Malaysia Property

On stable ground

Industry Focus | **30 December 2025**

- **Resilient domestic demand to underpin 2026 property sector growth momentum**
- **Robust labour market and income-related policy measures to sustain steady demand**
- **Supply overhang remains under control**

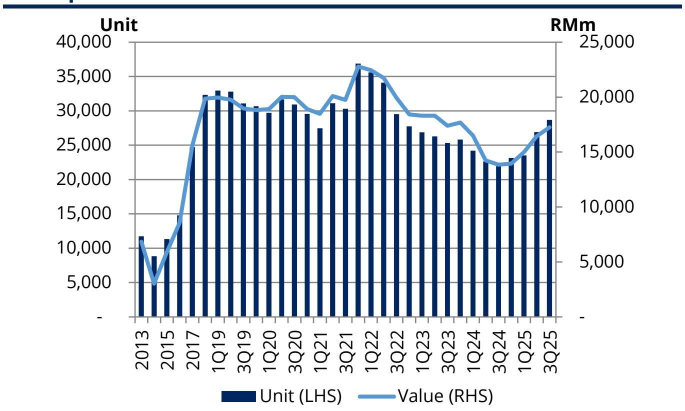
Analyst
QUAH He Wei, CFA +603 2604 3966
hewei@alliancedbs.com

Steady growth. Malaysia's 3Q25 property sector demonstrated healthy growth momentum (+10% q-o-q, -3% y-o-y) despite elevated tariff-induced economic slowdown concerns during the quarter. This is in line with the stronger-than-expected 3Q25 GDP growth of 5.2% y-o-y, thanks to the robust domestic demand and positive net exports. Notably, the commercial and industrial properties segments were the standout performer, registering a robust 13% and 11% q-o-q increase respectively in 3Q25 transactions as record-high approved investments in 2021-2024 continue to be implemented. We believe the overall property market will continue to exhibit resilient underlying strength in 2026, in tandem with stable household spending and investment activities.

Supportive Budget 2026 as it continues to promote housing affordability with financial/tax incentives which will in turn help sustain resilient property demand. Specifically, the government will double the financing guarantee for first-time homebuyers to RM20bn from RM10bn to enable more gig workers and self-employed individuals to own homes and extend the full exemption of stamp duty on first home below RM500k until 2027. Furthermore, the proposed increase in financial assistance in 2026 under Sumbangan Tunai Rahmah and Sumbangan Asas Rumah programs to RM15bn from RM13bn as well as the 7% salary increase for civil servants under Phase 2 of the Public Service Remuneration System are expected to contribute to a healthy housing demand in 2026.

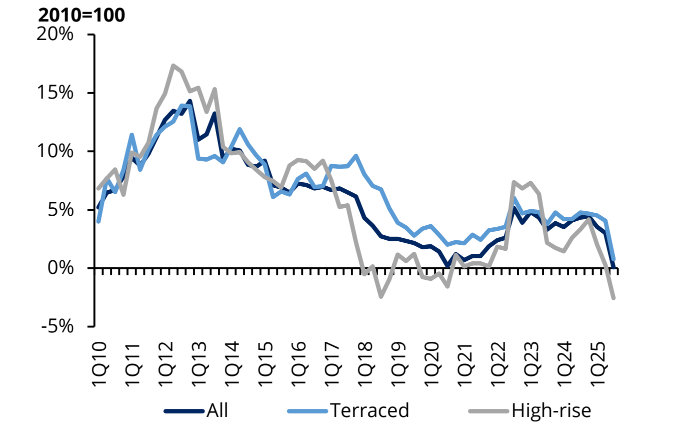
Overhang concerns. 3Q25 overhang for residential and high-rise properties grew by +5% q-o-q and +12% y-o-y, marking the second successive quarterly increase since the lows in 1Q25. We are not unduly worried as this largely reflects the aggressive project launches over the past three years to capture the long-overdue sector recovery since 2022. We believe this nascent uptick is not a material risk at this juncture, considering the sustained expansion in the labour market as unemployment rate dipped to a 10-year low of 3.0% in Sep 2025 with historic high labour force participation rate. Meanwhile, the proportion of unsold units to overall residential inventory remains below pre-pandemic levels, indicating healthy supply conditions.

Completed but unsold residential units



Source: AllianceDBS, NAPIC

Malaysian House Price Index (MHPI)



Source: AllianceDBS, NAPIC

Holding firm

Malaysia's economy grew 5.2% y-o-y and 2.4% q-o-q on a seasonally adjusted (SA) basis in 3Q25 (2Q25: +4.4% y-o-y; +2.2% SA q-o-q), which was in line with the better-than-expected advance estimate released earlier. This takes 9M25 GDP growth to 4.7%, on track to achieve the upper end of government's GDP growth target of 4.0%-4.8%. The strong 3Q25 GDP performance was largely attributed to the sustained expansion in domestic demand (+5.8%) and a strong turnaround in external trade (+17.7% vs -72.6% in 2Q25).

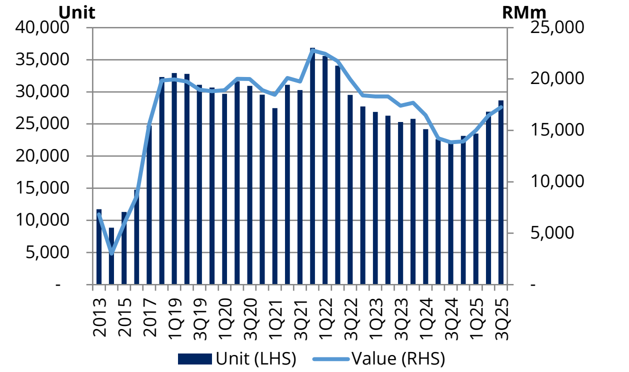
Thanks to the concerted efforts by the federal government to boost economic growth under the Madani Economy Framework, 3Q25 capital expenditure continued to sustain its growth momentum at 7.4% (2Q25: +12.1%, 1Q25: +9.7%), reflecting the positive impact arising from record-high approved investments in 2021-2024 and various government-led strategic developments under national blueprints. This sustained uptrend has continued unabated in 2025 as 9M25 approved investments rose 13% y-o-y to RM285bn. We believe the bright prospects of investment upcycle in Malaysia will continue to provide further tailwinds in the near term

In 3Q25, Malaysia's property market witnessed a positive trend as total property transactions grew by 10% y-o-y (but -3% q-o-q) to 108,250 units, recovering from a relatively weaker 1H25 (-1% y-o-y). For 9M25, total property transactions slipped by a minor 2% y-o-y, suggesting a healthy consolidation as Malaysia's property market has been experiencing consistent growth over the past three years.

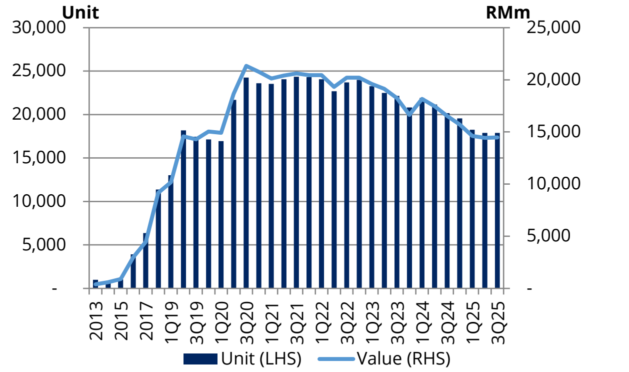
Meanwhile, Malaysia's 3Q25 house price index grew at 0.1% y-o-y, following the strong growth of 4.1% in both 2024 and 2023. We believe price growth is likely to remain on a healthy trend given the sustained growth trend in the overall economy and cost-push inflation for developers. We believe that Malaysia's property sector is experiencing a sustainable uptrend given healthy sector dynamic, driven by robust domestic demand.

3Q25 residential overhang came in at 28,672 units (+7% q-o-q, +31% y-o-y), marking the fourth successive quarterly increase since the lows in 3Q24. This largely reflects the aggressive project launches over the past three years to capture the long-overdue sector recovery since 2022. We believe this nascent uptick is not a material risk at this juncture, considering the sustained expansion in the labour market and positive wages growth.

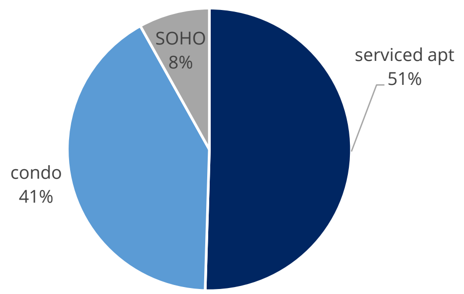
Completed but unsold residential units



Completed but unsold serviced apartments

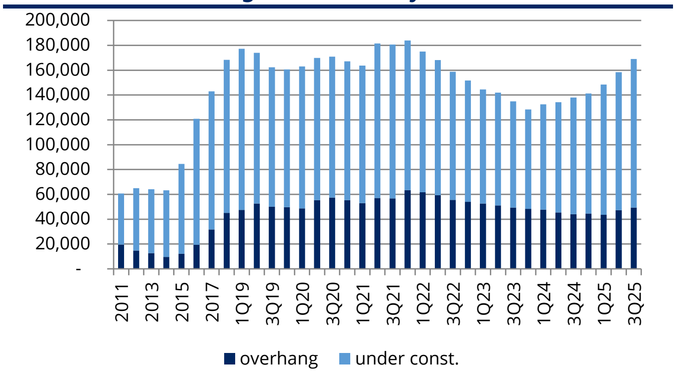


Overhang of high-rise properties in 3Q25

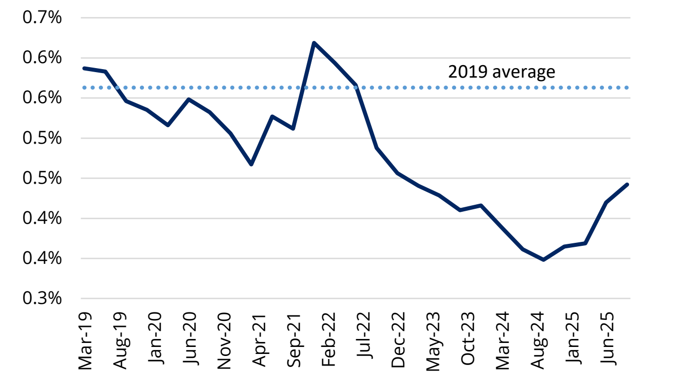


Source: AllianceDBS, NAPIC

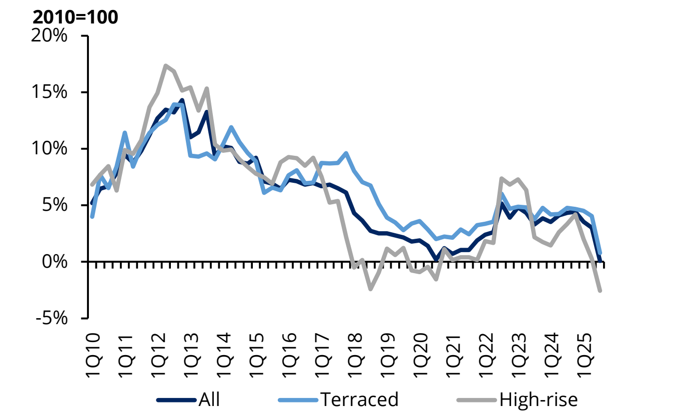
Total unsold housing units in Malaysia



Unsold residential units relative to total residential stock



Malaysian House Price Index growth trend



Source: AllianceDBS, NAPIC

For high-rise overhang, unsold completed units (inclusive of SOHO and serviced apartments) have remained at low levels as the firm domestic economy helps to absorb the unsold units. While high-rise units still account for ~72% of the total overhang, we believe this should continue to improve given the stable economic outlook.

On an aggregate basis, total unsold units have been rising over the past few quarters but we believe this is not really a major concern at this juncture. Property launches have accelerated over the past three years in tandem with the strong take-up among property buyers, resulting in higher supply in the market. Meanwhile, the proportion of unsold units to overall residential inventory remains below pre-pandemic levels, indicating healthy supply conditions.

More importantly, Malaysia's employment market has been growing steadily, and has far exceeded the pre-pandemic employment level, thanks to the growing economy. It is even more encouraging that labour participation has hit a record high of 70.9% in Sep 2025 while unemployment has dipped to a 10-year low of 3% which could partly explain the steady and resilient domestic demand. This positive development is expected to continue given our favourable demography which will further underpin the resilience of Malaysia's domestic demand.

Developers with large exposure in industrial developments are likely to benefit the most from the government's strategic pivot to push for high value-added industrialisation under various national policy blueprints. This has also helped Malaysia to position itself as an attractive investment destination to tap on the massive opportunity arising from global supply chain diversification. For instance, Malaysia has become a hotspot for data centres, thanks to its proximity to Singapore, spillover effects of the US-China trade war as well as comparatively cheaper land, water and power.

The Johor state has been the largest beneficiary of this data centres boom, with several large industrial parks such as Nusajaya Tech Park, Sedenak Tech Park and YTL Green Data Centre Park capturing billions of investments from global leading players including the likes of Microsoft, Google, ByteDance and GDS Holdings. Malaysia's industrial land has experienced a strong wave of price appreciation over the past few years, thanks to this data centre boom. In addition, the burgeoning data centre ecosystem will in turn create more demand for residential properties as more high-value employment opportunities are created.

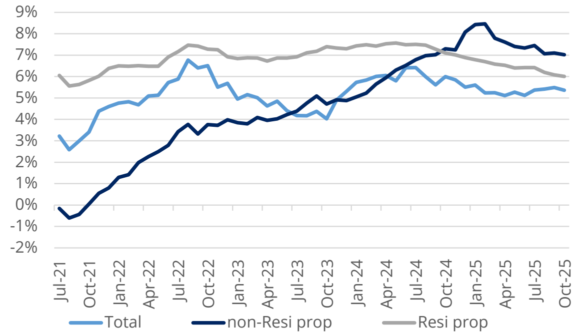
In addition, the emphasis by the government to push for the green economy agenda with its progressive policies such as the Corporate Renewable Energy Supply Scheme and Large-Scale Solar for renewable energy has also indirectly contributed to Malaysia's property sector. The rising adoption of solar energy in Malaysia, driven by its high irradiance levels, has significantly enhance the value of agricultural land that may otherwise remain idle. Therefore, it is no surprise that certain large plantation companies have also looked at venturing into the renewable energy sector.

Furthermore, Malaysia's property sector could be boosted by the major rail infrastructure projects that are in the pipeline. Several projects such as MRT3, Penang LRT, Johor LRT and KL-SG HSR are expected to see more progress in 2026 which bode well for transit-oriented developments. Taking cue from the spillover effects of the on-going JB-SG RTS, we believe Malaysia's property sector will continue to do well in the near-to-medium term as those mega rail infrastructures are developed progressively.

For 2026, the government continues to promote housing affordability with financial/tax incentives which will in turn help sustain resilient property demand. Specifically, the government will double the financing guarantee for first-time homebuyers to RM20bn from RM10bn to enable more gig workers and self-employed individuals to own homes and extend the full exemption of stamp duty on first home below RM500k until 2027. Furthermore, the proposed increase in financial assistance in 2026 under Sumbangan Tunai Rahmah and Sumbangan Asas Rumah programs to RM15bn from RM13bn as well as the 7% salary increase for civil servants under Phase 2 of the Public Service Remuneration System are expected to contribute to a healthy housing demand in 2026

Malaysia's property market is expected to improve gradually in 2026 given the healthy supply-demand dynamics. While it is true that low affordability could be a concern for homebuyers, we believe that Malaysia's property market is heading towards a sustained recovery given healthy economic growth momentum, relatively moderate interest rates and strong growth in labour force, notwithstanding the external uncertainties.

Steady non-residential loans growth



Source: AllianceDBS, BNM, CEIC

Commonly used abbreviations

Adex = advertising expenditure
bn = billion
BV = book value
CF = cash flow
CAGR = compounded annual growth rate
Capex = capital expenditure
CY = calendar year
Div yld = dividend yield
DCF = discounted cash flow
DDM = dividend discount model
DPS = dividend per share
EBIT = earnings before interest & tax
EBITDA = EBIT before depreciation and amortisation
EPS = earnings per share
EV = enterprise value
FCF = free cash flow
FV = fair value
FY = financial year
m = million
M-o-m = month-on-month
NAV = net assets value
NM = not meaningful
NTA = net tangible assets
NR = not rated
p.a. = per annum
PAT = profit after tax
PBT = profit before tax
P/B = price / book ratio
P/E = price / earnings ratio
PEG = P/E ratio to growth ratio
q-o-q = quarter-on-quarter
RM = Ringgit
ROA = return on assets
ROE = return on equity
TP = target price
trn = trillion
WACC = weighted average cost of capital
y-o-y = year-on-year
YTD = year-to-date

Published and Printed by

AllianceDBS Research Sdn Bhd (128540 U)

Level 23, Menara Alliance Bank, 159 Jalan Ampang, 50450 Kuala Lumpur, Malaysia.

Tel.: +603 2604 3915 email: general@alliancedbs.com