



SECTORAL UPDATE:

CONSTRUCTION – RESIDENTIAL BUILDINGS

ECONOMIC RESEARCH

MAY 2025

STELLAR GROWTH: RESIDENTIAL BUILDING CONSTRUCTION GDP SURGED IN 2024

- In 2024, **construction of residential buildings recorded a sharp increase, achieving a double-digit year-on-year (y-o-y) growth rate of 18.8%**, following a mild recovery in 2023. This marked a significant turnaround after consistently reporting negative growth since 2018. This segment accounted for 0.8% of the total Gross Domestic Product (GDP) during the year, valued at RM13.5 billion.
- On a yearly basis, **residential building construction was the most affected sub-sector during the pandemic era**, taking several years to recover before finally registering positive growth in 2023.

GDP sector / sub-sectors	% Share of GDP (as of 2024)	Sectoral Performance heat map (YoY,%) - Annual							
		2017	2018	2019	2020	2021	2022	2023	2024
Construction - Residential buildings	0.8	2.7	-6.9	-2.9	-16.5	-12.4	-1.2	2.4	18.8
Construction - Non-residential buildings	0.9	2.2	-1.2	-7.6	-15.8	-1.8	17.0	-0.5	14.0
Construction - Civil engineering	1.2	13.8	15.3	6.3	-28.1	-18.2	-0.9	14.5	16.3
Construction - Specialized construction activities	1.1	7.7	8.7	3.5	-8.9	20.7	6.5	6.5	21.0

GDP sector / sub-sectors	Sectoral Performance heat map (YoY,%) - Quarter																				
	4Q 19	1Q 20	2Q 20	3Q 20	4Q 20	1Q 21	2Q 21	3Q 21	4Q 21	1Q 22	2Q 22	3Q 22	4Q 22	1Q 23	2Q 23	3Q 23	4Q 23	1Q 24	2Q 24	3Q 24	4Q 24
Construction - Residential buildings	2.4	-8.0	-37.9	-11.5	-10.7	-4.6	16.7	-27.2	-24.2	-15.2	2.8	10.0	2.7	-3.4	6.2	6.1	1.3	8.0	14.1	22.7	30.3
Construction - Non-residential buildings	-8.7	-10.6	-34.2	-14.7	-5.7	-6.0	35.6	-13.2	-11.7	5.7	14.9	35.3	15.3	6.4	2.3	-4.6	-4.9	1.6	2.8	28.1	23.9
Construction - Civil engineering	7.0	-5.2	-59.6	-16.9	-33.1	-29.1	50.1	-36.0	-18.9	-16.7	-8.6	9.4	17.5	16.0	10.1	14.7	16.9	23.5	23.6	10.7	9.1
Construction - Specialized construction activities	4.8	-10.5	-32.6	0.0	9.5	17.1	58.6	9.1	9.2	7.2	3.8	10.6	4.5	8.7	6.3	10.5	0.8	11.4	27.0	21.7	23.6

Sources: DOSM, BIMB

Note: GDP is the monetary value of all finished goods and services produced within a country during a specific period.

HOWEVER, THE SUB-SECTOR REMAINED BELOW PRE-PANDEMIC LEVELS

- Despite recording double digit annual growth in 2024, the **GDP performance of residential building construction remained below the pre-pandemic levels** (-12.0%; 2019: RM15.4 billion), in contrast with the rebound observed in non-residential buildings (+9.8%; RM14.2 billion).
- Notably, the specialized construction activities segment rebounded swiftly after the pandemic, recording a 9.9% increase in 2021 compared to 2019, and continued its upward trajectory through 2024 with a solid increase of 50.9%. In contrast, the GDP for civil engineering construction has yet to recover, still trailing 22.5% below pre-pandemic levels.

GDP sector / sub-sectors	% Share of GDP (as of 2024)	Real GDP, Value (RM billion)		Growth against 2019				
		2019	2024	2020	2021	2022	2023	2024
Construction - Residential buildings	0.8	15.4	13.5	-16.5	-26.9	-27.7	-25.9	-12.0
Construction - Non-residential buildings	0.9	14.2	15.6	-15.8	-17.3	-3.3	-3.7	9.8
Construction - Civil engineering	1.2	24.8	19.3	-28.1	-41.2	-41.8	-33.3	-22.5
Construction - Specialized construction activities	1.1	12.1	18.2	-8.9	9.9	17.1	24.7	50.9

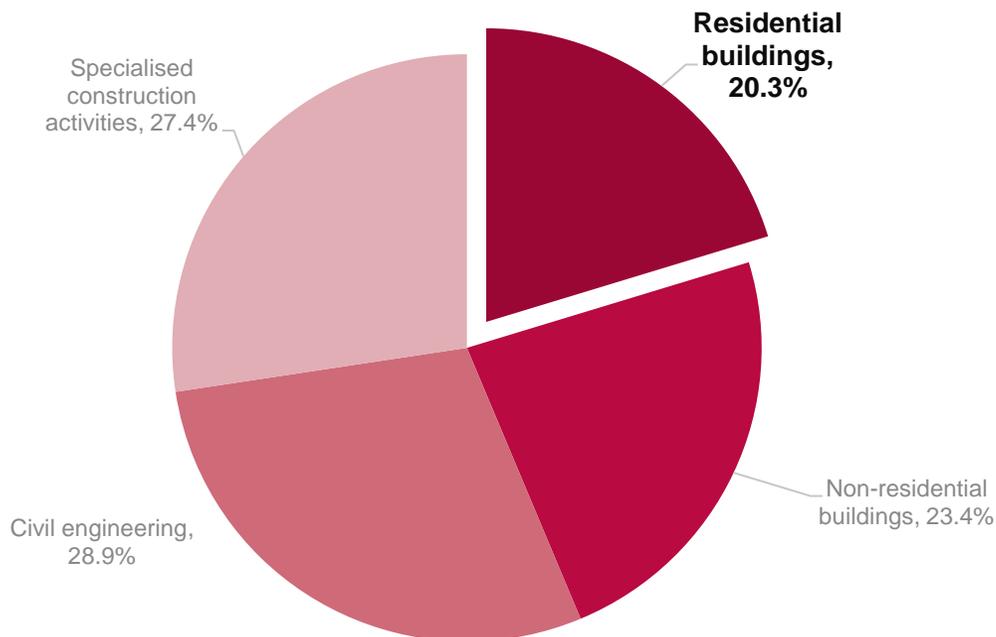
GDP sector / sub-sectors	Growth against 4Q2019																			
	1Q 20	2Q 20	3Q 20	4Q 20	1Q 21	2Q 21	3Q 21	4Q 21	1Q 22	2Q 22	3Q 22	4Q 22	1Q 23	2Q 23	3Q 23	4Q 23	1Q 24	2Q 24	3Q 24	4Q 24
Construction - Residential buildings	-10.1	-44.8	-14.9	-10.7	-14.3	-35.6	-38.1	-32.2	-27.3	-33.8	-31.9	-30.4	-29.8	-29.7	-27.7	-29.5	-24.1	-19.7	-11.3	-8.1
Construction - Non-residential buildings	-21.3	-44.5	-28.4	-5.7	-26.0	-24.8	-37.9	-16.7	-21.8	-13.5	-16.0	-3.9	-16.8	-11.6	-19.8	-8.6	-15.4	-9.1	2.8	13.2
Construction - Civil engineering	3.4	-57.1	-1.7	-33.1	-26.6	-35.7	-37.1	-45.8	-38.9	-41.2	-31.2	-36.3	-29.1	-35.3	-21.1	-25.6	-12.4	-20.0	-12.6	-18.8
Construction - Specialized construction activities	-6.5	-26.8	3.3	9.5	9.6	16.1	12.8	19.6	17.4	20.5	24.8	25.0	27.6	28.1	37.8	26.0	42.2	62.8	67.8	55.8

Sources: DOSM, BIMB

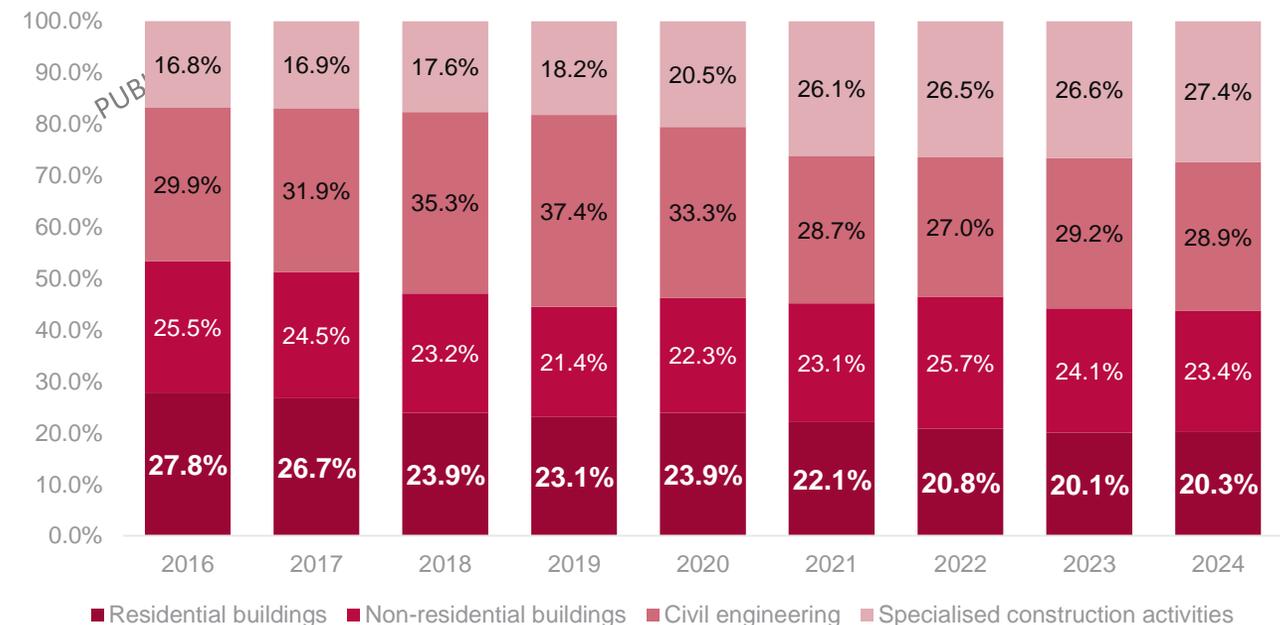
RESIDENTIAL BUILDING'S SHARE OF CONSTRUCTION GDP HAS BEEN DECLINING

- Residential building contributed **20.3% to the total construction sector's GDP in 2024**; the smallest share among all segments.
- Its percentage share has been on a declining trend over the years, **dropping by 7.5% percentage points (ppt) from 27.8% back in 2016**.
- In contrast, the GDP share from specialized construction activities - such as electrical works, plumbing, and other technical installations – has grown consistently, particularly in 2021 when the share surged by 5.6% ppt to 26.1% within a year, making it the second-largest segment after civil engineering.
- These statistics suggest a **growing emphasis on infrastructure development within the nation's construction sector, gradually taking precedence over residential building projects**.
- While tabling the Budget 2025, the Prime Minister stated, "The country's development will focus on projects that benefit the people and infrastructure that supports industrial areas based on state priorities". This includes essential infrastructure like clean water, electricity, roads and schools.

GDP of Construction by Sub-sector - % Share, 2024



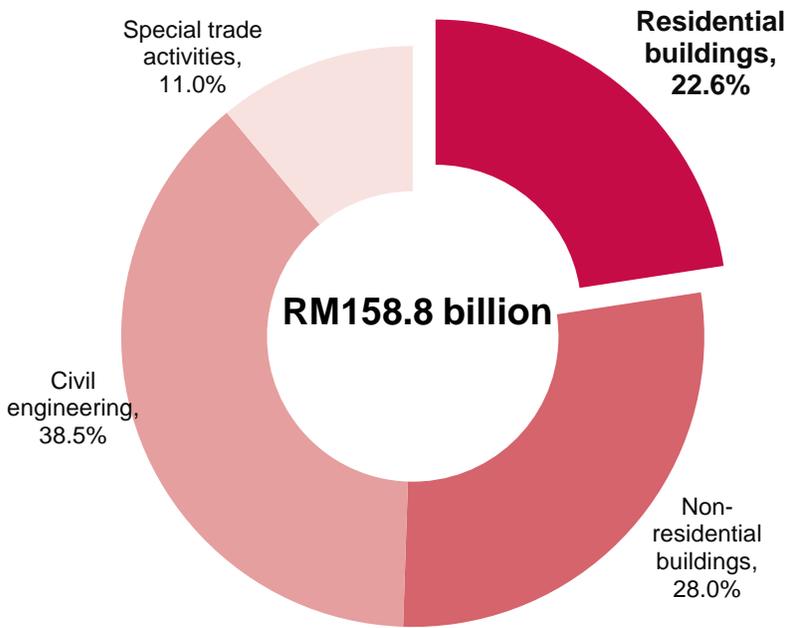
GDP of Construction by Sub-sector - % Share, 2016-2024



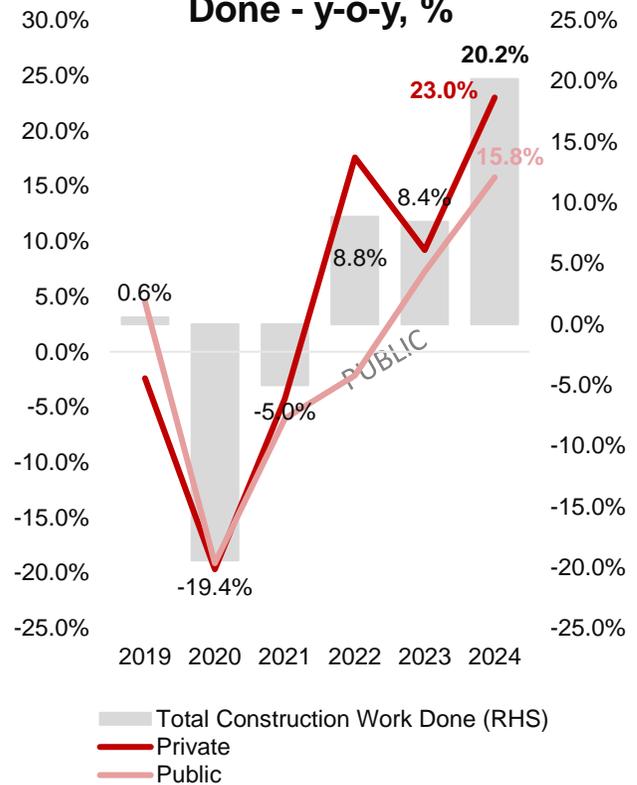
Sources: DOSM, BIMB

VALUE OF CONSTRUCTION WORK DONE BY SUB-SECTOR AND PROJECT OWNER, 2024

Percentage Share Value of Work Done by Sub-sector, 2024

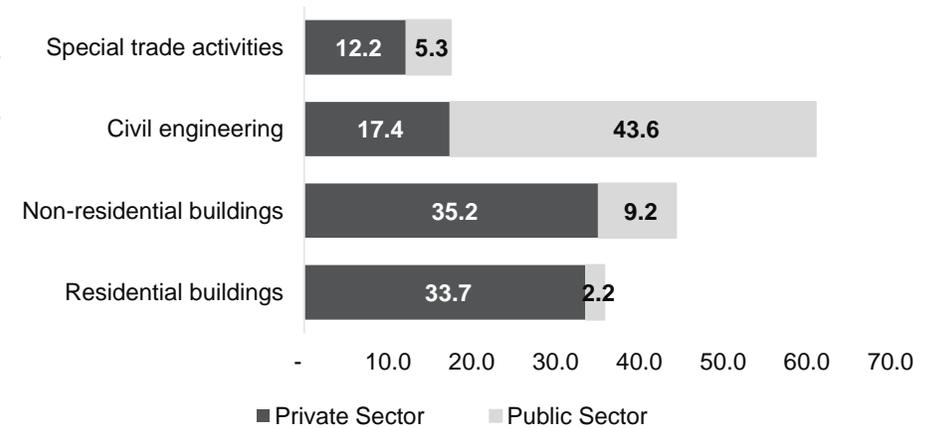


Total Construction Work Done - y-o-y, %



- The value of work done in the Construction sector reached RM158.8 billion in 2024, reflecting a significant increase of 20.2% y-o-y, up from 8.4% registered in 2023.
- The sharp increase was supported by a broad-based expansion in all sub-sectors. Civil engineering construction contributed 6.8 percentage point (ppt) to the overall growth, followed by residential (5.3 ppt), non-residential (4.5 ppt) and special trades (3.5 ppt).
- By value of work done for 2024, residential buildings held 22.6% share, valued at RM35.8 billion.

Value of Work Done by Project Owner and Sub-sector, 2024 (RM billion)

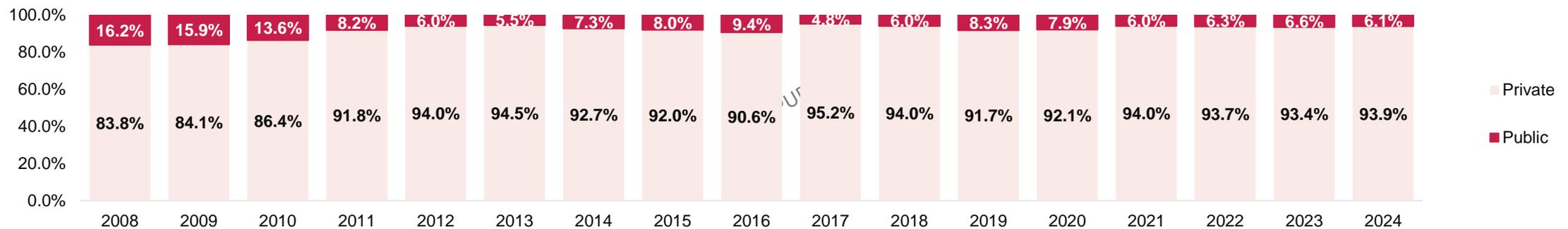


Sources: DOSM, BIMB

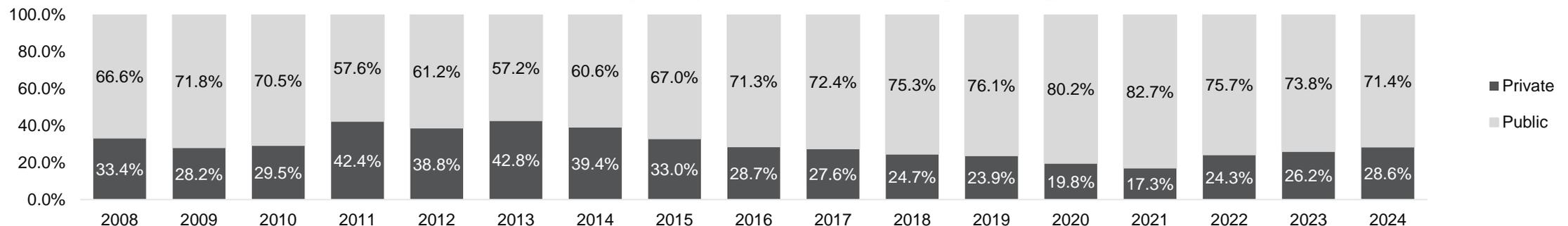
THE PRIVATE SECTOR WAS THE MAIN DEVELOPER OF RESIDENTIAL BUILDINGS

- By project owner, **more than 90% of construction work for residential building was carried out by the private sector**, while the remaining portion was handled by the public sector, including government entities and public corporations. The public sector's share in residential building construction was 16.2% in 2008, but this share has gradually declined over the years, reaching only 6.1% in 2024.
- While the private sector plays a significant role in residential construction, particularly in the high-end housing sector, affordable housing programs, such as the 1Malaysia People's Housing Program (PR1MA), have largely been public sector-driven with some private sector participation.
- Meanwhile, **the public sector primarily dominates civil engineering**, including the construction of roads, highways, railways, bridges, utilities projects etc., **accounting for more than 70% of the total share in construction work for this segment.**

Construction Work Done by Project Owner: Residential – Share, 2008-2024

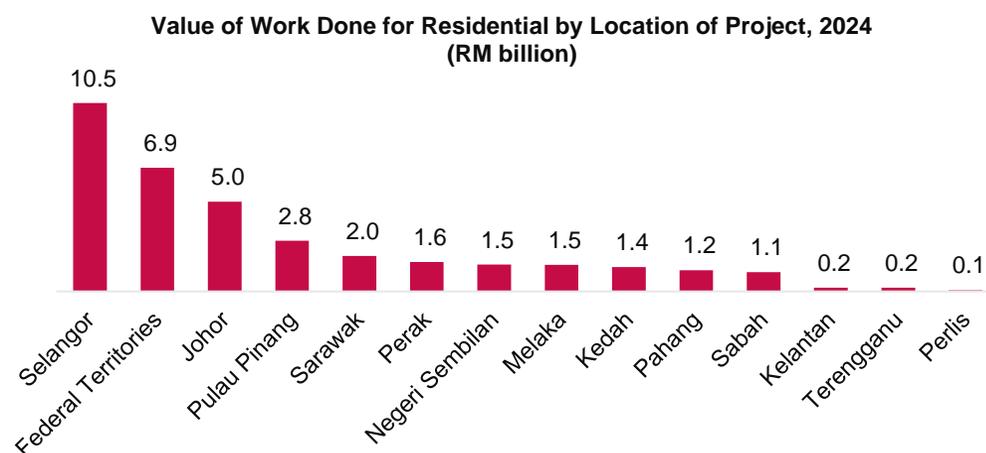
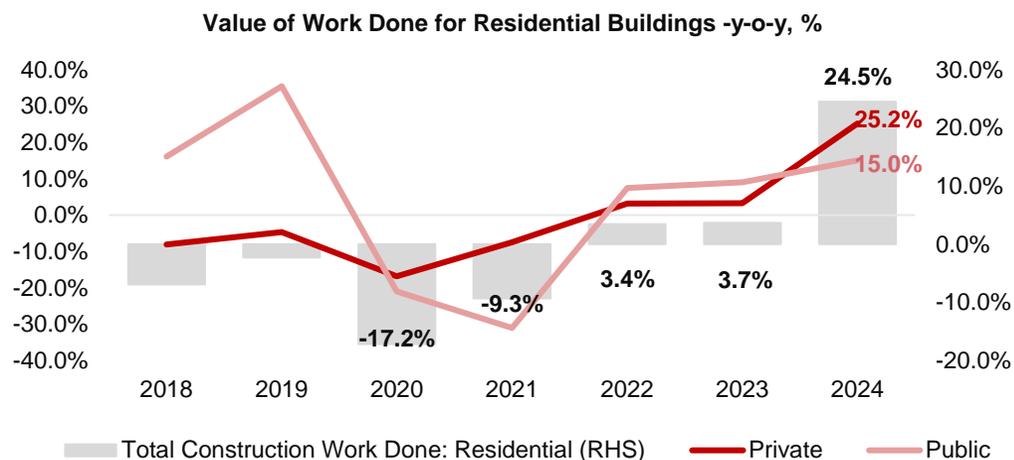


Construction Work Done by Project Owner: Civil Engineering – Share, 2008-2024



THE VALUE OF WORK DONE FOR RESIDENTIAL BUILDINGS ACCELERATED FURTHER

Remarks



- In 2024, the **total value work done for residential buildings increased sharply by 24.5% y-o-y to RM35.8 billion**, driven by both the private sector (RM33.7 billion) and public sector (RM2.2 billion).
- A significant increase was recorded by the private sector, which surged by 25.2%, a sharp jump from the 3.3% growth registered in 2023. At the same time, residential construction work done by the public sector also improved notably, rising by 15.0% y-o-y (2023: 9.0%).
- This sharp growth may have been supported by strong housing demand, driven by **urbanization trends, a growing numbers of young homebuyers, stable interest rate** and **government incentives** that encouraging homeownership.
- The ongoing migration to urban centers such as Kuala Lumpur, Selangor, Johor Bahru and Pulau Pinang has fueled rising demand for housing in these areas.
- This trend is supported by the statistics, which shows the value of work done for residential projects based on location. **Selangor recorded the highest value, followed by the Federal Territories, Johor and Pulau Pinang.**
- Additionally, **ongoing infrastructure developments** - such as the expansion of the Mass Rapid Transit (MRT) lines and the Johor-Singapore Special Economic Zone (JS-SEZ) - have **positively impacted residential construction** by improving connectivity and boosting property values.

Sources: DOSM, CEIC Data, BIMB

RESIDENTIAL CONSTRUCTION TRENDS AS A PREDICTOR OF HOUSING MARKET HEALTH



Sources: BIMB, Various sources

- Residential construction and the housing market are undeniably closely linked. Growth in residential construction usually signals confidence in the housing sector, as developers tend to initiate projects when they expect strong demand. Therefore, increased construction activity often reflects optimism about future market conditions.
- An increase in housing demand prompts developers to initiate new construction projects, including those mandated by the government such as affordable housing initiatives. Government programs like the Malaysia My Second Home (MM2H) program and various affordable housing schemes further support residential development.
- Private developers involved in new housing developments are required by the government to allocate 30% of their project for affordable housing. These policies are part of Malaysia's broader strategy to address the housing needs of its citizens, particularly the middle and lower-income groups. Under the 12th Malaysia Plan (12MP), the government aims to increase the supply of affordable homes, with a target of 500,000 units. Supporting initiatives such as the Housing Credit Guarantee Scheme (HCGS) and stamp duty exemptions for properties priced below RM500,000 are designed to assist first-time homebuyers.
- However, a lag effect is common in the construction sector, as projects often take several years to complete. Consequently, current construction activity may be more indicative of past demand than a reliable signal of future market trends.
- Overall, residential construction trends serve as a strong indicator of housing market health, reflecting developers' expectations about future conditions. However, these trends often lag behind real-time market shifts due to the long timelines of construction projects. Additionally, changes in government housing policies can significantly influence the housing market's future trajectory.

RESIDENTIAL PROPERTY MARKET SUMMARY 2024

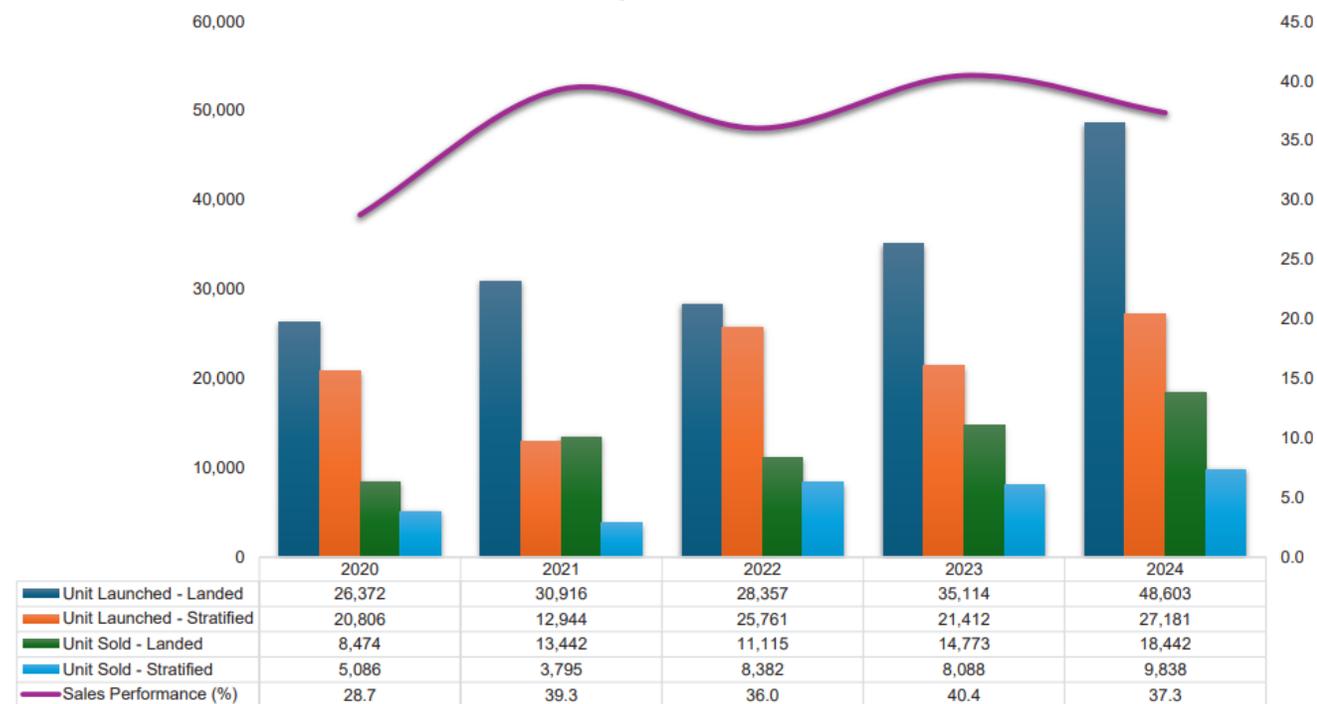
Residential Property

State	New Launches		Overhang		Unsold			
	Units	Units	Value (RM Mil)	Under Construction		Not Constructed		
				Units	Value (RM Mil)	Units	Value (RM Mil)	
WP Kuala Lumpur	7,840	4,234	3,377.50	5,137	3,518.80	2,360	1,492.71	
WP Putrajaya	0	352	306.06	18	24.95	0	0.00	
WP Labuan	0	41	13.41	93	65.29	0	0.00	
Selangor	14,862	2,075	1,594.17	8,607	5,518.44	1,746	822.36	
Johor	14,147	2,964	2,485.39	6,245	4,198.12	834	484.44	
Pulau Pinang	6,381	2,796	2,087.63	7,723	3,383.49	194	93.12	
Perak	6,970	2,844	855.30	9,030	2,771.62	249	76.50	
Negeri Sembilan	6,226	1,623	598.69	2,507	1,175.43	1,011	327.13	
Melaka	5,751	605	194.58	3,970	1,441.81	138	50.36	
Kedah	2,218	701	254.04	1,808	666.56	197	75.14	
Pahang	4,624	1,267	478.12	2,517	853.24	191	82.31	
Terengganu	328	173	61.99	741	178.71	0	0.00	
Kelantan	934	393	117.85	3,379	1,006.73	16	4.47	
Perlis	206	45	11.89	269	104.77	0	0.00	
Sabah	2,743	1,524	754.52	4,727	2,928.30	756	317.43	
Sarawak	2,554	1,512	743.98	4,163	1,961.07	582	324.83	
MALAYSIA	75,784	23,149	13,935.10	60,934	29,797.33	8,274	4,150.80	

Sources: NAPIC

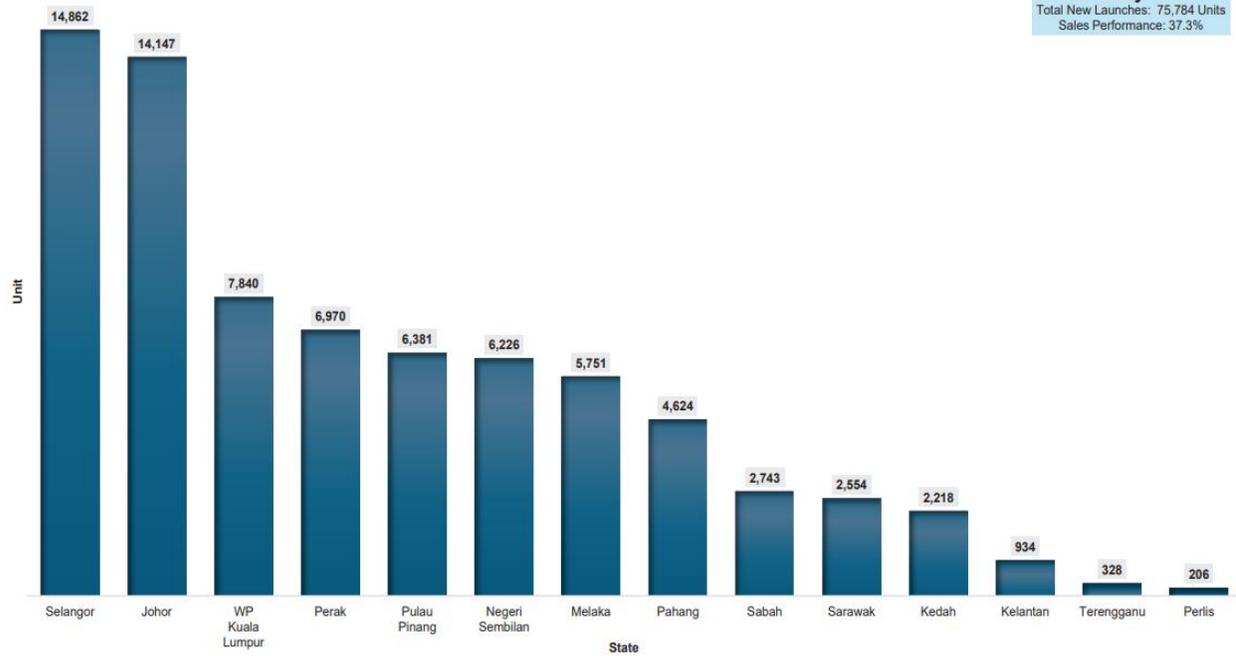
- In 2024, an impressive 34.1% increase in new launches of residential property was recorded, bringing the total to 75,784 units, up from 56,526 units in 2023.
- Despite this growth, sales performance slightly eased to 37.3%, compared to 40.4% the year before.
- Of the total new launches, landed properties comprised 64.1% or 48,603 units, whereas stratified properties represented 35.9%, amounting to 27,181 units.

Trend of Newly Launched Residential 2020 - 2024

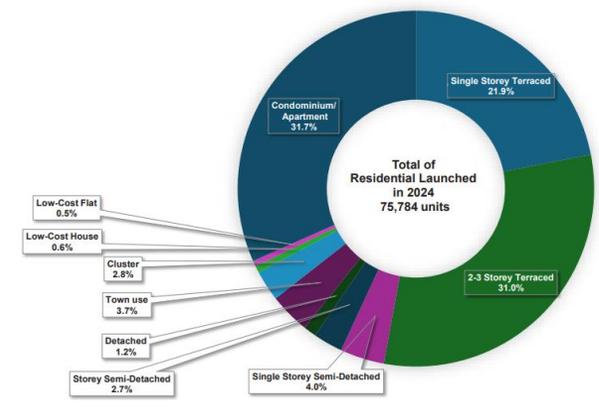


RESIDENTIAL PROPERTY MARKET SUMMARY 2024

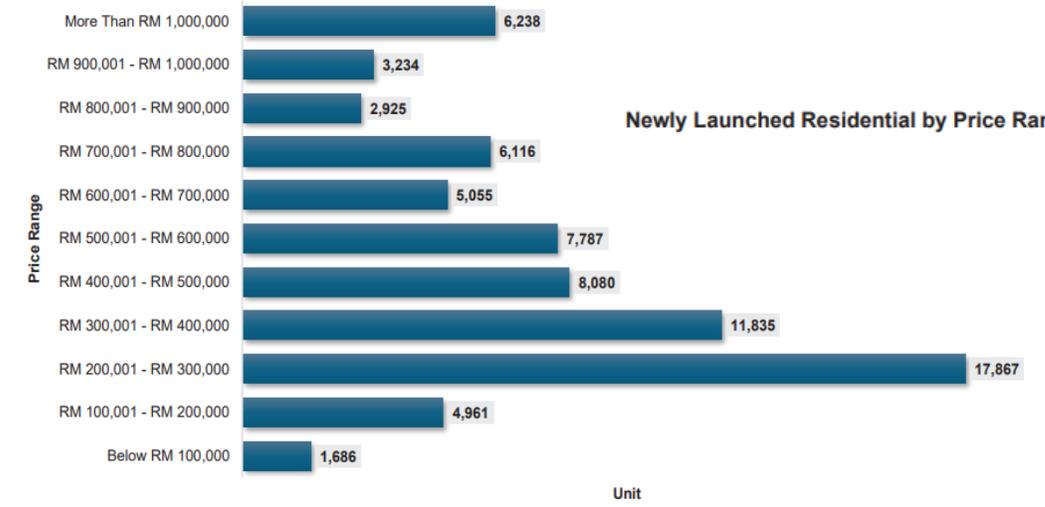
Volume of Newly Launched Residential by State 2024



Malaysia
Total New Launches: 75,784 Units
Sales Performance: 37.3%



Newly Launched Residential by Property Type 2024



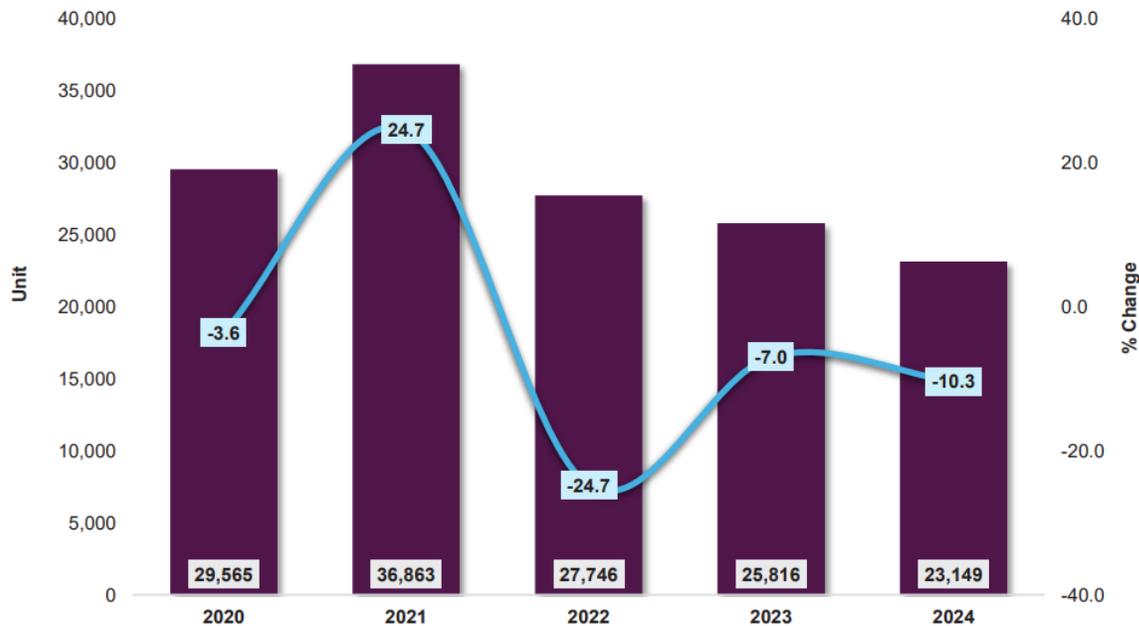
Newly Launched Residential by Price Range 2024

Sources: NAPIC

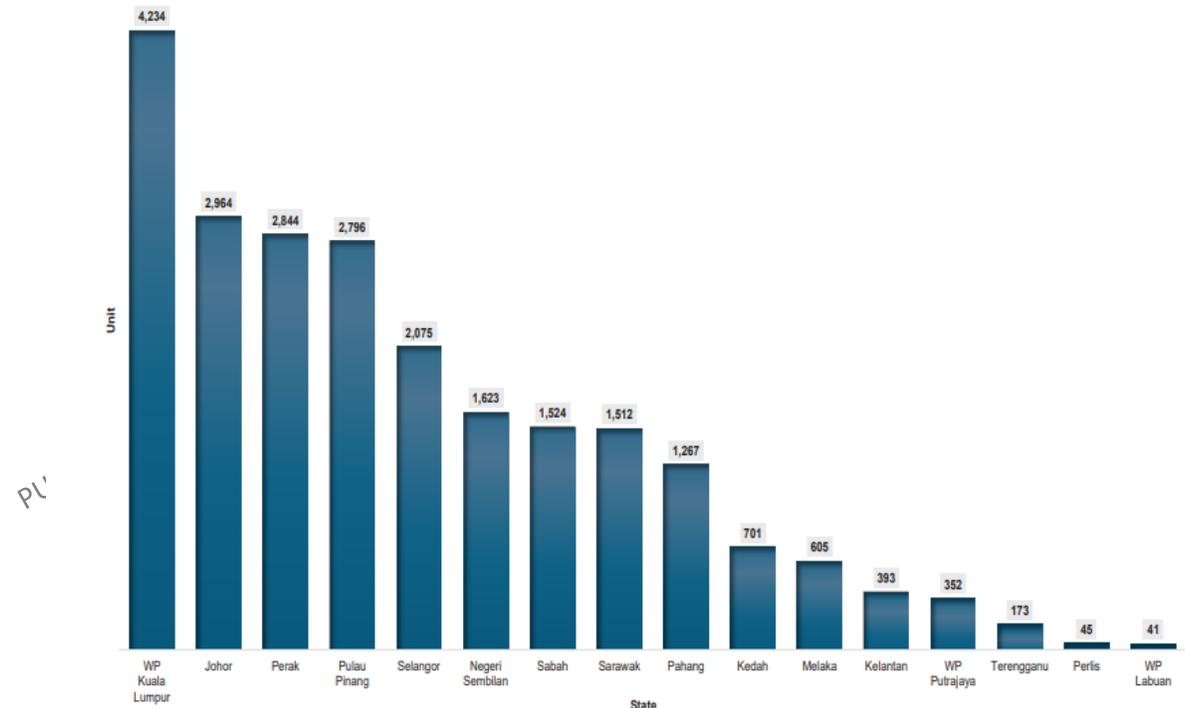
- By state, Selangor led in new launched residential property in 2024 with 14,862 units, followed closely by Johor with 14,147 units and WP Kuala Lumpur with 7,840 unit.
- Meanwhile, condominiums and apartments led the new launches, making up 31.7% of the total. The 2-3 storey terrace houses followed closely at 31.0%, while single-storey terrace houses accounted for 21.9%.
- Residential properties priced between RM200,001 and RM300,000 held the highest market share of newly launched residential at 23.6% (17,867 units), followed by 15.6% for properties priced between RM300,001 and RM400,000 (11,835 units).

RESIDENTIAL PROPERTY OVERHANG 2024

Volume of Residential Overhang 2020 – 2024



Residential Overhang by State 2024

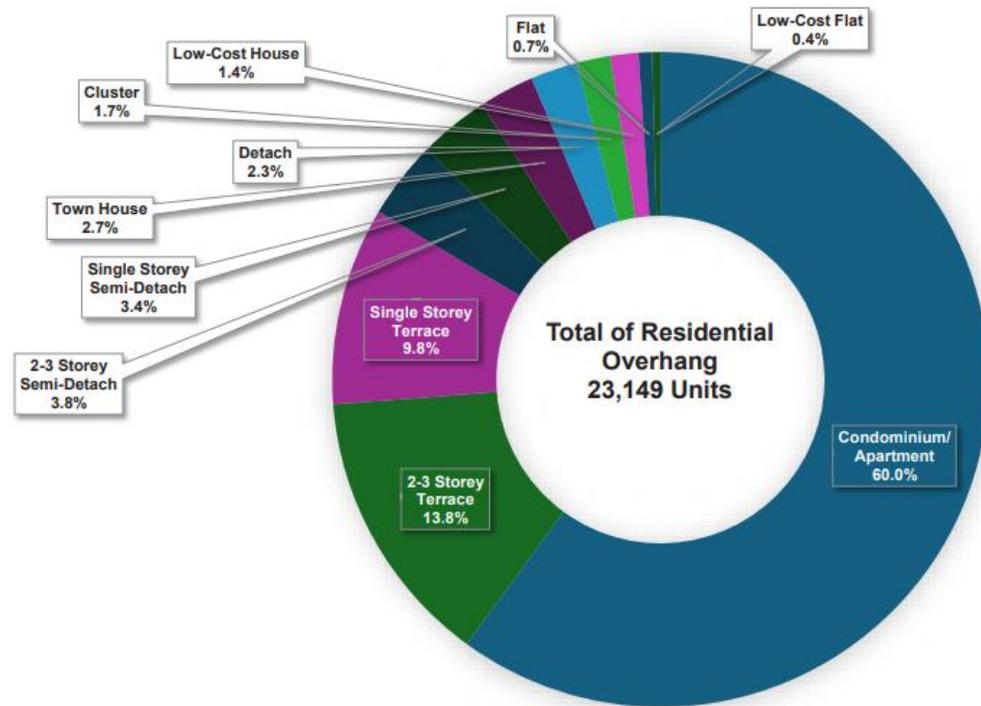


Sources: NAPIC

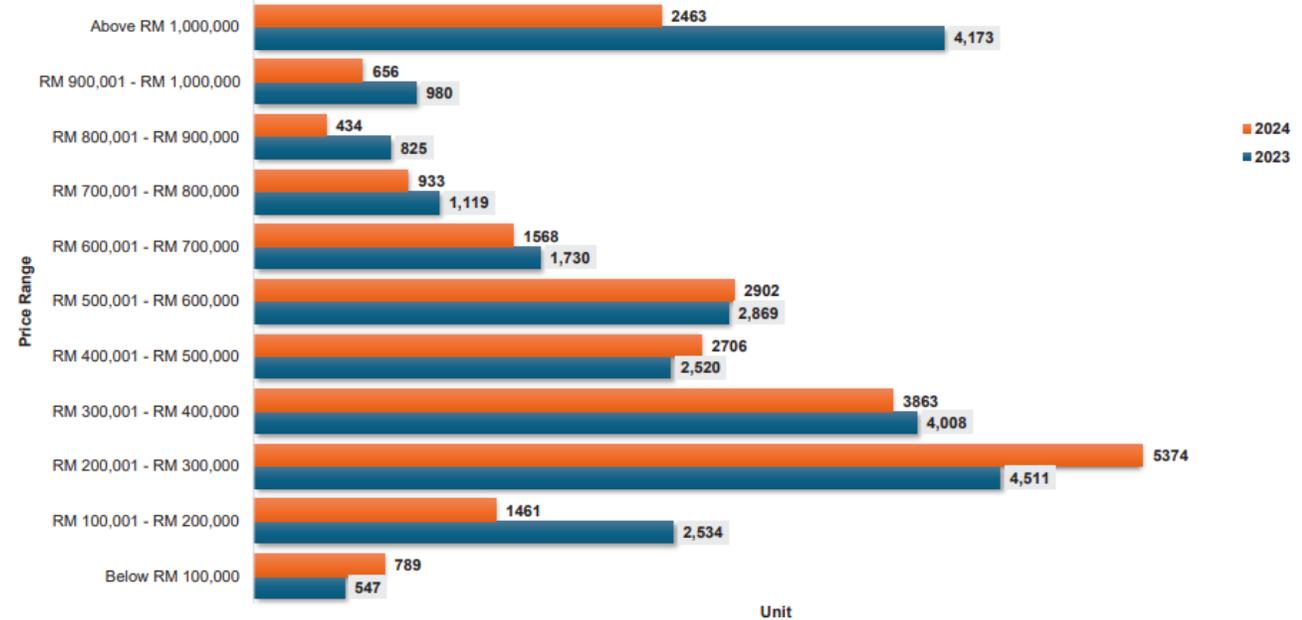
- In 2024, a total of 23,149 overhang residential units valued at RM13.94 billion were recorded, marking a decrease of 10.3% in volume and 21.2% in value compared to the previous year.
- WP Kuala Lumpur registered the highest number of overhang units, totaling 4,234 units worth RM3.38 billion. In contrast, Terengganu experienced a significant drop of 43.8% in overhang volume, declining to 173 units from 308 units in 2023.

RESIDENTIAL PROPERTY OVERHANG 2024

Residential Overhang by Property Type in 2024



Residential Overhang by Price Range 2023 & 2024



Sources: NAPIC

- Condominiums and apartments continued to dominate the residential overhang, comprising nearly two-thirds (60.5%) of the total share, followed by two-storey terraced houses at 13.8%.
- Residential units priced below RM300,000 accounted for the largest share of the overhang in 2024 at 32.9% (7,624 units), reflecting a slight increase of 0.4% from the previous year. In contrast, the number of units priced above RM1 million declined significantly by 41.0%, dropping to 2,463 units.

MOVING FORWARD: CATALYSTS THAT WILL BOOST RESIDENTIAL CONSTRUCTION



Catalyst

- Affordable Housing Schemes:** The government has actively promoted affordable housing for various income groups through initiatives like PR1MA, Rumah Mampu Milik, and Skim Rumah Pertamaku. These programs aim to make homeownership more accessible for the B40 and M40 groups.
- Johor-Singapore Special Economic Zone (JS-SEZ):** This initiative is anticipated to boost housing demand, further supported by the upcoming Johor-Singapore Rapid Transit System (RTS). The development of this economic corridor between Johor and Singapore is set to attract both local and foreign businesses. As more industrial zones and business parks emerge, residential developers are likely to construct new homes to accommodate the growing workforce and expanding business communities.
- Infrastructure Developments:** The rollout of mega infrastructure projects such as MRT3, LRT3, ECRL, and various expressways will enhance transport connectivity and accessibility. These enhancements are expected to stimulate residential development in previously underserved or less-developed regions, contributing to a more balanced and inclusive pattern of urban growth.
- National Industrial Master Plan (NIMP):** With the NIMP's goal of establishing new industrial parks across Malaysia to spur job creation in manufacturing, technology, and logistics sectors, a rise in workforce demand is anticipated. This influx of workers will likely drive demand for nearby housing, encouraging developers to prioritize residential projects in proximity to these industrial zones.

DOWNSIDE RISKS

If developers build too many homes in anticipation of strong demand, it can lead to an oversupply of properties and result in an overhang issue.

Stagnant or slow-growing salaries, coupled with a rising cost of living that weakens purchasing power and continuously escalating land prices, are making homeownership increasingly unaffordable.

The potential negative effects of a trade war, such as inflation and disruptions to global supply chains, could drive up the cost of construction materials (e.g., steel, cement, timber). This would increase overall project expenses and may potentially causing delays.

Social factors, such as demographic shifts, may change housing preferences. Increased demand for downsized properties, due to smaller family size compared to larger homes, could shift demand away from traditional residential construction.

The digital nomad lifestyle of the new generation may reduce demand for homeownership, as they would prefer renting over owning a house. This could lead to an oversupply of residential units.

Tight mortgage policies or rising interest rates can reduce buyers' ability to purchase new homes.

Climate change and natural disasters (such as heavy flood, landslides, earthquake etc.) can increase construction risks, raise insurance costs and cause property damage, making housing areas less attractive to buyers.

SUMMARY

- In 2024, the GDP for residential construction rebounded with 18.8% y-o-y growth, following a mild recovery in 2023, marking the end of negative growth trend that began in 2018. Despite this strong annual recovery on annual basis, the sub-sector's GDP remained 12.0% below 2019 levels. It was also the most affected sub-sector during the pandemic era, taking several years to recover. Additionally, residential buildings contributed only 20.3% to construction sector's GDP in 2024, the smallest share among all segments with a declining trend over the years. This suggests the country is increasingly prioritizing infrastructure development over residential building projects.
- In terms of value of work done, residential buildings rose sharply by 24.5% y-o-y to RM35.8 billion in 2024, contributing 5.3 percentage points to the overall construction growth of 20.2%. By project ownership, the private sector was the main developer of residential building, accounting over 90% of residential construction work, while the remaining portion was carried out by the public sector.
- This significant increase may have been driven by strong housing demand stemming from urbanization trends, a rising numbers of young homebuyers, stable interest rates, and government incentives promoting homeownership. Additionally, ongoing infrastructure development have also positively impacted residential construction.
- Looking ahead, key catalysts expected to support residential construction include the continuation government-led affordable housing schemes, the Johor-Singapore Special Economic Zone (JS-SEZ) which is expected to boost housing demand in the region, and major infrastructure developments such as MRT3, LRT3, ECRL, RTS, and several highway projects. Furthermore, the National Industrial Master Plan (NIMP) is expected to create jobs in new industrial parks, increasing demand for nearby residential properties.
- Nevertheless, several challenges and downside risks remain, including potential oversupply leading to property overhang, unaffordability due to stagnant wage growth, rising land prices, tight mortgage policies, and inflation in construction material costs. Additionally, changing demographics, growing preference for renting, and the rise of the digital nomad lifestyle may reduce traditional homeownership demand. Environmental and climate-related risks such as floods and landslides may also make certain areas less attractive to buyers.

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Thank You