

# 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**

**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.

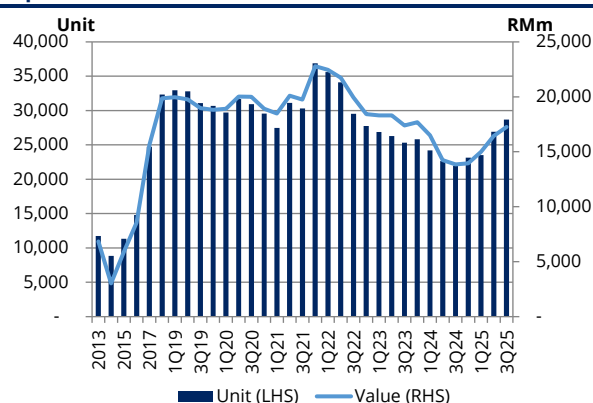
**Supportive Budget 2026** as it continues to promote housing affordability with financial/tax incentives which will in turn help sustain resilient property demand. Specifically, the government will double the financing guarantee for first-time homebuyers to RM20bn from RM10bn to enable more gig workers 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.

### Analyst

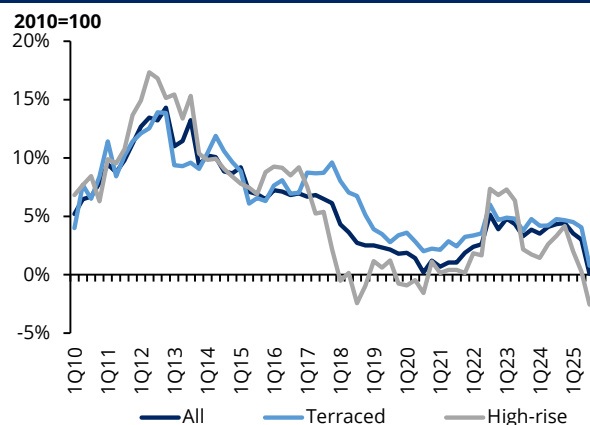
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### Completed but unsold residential units



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).

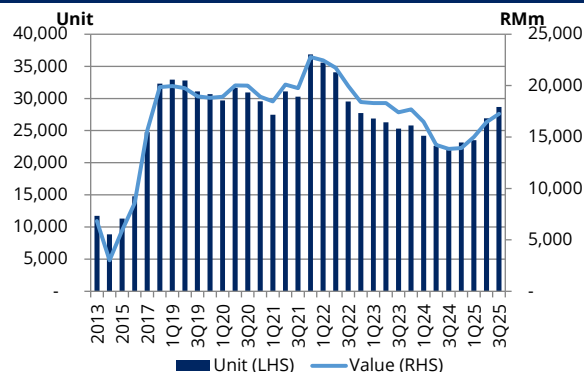
Thanks to the concerted efforts by the federal government to boost economic growth under the Madani Economy Framework, 3Q25 capital expenditure continued to sustain its growth momentum at 7.4% (2Q25: +12.1%, 1Q25: +9.7%), reflecting the positive impact arising from record-high approved investments in 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.

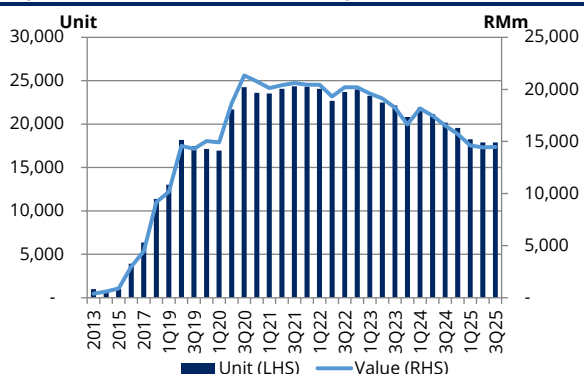
Meanwhile, Malaysia's 3Q25 house price index grew at 0.1% y-o-y, following the strong growth of 4.1% in both 2024 and 2023. We believe price growth is likely to remain on a healthy trend given the sustained growth trend in the overall economy and cost-push inflation for developers. We believe that Malaysia's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

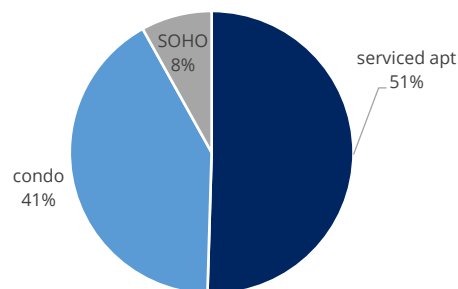
### Completed but unsold residential units



### Completed but unsold serviced apartments

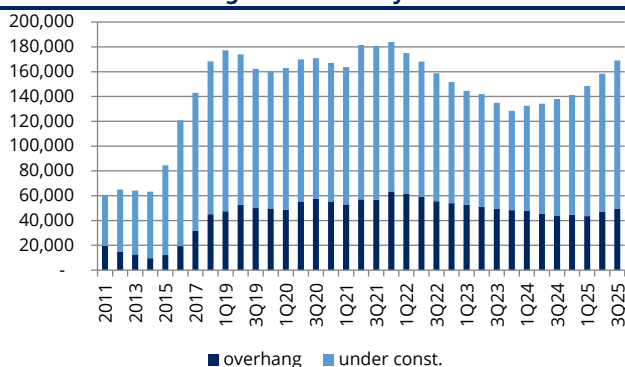


### Overhang of high-rise properties in 3Q25



Source: AllianceDBS, NAPIC

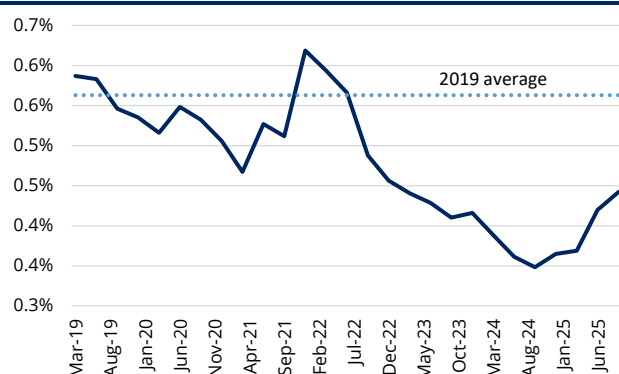
### Total unsold housing units in Malaysia



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.

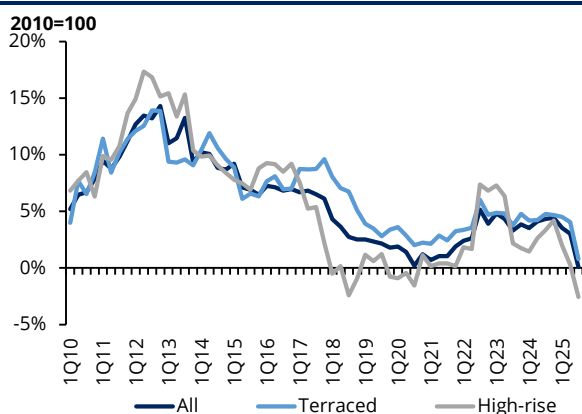
On an aggregate basis, total unsold units have been rising over the past few quarters but we believe this is not really a major concern at this juncture. Property launches have accelerated over the past three years in tandem with the strong take-up among property buyers, resulting in higher supply in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

### Unsold residential units relative to total residential stock



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.

### Malaysian House Price Index growth trend



Source: AllianceDBS, NAPIC

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.

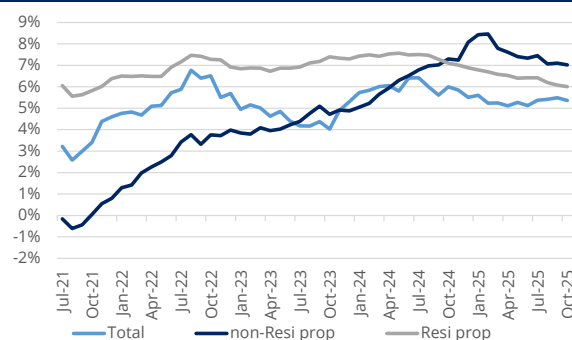
In addition, the emphasis by the government to push for the green economy agenda with its progressive policies such as the Corporate Renewable Energy Supply Scheme and Large-Scale Solar for renewable energy has also indirectly contributed to Malaysia's property sector. The rising adoption of solar energy 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**

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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

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