6
1.3.2 Specific Research Objectives.....	6
1.4 Research Questions.....	6
1.5 Significant of Study.....	7
1.6 Scope of Study.....	8
1.7 Limitation of Study.....	8
1.8 Definition of Term.....	9