ALLIANCEDBS RESEARCH

Malaysia Property

Selective opportunities amid rising competition

Industry Focus **28 September 2026**

- **Strong 1H26 economic growth underpins resilient property demand**
- **Rising residential supply overhang to intensify competition for mass-market housing**
- **Positive spillovers from sustained investment activities**

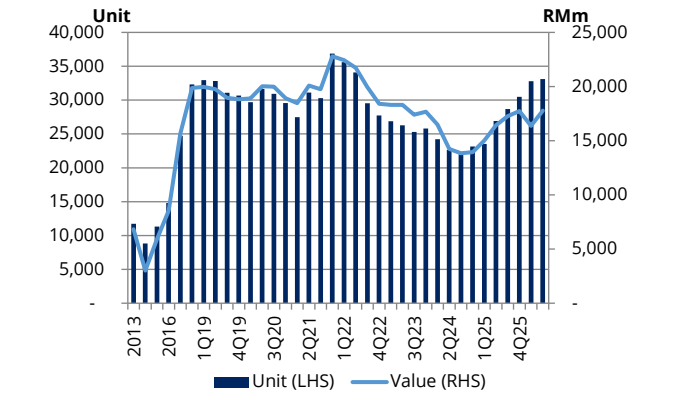
Resilient property demand. Malaysia's strong 2Q26 GDP growth of 6% provided a supportive backdrop for the property market, underpinned by sustained household income growth and healthy labour market conditions. While 2Q26 property volume was relatively muted (-1% y-o-y, +8% q-o-q), property credit demand remained healthy as loans for residential property and non-residential property grew 5.4% and 7.8% respectively in Jul 2026 (vs total loan growth of 5.6%). Notably, total property loan applications reached the highest monthly level for this year in Jul 2026 at RM62.9bn (+1% y-o-y, +11% m-o-m), suggesting that underlying property demand remained resilient as concerns over Middle East geopolitical tensions eased.

Intensifying competition for mass-market housing. 2Q26 overhang for residential properties grew +1% q-o-q and +23% y-o-y, extending the successive quarterly increases recorded since the 2024 lows. It is noteworthy that unsold properties below RM500k have trended higher, accounting for 65% of unsold residential units from 52% in 2Q23. The shift highlights the mounting headwinds facing the mass-market housing sector, driven by intense competition and dampened consumer sentiment. In stark contrast, the premium housing market continues to enjoy stronger take-up, buoyed by expanding affluent demographics.

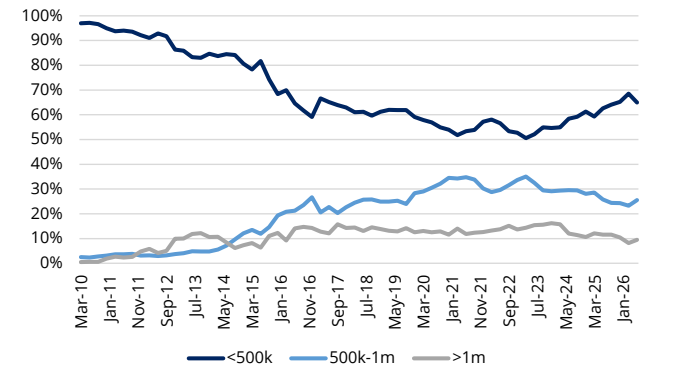
Tailwinds from industrial revitalisation. Malaysia's approved investments increased by 11.7% y-o-y to RM218.5bn in 1H26. Continued investments in data centres, manufacturing, logistics, infrastructure and other high-value industries are expected to generate positive spillovers for industrial and commercial property demand. In 2Q26, large listed developers continued to record relatively healthy property sales, with most remaining confident of achieving their full-year sales targets. Overall, we expect Malaysia's property demand to remain supported by a healthy economic landscape, with developers holding sizeable industrial landbanks best positioned to benefit.

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

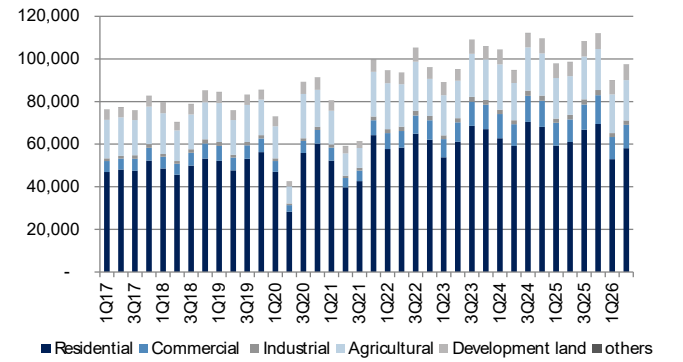
Completed but unsold residential units



Completed but unsold residential units by price range



Malaysia's total property transaction volume



Source: AllianceDBS, NAPIC

PLEASE REFER TO IMPORTANT DISCLOSURES AT THE END OF THIS PUBLICATION

Selective opportunities

Malaysia's economy grew strongly at 6% y-o-y and 2.5% q-o-q on a seasonally adjusted (SA) basis in 2Q26 (1Q26: +5.4% y-o-y; flat SA q-o-q), which was above the advance estimate of 5.8%. This takes 1H26 GDP growth to 5.7%, significantly higher than BNM's GDP growth expectation of 5%. The strong 2Q26 GDP performance was largely attributed to the sustained expansion in domestic demand (+5.1%) and robust net exports (+169% vs -58% in 2Q25). It is noteworthy that Malaysia's external trade has benefitted materially from the global tech upcycle and oil-related shipments, contributing ~40% of the incremental growth in 2Q26.

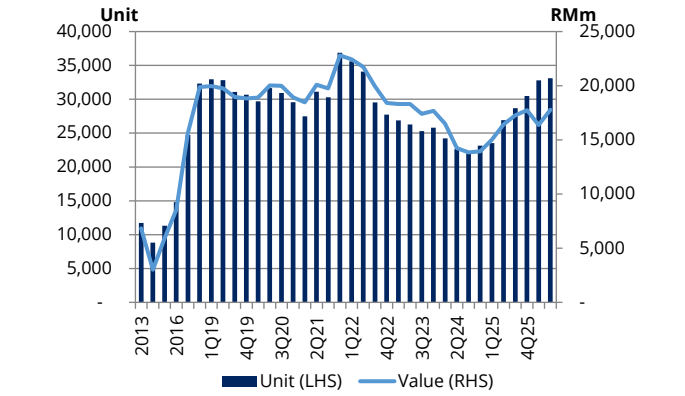
Domestic consumption in 2Q26 was supported by sustained expansion in the labour market and continued investment activities. The unemployment rate remained low at 3% in Jun 2026, alongside a historically high labour force participation rate, resulting in a 5.5% y-o-y growth in aggregate wages (vs 4.4% in 2Q25). Meanwhile, 2Q26 capital expenditure grew at a moderate pace of 4.6% y-o-y (1Q26: +7.3%) after sustained strong growth over the past two years stemming from the realisation of record high approved investments.

In 2Q26, Malaysia's property market was stable as total property transactions fell by 1% y-o-y but rose 8% q-o-q to 97,361 units. We believe the heightened uncertainties stemming from the Middle East conflict as well as the ensuing energy price surge may have contributed to the relatively subdued property market sentiment.

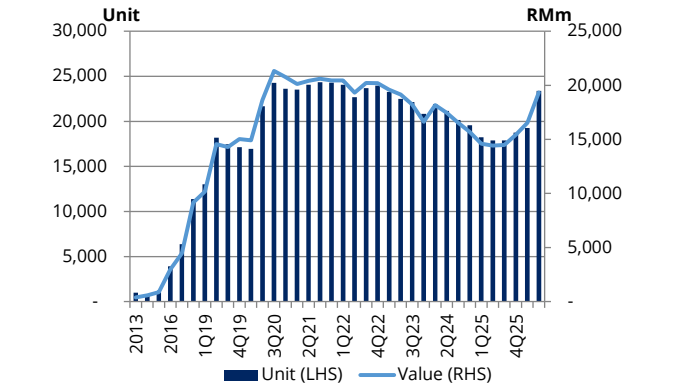
Meanwhile, Malaysia's 2Q26 house price index grew at 0.9% y-o-y, as property price growth decelerated following decent price appreciation in recent years. We believe price growth is likely to remain on a steady trend given the sustained growth trajectory in the overall economy and cost-push inflation for developers. However, inflationary pressures, tighter lending standards and higher development costs could temper demand and weigh on developers' profitability in the near term.

2Q26 residential overhang came in at 33,094 units (+1% q-o-q, +23% y-o-y), extending the successive quarterly increases recorded since the 2024 lows. This largely reflects the aggressive project launches over the past three years to capture the long-overdue sector recovery since 2022. It is noteworthy that unsold properties below RM500k have trended higher, accounting for 65% of unsold residential units from 52% in 2Q23. The shift highlights the mounting headwinds facing the mass-market housing sector, driven by intense competition and dampened consumer sentiment.

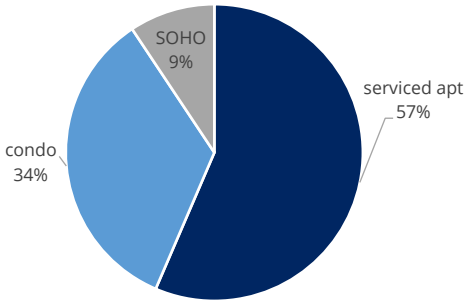
Completed but unsold residential units



Completed but unsold serviced apartments

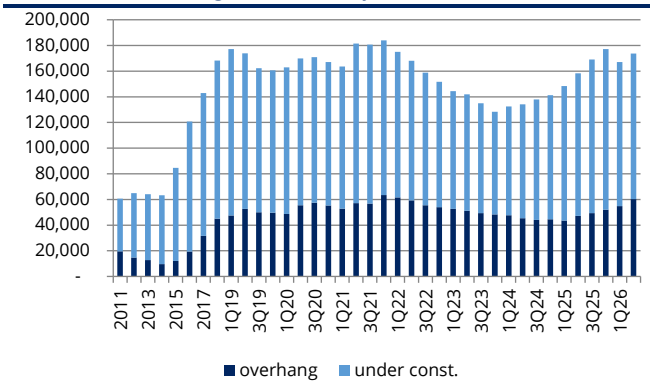


Overhang of high-rise properties in 2Q26

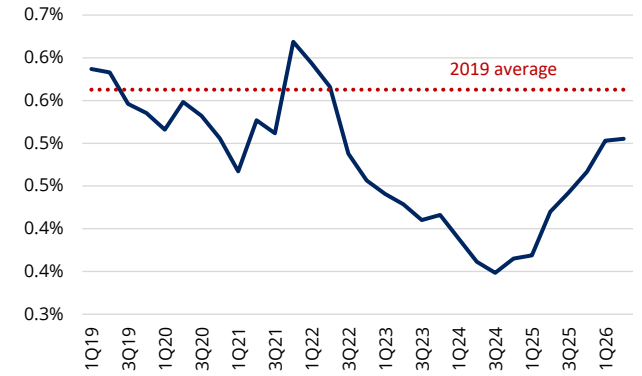


Source: AllianceDBS, NAPIC

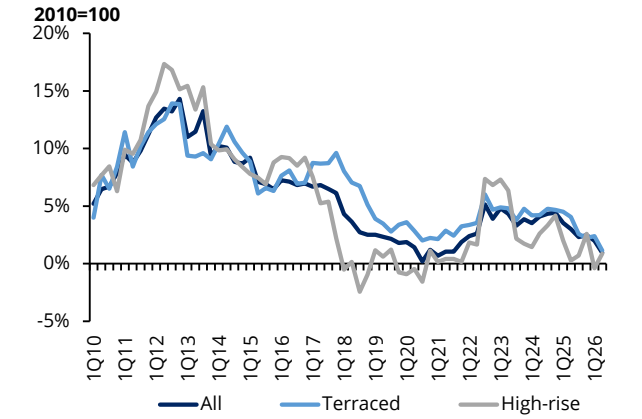
Total unsold housing units in Malaysia



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 also recorded an upward trend as developers continue to deliver completed projects.
While high-rise units still account for ~69% of the total overhang, their share has declined from a high of 80% in 2024, suggesting the overhang is becoming less concentrated in high-rise stock.

On an aggregate basis, total unsold units have been rising over the past few quarters, particularly for mass-market developments where product differentiation is relatively limited and buyers are more price-sensitive. However, we believe this is not a material concern at this juncture as the higher supply reflects aggressive property launches over the past three years, with the increase in unsold stock concentrated in the mass-market segment rather than broad-based. 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 continued to expand, with employment well above its pre-pandemic level, supported by the growing economy. It is even more encouraging that labour participation stayed at a record high of 70.9% in Jun 2026 while unemployment remained low at 3.0%. This positive development is expected to continue given Malaysia's favourable demography which should further underpin the resilience of 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 into the significant opportunity arising from global supply chain diversification. For instance, Malaysia has become a hotspot for data centres, driven by its proximity to Singapore, spillover effects of the US-China trade war as well as comparatively cheaper land, water and power.

Johor has been the largest beneficiary of the data centre 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 leading global players including the likes of Microsoft, Google, ByteDance and GDS Holdings. Malaysia's industrial land has experienced notable 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.

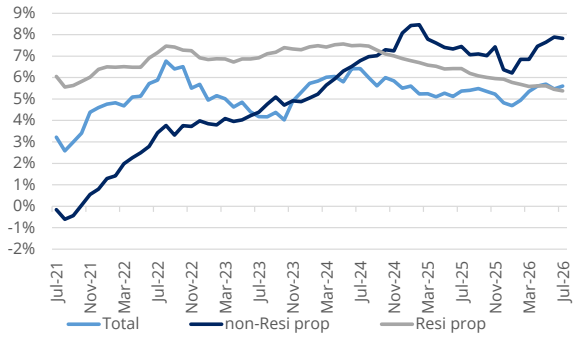
In addition, the emphasis by the government to push for the green economy agenda with its progressive policies such as the Corporate Renewable Energy Supply Scheme and Large-Scale Solar for renewable energy has also indirectly contributed to Malaysia's property sector. The rising adoption of solar energy in Malaysia, driven by its high irradiance levels, has significantly enhanced 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 the coming years which bode well for transit-oriented developments. Taking a 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 long run as these mega rail projects 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 a full stamp-duty exemption for first homes priced below RM500k until 2027. Furthermore, the proposed increase in financial assistance in 2026 under Sumbangan Tunai Rahmah and Sumbangan Asas Rahmah 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, supported by an accommodative economic environment. While housing affordability remains a concern for certain segments of homebuyers, we believe the market will remain resilient, underpinned by healthy economic growth, relatively moderate interest rates, and continued expansion in the labour force, despite ongoing 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

DISCLAIMER

The information herein is published by AllianceDBS Research Sdn Bhd ("ADBSR"), a subsidiary of Alliance Bank Malaysia Berhad ("ABMB") and an associate of DBS Vickers Securities Holdings Pte Ltd ("DBSVH") (each and/or collectively, the "Company").

It is based on information obtained from sources believed to be reliable, but the Company does not make any representation or warranty, express or implied, as to its accuracy, completeness, timeliness or correctness for any particular purpose. Opinions expressed are subject to change without notice. This research is prepared for general circulation. Any recommendation contained herein does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee.

The information herein is published for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate legal or financial advice. The Company, or any of its related companies or any individuals connected with the group accepts no liability for any direct, special, indirect, consequential, incidental damages or any other loss or damages of any kind arising from any use of the information herein (including any error, omission or misstatement herein, negligent or otherwise) or further communication thereof, even if the Company or any other person has been advised of the possibility thereof.

The information herein is not to be construed as an offer or a solicitation of an offer to buy or sell any securities, futures, options or other financial instruments or to provide any investment advice or services. The Company and its associates, their directors, officers and/or employees may have positions or other interests in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking or financial services for these companies. The information herein is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident of or located in any locality, state, country, or other jurisdiction (including but not limited to citizens or residents of the United States of America) where such distribution, publication, availability or use would be contrary to law or regulation. The information is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction (including but not limited to the United States of America) where such an offer or solicitation would be contrary to law or regulation.

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