

# Malaysia Property

## Healthy growth momentum

Industry Focus

31 March 2026

- **Sustained domestic demand in 2026 to underpin resilient property market outlook**
- **Malaysia's economic tailwinds to more than offset external uncertainties**
- **Manageable supply overhang despite uptick**

**Closing 2025 with a bang.** Malaysia's property sector delivered its strongest performance in 4Q25, with property transactions (+3.4% q-o-q, 2% y-o-y) rising for the fourth consecutive quarter, alongside strong 4Q25 GDP growth of 6.3%. This is also corroborated by firm property loans demand as loans for residential property and non-residential property grew 5.9% and 6.4% respectively in Dec 2025, reflecting the healthy economic outlook. The shift in market sentiment from US tariff-related fear and uncertainty in 1H25 to a more upbeat tone in 2H25 clearly contributed to the sustained growth momentum for Malaysia's property market.

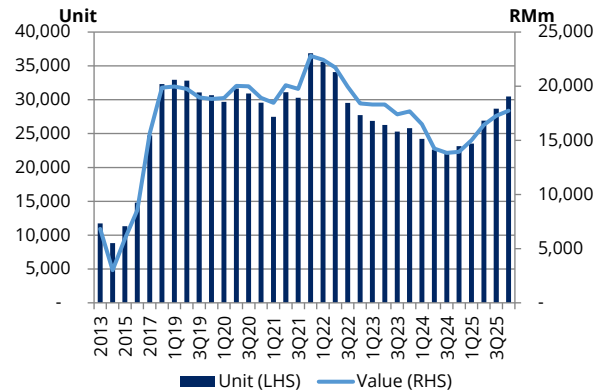
**Tailwinds from domestic economy.** Notwithstanding the escalating Middle East tensions, we believe Malaysia's property demand will remain supported by the accommodative economic landscape. Large developers have generally projected steady property sales target in 2026, indicating stable property demand. This is also evident in the 17% y-o-y climb for Jan 2026 residential property loan applications. In addition, the record-high approved investments in 2025 (+11% y-o-y) underscores Malaysia's appeal as an attractive investment destination. Notably, approved investments have reached new record highs for three years consecutively, which will underpin sustained demand for industrial and commercial properties.

**Overhang concerns.** 4Q25 overhang for residential and high-rise properties grew by +5% q-o-q and +17% y-o-y, marking the third 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 remains an insignificant risk at this juncture, considering the sustained expansion in the labour market as unemployment rate dipped to a 11-year low of 2.9% in Jan 2026 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**

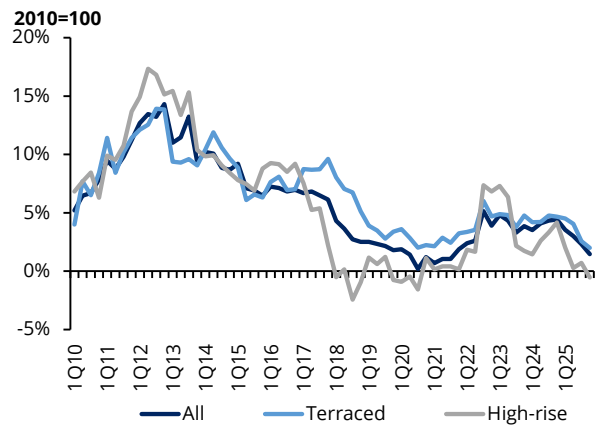
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**Completed but unsold residential units**



Source: AllianceDBS, NAPIC

**Malaysian House Price Index (MHPI)**



Source: AllianceDBS, NAPIC

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### Holding firm

Malaysia’s economy grew 6.3% y-o-y and 0.8% q-o-q on a seasonally adjusted (SA) basis in 4Q25 (3Q25: +5.4% y-o-y; +2.7% SA q-o-q), which was even higher than the advance estimate released earlier. This lifted 2025 GDP growth to a solid 5.2% (vs 5.1% in 2024) despite concerns of trade uncertainties, and easily surpassed the government’s GDP growth target of 4.0%-4.8%. The strong 4Q25 GDP performance was largely attributed to the sustained expansion in domestic demand (+6.6%), offset by weaker net exports (-45.8% vs +18.7% in 3Q25).

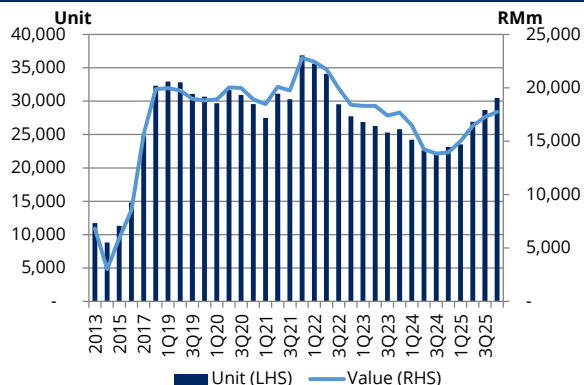
Thanks to the concredited efforts by the federal government to boost economic growth under the Madani Economy Framework, 4Q25 capital expenditure continued to sustain its growth momentum at 9.3% (3Q25: +7.4%), reflecting the positive impact arising from record-high approved investments over the past few years and various government-led strategic developments. The momentum stayed intact with approved investments rising 11% y-o-y to RM427bn in 2025, providing further tailwinds in the near-to-medium term.

In 4Q25, Malaysia’s property market witnessed its strongest quarterly performance in 2025 as total property transactions grew by 2% y-o-y and 3% q-o-q to 111,951 units, marking its fourth consecutive quarter of improvement. For the full year of 2025, total property transactions slipped by a minor 1% y-o-y, suggesting a healthy consolidation as Malaysia’s property market has been experiencing consistent growth over the past three years.

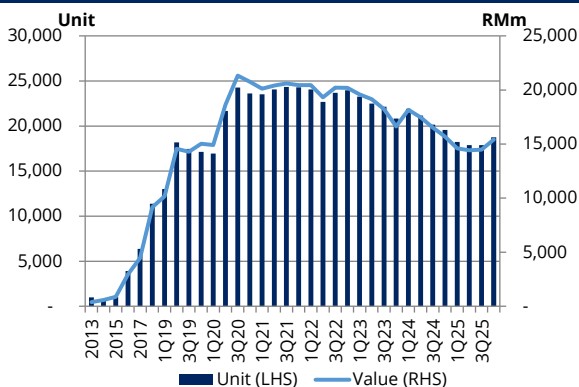
Meanwhile, Malaysia’s 4Q25 house price index grew at 1.5% y-o-y, taking 2025 property price growth to 2.6% compared to 4.1% in both 2024 and 2023. We believe price growth is likely to remain on a healthy trend given the sustained growth trend in the overall economy and cost-push inflation for developers. We believe that Malaysia’s property sector is experiencing a sustainable uptrend given healthy sector dynamic, driven by robust domestic demand.

4Q25 residential overhang came in at 30,471 units (+6% q-o-q, +32% y-o-y), marking the fifth 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 remains an insignificant risk at this juncture, considering the sustained expansion in the labour market and positive wages growth.

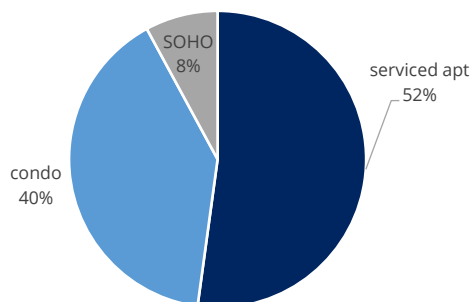
### Completed but unsold residential units



### Completed but unsold serviced apartments



### Overhang of high-rise properties in 4Q25

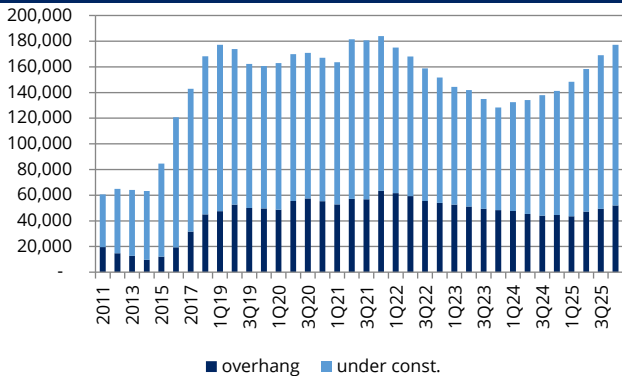


Source: AllianceDBS, NAPIC

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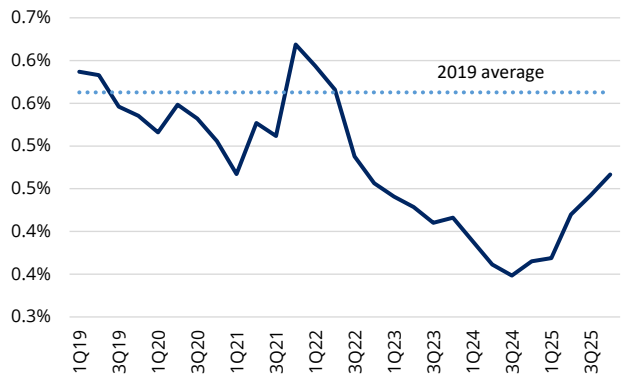
### Total unsold housing units in Malaysia



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 ~69% of the total overhang, we believe this should continue to improve given the stable economic outlook.

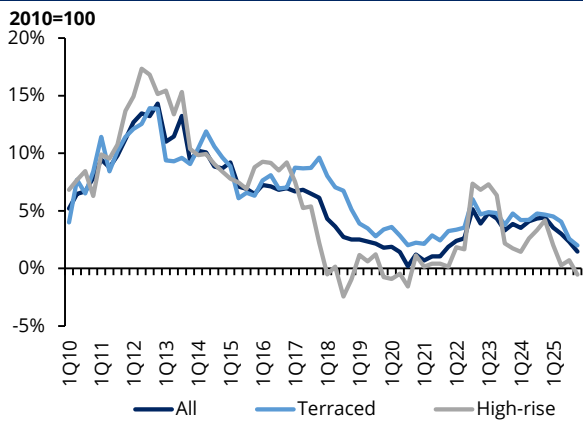
On an aggregate basis, total unsold units have been rising over the past few quarters but we believe this is not really a major concern at this juncture. Property launches have accelerated over the past three years in tandem with the strong take-up among property buyers, resulting in higher supply in 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 remains at a record high of 70.9% in Jan 2026 while unemployment has dipped to an 11-year low of 2.9% 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

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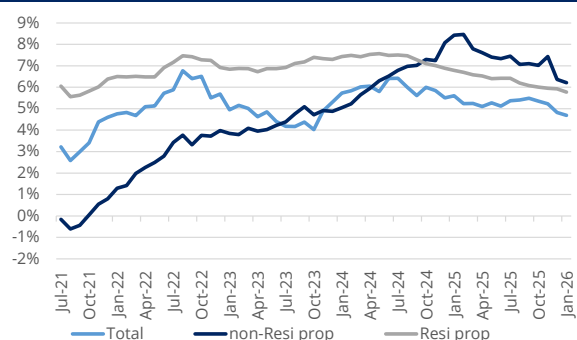
Solar for renewable energy has also indirectly contributed to Malaysia's property sector. The rising adoption of solar energy in Malaysia, driven by its high irradiance levels, has significantly enhance the value of agricultural land that may otherwise remain idle. Therefore, it is no surprise that certain 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

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## Malaysia Property

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### 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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Published and Printed by  
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