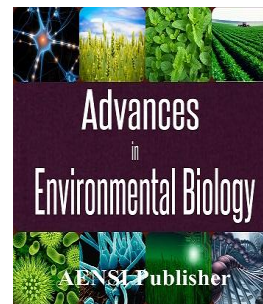




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### Assessing Housing Price Determinants in Malaysia: The Case of Penang

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#### ABSTRACT

House prices are determined by the demand for attributes, not only of the dwelling units themselves, but also of the region in which the units are located. This research will try to analyse the housing price determinants in Penang, Malaysia to resolve the the current issue of unaffordable housing in the area and the solutions to the problems. This research uses quantitative analysis approach and horizontal analysis has been carried out to assess the housing price determinants in Malaysia. Results show that the housing price in Malaysia depend on population, demand and supply, location, physical characteristic, accessibility, developer, cost of material and income. It is also influenced by neighbourhood factors as people nowadays will likely to choose a better neighbourhood. These factors determine whether the housing price will be high or low. In summary, the government must take a leading role to monitor property prices and take appropriate and timely measures to avoid unhealthy and unsustainable run up in property prices.

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#### INTRODUCTION

There are many structural, neighborhood and locational attributes that could have brought about impacts on house prices [5]. Structural characteristics, location-specific factors, and neighbourhood characteristics may define various sub-markets [4]. Sub-markets may be defined by structure type (e.g., single-family detached, row house, town home, and condominium), by structural characteristics (property age housing consumers may have strong preferences for newly constructed properties or for historic properties), or by neighbourhood characteristics (e.g., public education and public safety). In this matter, government plays an important role to ensure that the housing price is also proportionate to overall income levels. The increase in house prices have boosted the property sector and also attracted many 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 [2]. 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 in search of better social and economic status. The increasing number of medium and low-income groups in the urban centres has exerted pressures on the part of State and Federal governments to provide affordable housing for the group affordable in buying a house. However, from another point of view this housing price is not affordable since the salary income is also not increasing. Thus, the people are facing savings bubble and rising living costs. Salary is not on par with living standards and these causes inflation. This research will try to analyse the housing price determinants in Malaysia to resolve the the current issue of unaffordable housing and the solutions undertaken by government and to suggest some solution to the problems.

##### Methodology:

This research uses quantitative analysis approach and horizontal analysis has been carried out to assess the housing price determinants in Malaysia. Data from annual reports [3] were compiled and calculated. After the analysis, conclusion and recommendations will be provided as research output.

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## RESULTS AND DISCUSSION

### (i) Growth of Average House Price in Penang Island:

Table 1 shows the Annual Percentage Growth of Average House Price in Penang Island from Q42008 to Q42013. These are the changes of property prices for over 5 years during and after the Global Financial Crisis (GFC) in 2008. 2013 was a very good year for house prices in Penang, average prices in Penang appreciated highest in Penang Island. The strength was led by Timur Laut district where prices were highest for Detached houses (RM3,289,522) with an increase of 73.78% y-o-y (year over year), followed by 2-3 Storey Semi-Detached homes (RM1,670,416) with an increase of 33.55% y-o-y and 2-3 Storey Terraced (1,256,000) with an increase of 26.67% y-o-y. This is followed by Barat Daya district which also posted strong gains with the highest price for 2-3 Storey Semi-Detached homes (1,264,869) with an increase of 12.67% y-o-y followed by Detached houses (RM1,097,111) with an increase of 97.28% y-o-y and 2 - 3 Storey Terraced (RM813,810). Within 5 years (2008-2013), the price has increased to more than 100% in Timur Laut and 80% in Barat Daya for the mentioned top 3 residential property type in each district. Within Timur Laut, the highest growth in housing price after the GFC was Detached houses with prices up a hefty 214.95% followed by Low-Cost House (183.86%) and 2 - 3 Storey Terraced (117.85%). Within Barat Daya, the highest growth in housing price was Condominium/Apartment (165.49%) followed by Detached Houses (131.95%) and Flats (118.10%).

**Table 1:** Annual Percentage Growth of Average House Price in Penang Island.

Timur Laut District	Q42009	Q42010	Q42011	Q42012	Q42013
1 - 1 1/2 Storey Terraced	11.01%	8.01%	12.67%	34.90%	9.69%
2 - 3 Storey Terraced	18.42%	11.97%	16.26%	11.56%	26.67%
1 - 1 1/2 Storey Semi-Detached	-12.48%	3.49%	3.65%	46.65%	10.51%
2 - 3 Storey Semi-Detached	11.61%	29.78%	4.07%	5.97%	33.55%
Detached	117.95%	-24.57%	9.80%	0.39%	73.78%
Low-Cost House	-	93.18%	-61.18%	-	-
Low-Cost Flat	11.73%	10.85%	1.64%	-1.47%	12.85%
Flat	9.55%	5.77%	5.93%	20.07%	31.26%
Condominium/Apartment	-8.08%	16.92%	9.27%	27.86%	34.18%
Barat Daya District	Q42009	Q42010	Q42011	Q42012	Q42013
1 - 1 1/2 Storey Terraced	6.93%	-4.85%	0.62%	36.04%	18.98%
2 - 3 Storey Terraced	27.48%	12.22%	8.16%	10.32%	10.55%
1 - 1 1/2 Storey Semi-Detached	-54.90%	-	-	-24.72%	132.98%
2 - 3 Storey Semi-Detached	13.04%	4.26%	37.50%	3.94%	12.67%
Detached	74.11%	16.57%	-37.33%	-7.57%	97.28%
Low-Cost House	-	-	-	-	21.17%
Low-Cost Flat	10.80%	10.04%	-11.81%	7.53%	20.19%
Flat	-2.16%	11.43%	22.26%	22.68%	33.36%
Condominium/Apartment	31.55%	-1.50%	21.65%	18.83%	41.74%

Source: Author's calculation from Property Stock Report, NAPIC (Q42008-Q42013)

### (ii) Growth of Average House Price in Mainland Seberang Perai:

In Mainland Seberang Perai, people prefer to live on landed house as the price are affordable. Table 2 shows the Annual Percentage Growth of Average House Price in Mainland Seberang Perai from Q42008 to Q42013. The strength was led by Seberang Perai Selatan where prices were highest for Detached houses (RM981,143) with an increase of 165.74% y-o-y from 2012, followed by 2-3 Storey Semi-Detached homes (RM435,516) with an increase of 24.08% y-o-y and 2-3 Storey Terraced (RM277,982) with an increase of 18.98% y-o-y. This is followed by Seberang Perai Utara district which also posted strong gains with 2-3 Storey Semi-Detached homes having the highest price (RM669,169) with an increase of 27.27% y-o-y followed by Detached homes (RM663,200) with an increase of 27.66% y-o-y and 2-3 Storey Terraced (RM360,180) with an increase of 20% y-o-y. Within Seberang Perai Utara District the highest growth in housing price after the GFC was Condominium/Apartment (96.01%) followed by 2-3 Storey Semi-Detached (70.18%) and 2-3 Storey Terraced (39.99%). Within Seberang Perai Tengah District, the highest growth in housing price was Detached (117.73%) followed by 1-1 1/2 Storey Semi-Detached (98.9%) and 2-3 Storey Terraced (73.46%). For Seberang Perai Selatan District, the highest growth in housing price was Detached (448.12%), 2-3 Storey Semi-Detached (71.67%) and 1-1 1/2 Storey Semi-Detached (68.40%).

**Table 2:** Annual Percentage Growth of Average House Price in Mainland Seberang Perai.

Seberang Perai Utara District	Q42009	Q42010	Q42011	Q42012	Q42013
1 - 1 1/2 Storey Terraced	1.44%	6.93%	4.35%	3.69%	13.73%
2 - 3 Storey Terraced	2.82%	0.21%	11.25%	1.77%	20.00%
1 - 1 1/2 Storey Semi-Detached	-	-38.01%	26.31%	5.45%	57.67%
2 - 3 Storey Semi-Detached	-4.22%	-7.33%	23.86%	21.63%	27.27%
Detached	-24.33%	17.16%	-10.19%	4.22%	27.66%
Low-Cost House	-0.49%	3.48%	18.56%	-11.80%	3.10%

Low-Cost Flat	6.83%	-4.63%	3.42%	-0.37%	15.02%
Flat	11.91%	-7.35%	18.17%	-3.71%	2.86%
Condominium/Apartment	48.98%	-21.58%	-	-	35.16%
Seberang Perai Tengah District	Q42009	Q42010	Q42011	Q42012	Q42013
1 - 1 1/2 Storey Terraced	3.41%	-3.83%	12.08%	18.93%	10.19%
2 - 3 Storey Terraced	8.21%	9.21%	6.83%	8.32%	26.85%
1 - 1 1/2 Storey Semi-Detached	20.97%	-6.76%	37.12%	-2.50%	31.90%
2 - 3 Storey Semi-Detached	-6.44%	22.47%	-3.15%	15.71%	2.46%
Detached	43.41%	9.26%	15.72%	6.28%	12.98%
Low-Cost House	2.38%	27.82%	-13.01%	14.82%	22.75%
Low-Cost Flat	12.83%	5.32%	-11.62%	10.16%	7.40%
Flat	3.75%	5.10%	-19.54%	15.71%	16.40%
Condominium/Apartment	-5.68%	6.03%	47.33%	-11.02%	20.29%
Seberang Perai Selatan District	Q42009	Q42010	Q42011	Q42012	Q42013
1 - 1 1/2 Storey Terraced	9.08%	-0.95%	10.95%	15.25%	13.89%
2 - 3 Storey Terraced	3.79%	9.52%	-6.90%	19.16%	18.98%
1 - 1 1/2 Storey Semi-Detached	7.96%	13.12%	14.29%	9.21%	10.47%
2 - 3 Storey Semi-Detached	8.37%	29.90%	-13.79%	14.02%	24.08%
Detached	116.24%	-35.67%	13.86%	30.23%	165.74%
Low-Cost House	-2.10%	12.25%	-16.00%	74.92%	-25.65%
Low-Cost Flat	2.08%	1.79%	-6.43%	14.50%	6.26%
Flat & Condominium/Apartment	-	-	-	-	-

Source: Author's calculation from Property Market Report, NAPIC (Q42008-Q42013)

#### Summary:

Results show that the housing price in Penang are well determined by several factors which include population, demand and supply, location, physical characteristic, accessibility, developer, cost of material and income. It is also influenced by neighbourhood factors as people nowadays will likely choose a better neighbourhood. These factors determine whether the housing price will be high or low. The above tabulation shows the comparison of housing price growth base on the different distance from the city. The price offered in Penang Island for all types of houses (except for Apartment/Condominium) is very high compared to Mainland. Only high income group can afford to buy a house in Penang Island with a very high price. Low income and middle income group get a chance to rent a house in Penang Island or choose to buy house in Mainland. Price would normally start to decline when outside the city area. Usually living in high density area with only basic accommodation can sometime be quite uncomfortable and hence some may choose to stay away from the city. In 2013, the housing price in Penang increased for all type of houses except for low cost house in Seberang Perai Selatan District. According reports [1], increase in housing price was not caused by the foreign buyers because they only contribute a small percentage of all property transaction in the country. Only 2% of homeowners nationwide are foreigners.

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