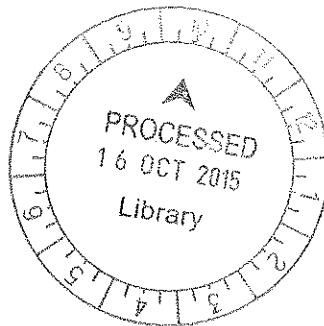


**AN INVESTIGATION INTO THE PRICE
INCREASE RAPIDLY IN RESIDENTIAL
PROPERTY IN THE JOHOR BAHRU**

FOR REFERENCE ONLY

**BY
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DECLARATION BY THE CANDIDATE

I (*HO NAM HON, I 1000 6941*) confirm that the work in this report is my own work and the appropriate credit has been given where references have been made to the work of other researchers.



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ABSTRACT

In recently, it has been become harder to Malaysia citizen to own a home. In Johor Bahru, an average residential property prices in Johor rose 39.92 percent to RM275, 854 in 2013 from RM197, 147 in 2012, there was an average home prices increase by about 7% from about RM457, 000 in 2012 to about RM489, 000. In the state of Selangor, an average house prices increased by around 10% from RM307,000 to RM339,000. Housing price with 6% growth has exceeded expected household 4.7% income growth in the past decade. This scenario is shown that the property price in Johor Bahru is increasing rapidly.

This research will focus on the factors of residential property prices increase rapidly in Johor Bahru. The questionnaire have found that the majority of reason for owning a residential property was generally use for retirement planning, there were consistent with the highest ranking reason of long term capital gain. Besides, there were also found that the majority of respondents cited job opportunity was the main reason affecting residential property prices in the Johor Bahru. In terms of affordability to the housing prices, the research found that respondents generally felt that property prices were still neutral and the majority number of respondents from the survey (50%) felt that there was either strongly increase or excessive increase in residential property prices in the Johor Bahru from year 2009 to 2014, moreover the rate of residential property price increase was probably sustainable over the next few years.

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CHAPTER 1

BACKGROUND OF RESEARCH

1.0 Introduction

A house or a residential property is a basic shelter for people, these building or structure is a dwelling for habitation by human beings. The one of the few necessities to our life that is a roof on top over to our head. Therefore, purchasing a residential property may become the most expensive purchase item to the people will ever make in their life and it is influences nearly every aspect of our life.

Johor Bahru was become one of the nation's fastest growing states in terms of new development. Iskandar Malaysia, launched in 2006 with total spend of 15 Billion can be deemed as the factor that is spurring such fast-paced movement. Furthermore, according to the Property Market Report 2013 by the Valuation and Property Services Department (JPPH), an average residential property prices in Johor rose 39.92 percent to RM275, 854 in 2013 from RM197, 147 in 2012. This scenario is shown that the property price in Johor Bahru is increasing rapidly.

Meanwhile, the affordable homes through the People's Housing Programme (PR1MA) launched by the government, and increase in the Real Property Gain Tax Ratio (RPGT), was the responded of Malaysia government to implement measures to curb the housing prices rising continually

However, the ceiling of selling price for PR1MA was set at RM450, 000. Thus, there were many cases shown that lot of the applicants fail to apply their loans and being rejected as many were purchasing far beyond their monthly household income, especially those people who categorized in group of low income. Based on a study by Harvard University and World Bank, the properties are actually not affordable by international standards, the ratings of the Value of Property over Annual Household Income for PR1MA. In fact, it is between “Seriously” to “Severely unaffordable” (Chang, 2013). There were clearly shown that how serious of the situation is in the city areas nowadays.

Urban Well Being, Housing and Local Government Minister, Datuk Abdul Rahman Dahlan in his keynote address at the 16th Housing and Property Summit said: “Of greater concern is the fact that income growth has not been keeping in tandem with the increase in house prices. Data from the Department of Statistics Household Income Survey, 2012, shows that approximately 80% of Malaysians are earning below RM6, 954 per month. Based on the credit line of 30% of the net income for housing loan, at the current Base lending Rate (BLR) of 6.60%, the maximum price of houses which can be afforded by this group (i.e., 80% of the population) is only those costing RM300,000 and below.”

According to a report done previously by Chris Lai who did the research about property price rapid increased in Klang Valley, a total 6% grow in residential property price had exceeded a household monthly income in 4.7% growth in the past ten years in Malaysia. (Chris Lai, 2014) By using the same growing rates of property and household income, For example, RM300,000 was the average sales price in the first year, and assumes that it is 100% affordable for an average household. After 10 years, a family household could only afford around 90% share of the house. Even today, many households are already unable to afford the houses, and if the house price

growth continues to exceed household income growth, more Malaysians will fall into the “unable to afford” category Hence, this report will investigate into the factor that cause of property price increase rapidly in the Johor Bahru. (Chris Lai, 2014)

1.1 Research Aims

The proposed research aim to investigate the trend of price increase rapidly in residential property in the Johor Bahru.

1.2 Research Objectives

To achieve the aim, the present study has the following objectives:

1. To identify the factors that are causing property prices increase rapidly in the Johor Bahru.
2. To determine the affordability of housing in the Johor Bahru.

1.3 Research Design

Table 1.1: Research Design

Objective	Type of Data Collection	Method of data collection	Source of data
1. To identify the factors that are causing residential property prices increase rapidly in the Johor Bahru.	<ul style="list-style-type: none"> • Theory of real estate and the economy • Approach of the factors of high property price • Statistics on property prices 	<ul style="list-style-type: none"> • Document analysis • Questionnaire analysis 	<ul style="list-style-type: none"> • Journal • Article • Internet • Book • Report • Questionnaires
2. To determine the affordability of housing in the Johor Bahru.	<ul style="list-style-type: none"> • Approach of the impact of unaffordability of homes • Statistics on property prices 	<ul style="list-style-type: none"> • Document analysis • Questionnaire analysis 	<ul style="list-style-type: none"> • Journal • Article • Internet • Book • Report • Questionnaires

1.4 Problem Statement

The price of real estate property has been a sharp increasing in this last few years especially on the area of under rapid developing state or major cities, such as Johor, Kuala Lumpur, Penang and Melaka. This issues has caused a relative of inaccessibility to own a house. The increase in prices of residential house has made it a great challenge to most of young generation and also first-time homebuyers to own their home in the area they were desired to live.

There are several of reports have been stated that it was possibility young generation of Malaysians will be completely left behind of the property market as the prices have already gone beyond their affordability. Problems in the way housing development is carried out will be magnified significantly from this point onwards as affordable housing is poised to become a national issue for a few years to come.

According to the Property Market Report 2013 by the Valuation and Property Services Department (JPPH), an average residential property prices in Johor was 39.92 percent to RM275, 854 in 2013 from RM197, 147 in 2012, Kuala Lumpur posted an average increase of 37.66 percent while Penang recorded an increase of 31.45 percent. From the provided figure, we were know that Johor Bahru has become the highest property price rising state in Malaysia.

According to the report, Malaysia's population growth at 2.3% per year has more than expectation (World Health Organization, n.d.). This population growth coupled with steady economic growth towards a fully developed country has led to large numbers of people from rural areas migrating to the major cities to seek greater place to live. There was more than half of the population below the ages of 25 years old, residential property demand will keep increase in the

future in the urban area(Wahida, 2013). By the end of the decade, it was an estimates of additional 3,000,000 Malaysians will move from rural areas to urban areas. (Gambero, 2013, pp. 62-63)

The report will try to identify the factors of residential property prices increase rapidly in the Johor Bahru, and the rates of affordability to the property price from people of Johor Bahru

1.5 Scope of Limitation

The author will limit the scope of this thesis in the residential properties market in the Johor Bahru area. Questionnaires will be distributed to real estate agents based on Johor Bahru.

1.6 Key Question

The following research questions are expected to be answered:

- What is the factor that affect property prices?
- What is the affordability of housing in Johor Bahru?

1.7 Importance of the Study

The similar previous topic was about a study have done by Liew and Haron (2013) regarding to the factors causes real estate prices rising in the Klang Valley. According to the report, house prices has been rising continuously will affecting the buyers make decision to make their investment a residential property.

The research found that the residential property increase rapidly may due to the reason of construction material cost, increasing of housing demand , and population growth are factors which mainly affect to the house price increase. Moreover, housing selling price set up by developer and strategy property location was also become a factor to increase property price.

Even though the research had done in Klang Valley area, but we can found that the Johor Bahru area was also facing a similar scenario, but also having a unique reason that to cause of real property price increase which included of the establish of tourism theme park “LEGOLAND”, many attractive job opportunity from neighbor country, Singapore, and also a strategy government investment project “Iskandar Project” applied to the area. Therefore, there was already cause the property price exceed with the affordability of those people’s monthly income to own this first house especially the young generation family.

Based on this issues, the survey will be carried out on the factor of property price increase in Johor Bahru. This research will serve helpful to those who is planning to place their capital into Johor Bahru real property market for reason of either living or investment to help them more understand about the area real property market situation.