FACTORS INFLUENCING HOUSE PRICES IN MALAYSIA

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ABSTRACT

This study investigates the factors influencing house prices in Malaysia. The issues of this study is to know and get the clear picture of the volatility of Malaysian house prices with the latest data of information.Besides that, the purpose of this study is to have a clear view on the relationship between the dependent variable of house prices in Malaysia and independent variables which are Malaysian population, Malaysian gross domestic product and interest rate. The data observation data are collected for 31 observations of annual data of each observation found in Data Stream Professional.The data has been analysed by using Eviews 7.0 to do descriptive analysis, unit root test,multiple regression analysis, correlation analysis and test on assumptions. The findingsindicate that Malaysian gross domestic product, interest rate and population are significant relationship with house prices in Malaysia.

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CHAPTER 1: INTRODUCTION

1.1 Background of the Study

The introduction of this study is including overview and pre-information about the background and rationality for carrying the study. The introduction will be explaining the background of housing prices in Malaysia. Housing price is closely related to the affordability of buyers to own a house. In this matter, government plays a role to ensure that the housing price is proportionate to overall income levels. The increase in house prices have boosted the property sector and also attracted many of new development for residential building. The growth of the Malaysian housing sector has been underpinned by the interface between three forces; growing population, high rates of urbanisation and growing economy (Wan, Singaravelloo, &Hanif, 2010). Unaffordability in buying a house and the increasing of the housing price has currently become the main issue in Malaysia. The larger urban centres have been identified as areas where the need and demand for housing are more pressing. These urban centres are experiencing rapid population growth as well as the entering of migrants from the countryside to enhance the quality of life. The increasing number of low and medium-income groups in the urban centres has exerted pressures on the part of State and Federal governments to provide affordable housing for the group to own a house (Atasha, Ernawati, Hasnanywati&Hamizah, 2014). However, from another point of view this housing price is not affordable since the income is also not increasing. Thus, the people are facing savings bubble and rising living costs. Salary is not on par with living standards. Thus, this creates inflations to the people. This paper will try to explore the elements of housing price in Malaysia to resolve the current issue of unaffordable housing and the solutions undertaken by government and to suggest some solution to the problems.