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Dynamic Construction Activities Indicate Positive Market Trends for Q3 2024



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Introduction

The property development process generally unfolds in three key stages: Planning, Construction, and Completion. The planning stage is evaluated based on the approval of building plans, known as New Plan Supply. The next stage involves the initiation of construction which is referred to as the Start phase, and the final stage indicates the project's completion, termed the Completion phase.

Active construction activities are often indicative of favourable market conditions within the property sectors. This phenomenon arises from a delicate balance of various factors that reflect broader economic trends and societal needs. One primary reason for the increase in construction is the elevated demand for residential, commercial, and industrial properties. This demand is largely driven by population growth, which can occur through natural increases or migration, necessitating more housing and commercial spaces. Urban areas face significant pressure to accommodate new residents, resulting in heightened construction efforts.

Trend Of Construction Activities

The construction sector demonstrated remarkable activity in the third quarter of 2024, marked by a substantial rise in development across various categories. The residential subsector has seen the commencement of 32,233 new units, an increase from 25,259 units during the same timeframe last year. Additionally, the number of completed units and newly planned supply has risen, reaching 23,749 and 32,103 units, respectively.

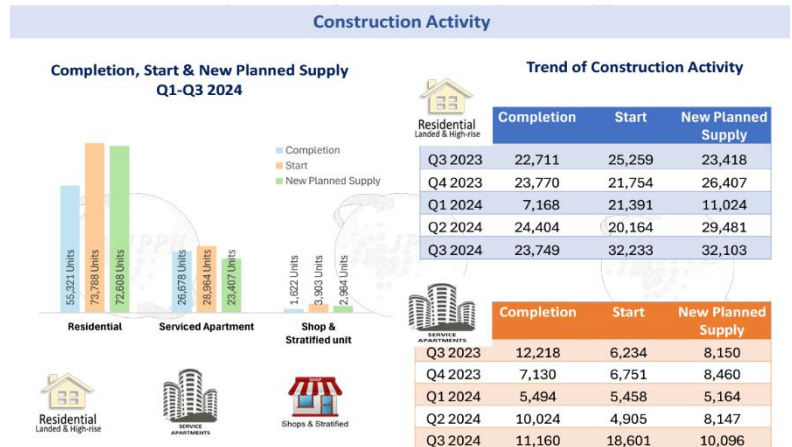


Table 1: Snapshot of Construction Activity Q3

In the service apartment subsector, project initiations (start) have surged by over 100% compared to the third quarter of 2023, totalling 18,601 units, while new planned supply has increased by more than 23 per cent to 10,096 units during the same period last year.

A rise in construction usually indicates strong demand for the properties. This trend may be driven by several factors: a robust economy that boosts real estate investments, heightened investor confidence prompting developers to allocate resources, urban expansion requiring more infrastructure, and government policies that promote construction through incentives or eased regulations.

Residential Newly Launches

The increase in construction activities for residential properties

In line with the positive sign of construction activities, the launch of new residential units has been particularly encouraging, with 13,708 units introduced in the third quarter of 2024, achieving a sales performance rate of 22%. More than 70% of the launched properties are landed units, while the remainder consists of high-rise units.

However, in terms of sales performance, high-rise residential units have demonstrated superior sales, achieving approximately 28.6% compared to 19.2% for landed properties.

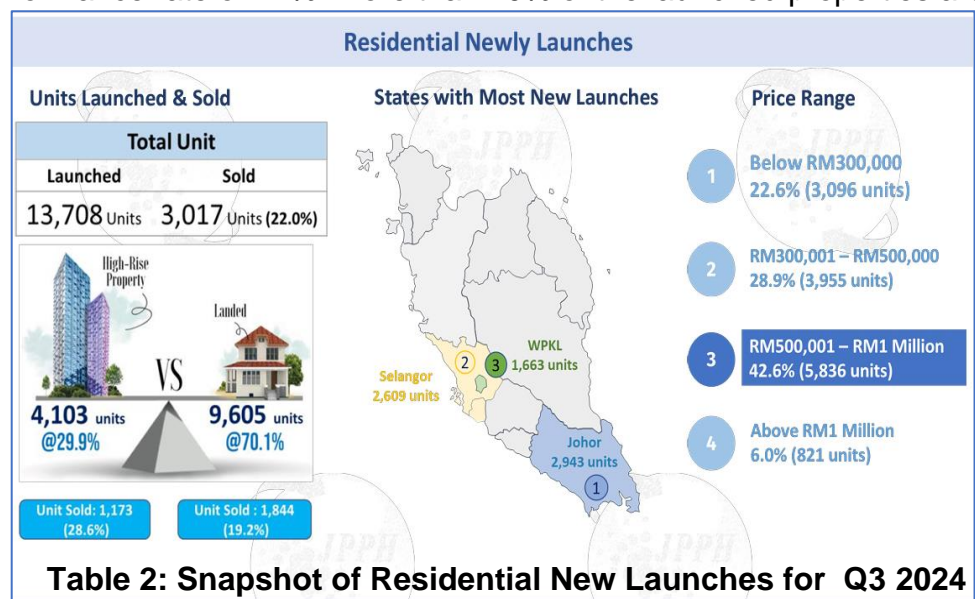


Table 2: Snapshot of Residential New Launches for Q3 2024

Johor, Selangor, and WP Kuala Lumpur are the most dynamic states for new residential launches, with Johor in a leading position. The third quarter saw residential prices between RM500,000 and RM1 million dominating the launches, accounting for about 42.6% of the total units launched. The residential market is experiencing a notable number of new launches; however, the overall sales performance indicates challenges ahead.

Conclusion

Booming construction activities reflect strong investor confidence, bolstered by market stability. New projects signal developers' trust in the market's reliability and profit potential, attracting further investments and fostering a positive cycle of construction. Investors are more inclined to back initiatives when they perceive low market risk. A robust pipeline of projects indicates thorough market assessments by developers, enhancing overall trust in the sector.

The dynamic construction activities observed in Q3 2024 serve as a strong indicator of a positive trend in the property market. As developers ramp up their projects and new buildings rise on the skyline, it reflects an increasing confidence in the real estate sector. The surge in construction not only highlights the demand for residential and commercial space but also suggests that investors are optimistic about future returns. This revitalized construction momentum is often driven by various factors, including urbanization, population growth, and favourable governmental policies aimed at.

Furthermore, the proactive approach of developers in launching new projects often aligns with demographic trends, such as a growing preference for urban living and eco-friendly designs. This alignment not only meets the current demands of prospective homeowners and tenants but also positions the market favourably for the long term.