CHAPTER 1

INTRODUCTION

1.1 Introduction

Among the needs of humankind necessary for survival is housing. There is a general consensus on the fact that housing has central importance to everyone’s quality of health and life. This consensus makes it imperative for society to provide better housing to ensure high living standards. According to Erguden (2001), housing apart from being a very valuable asset has much wider economic, social, cultural and personal significance.

Again, according to Maslow (1954), the American sociologist, there are five levels of need of humankind and the most basic are food, clothing and shelter. Maslow further stressed that these basic needs are literally the requirements for human survival and that if these basic needs are not met the human body simply cannot continue to function. This further buttresses how important housing is to the fulfillment of life.

The housing sector is one of the main sectors in the country's development program aimed at enhancing the quality of life of the population, while contributing towards the creation of a happy family, a loving and harmonious society. The residential sector was the main catalyst for the country's property market. Changes in prices in the residential sector is often reported in the media because it is the focus of the public, professionals and investors. The price changes either change or change in a low height will have an impact on housing demand in the country.

Housing is one of the main basic needs in life to achieve a standard of living comfortably. The main goal of the National Housing Policy is to ensure that every resident of Malaysia, especially the lower income group who wish to own their own home have the opportunity to do so (the Ministry of Housing and Local Government, 2007).
Realizing this, the government has allocated RM233 million for the construction of houses for the poorest people and RM400 million is allocated for a new village under the Ninth Malaysia Plan (RMK 9) with the ultimate goal is to improve the quality of life of the population and contribute to the formation of family happy, harmonious and caring society and it can make housing a priority in national development programs in particular.

In recent years, rapid economic development has resulted in an increasing demand for residential housing among urban areas in Malaysia. Reviewing the housing prices in Malaysia, the prices have appreciated dramatically whether in major cities or smaller towns and depending on specific location. Over the past ten years, the residential property market in Malaysia has experienced a significant price expansion throughout Malaysia, involving higher rates. Most people are wondering such a high annual increases in house prices is totally out of sync with annual income increases in the general population. In fact, most of the people are afraid that they are unable to cope with such a high property prices. So far, even with the housing prices almost hitting the sky, yet the real factors behind the illogical rise are still open to question.
1.2 Problem Statement

Real estate prices have seen a number of major topic of discussion among Malaysians today. After all, the very high prices will cause problems to the buyer. The housing price index graph below shows the Figure 1.1. It shows housing index in Malaysia increased to 5.50 percent in the fourth quarter of 2016 from 5.30 percent in the third quarter of 2016. Housing Index in Malaysia averaged 4.07 percent from 1997 until 2016, reaching an all time high of 44.50 percent in the first quarter of 2000 and a record low of -39.20 percent in the third quarter of 1998.

![Malaysia House Price Index](source: Trading Economics, 2017)

Definitely everyone have their own dream to have their own home, especially those who are married. Cost of houses involved such as property placed by the developers of the houses are built high and may be too expensive for individual low and middle income. For the citizens of Kuala Lumpur and the Klang Valley, home prices rising, reaching millions of ringgit, a common situation. Due to the high price of up unit single story terrace houses had already reached RM300,000 to RM400,000 a unit, most of them...