

Malaysia Property

Rising headwinds

Industry Focus

25 June 2026

- **Cautious sentiment amid elevated construction cost and intensifying competition**
- **Stable economic growth continues to underpin resilient property demand**
- **Uptick in supply overhang remains manageable**

Headwinds ahead. While the US and Iran have reached a tentative agreement to reopen the Strait of Hormuz, the prolonged energy supply shock since end-Feb 2026 has reverberated across supply chains, leading to elevated construction cost for property developers. The property market may experience a period of consolidation as prospective buyers adopt a wait-and-see approach before committing to purchases. In the near term, inflationary pressures, tighter lending standards and higher development costs could temper demand and weigh on developers' earnings.

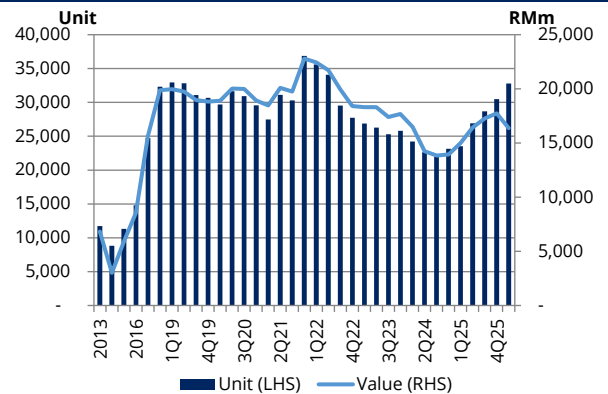
Weaker confidence. 1Q26 property transactions dipped 8% y-o-y, largely driven by the weak residential segment which declined 11% y-o-y. This is contrary to the stronger-than-expected 1Q26 GDP growth of 5.4%, reflecting the divergence from a relatively subdued property market. While property developers have started to feel the brunt of weaker sentiment in 1Q26, large listed-developers continue to achieve relatively decent property sales with most being confident of achieving their respective full-year sales targets. Nevertheless, property loan demand remained healthy as loans for residential property and non-residential property grew 5.6% and 7.5% respectively in Apr 2026 (vs total loan growth of 5.6%). Meanwhile, Apr 2026 property loan applications rebounded by 12% y-o-y, reversing a two-month moderating trend driven by Middle East conflict concerns.

Selective opportunities. 1Q26 overhang for residential and high-rise properties grew by +5% q-o-q and +26% y-o-y, marking the fourth successive quarterly increase since the lows in 1Q25. While this warrants greater caution for the property sector, we believe Malaysia's property demand will remain supported by an accommodative economic landscape. In addition, the proportion of unsold units to overall residential inventory remains below pre-pandemic levels. Meanwhile, Malaysia's appeal as an attractive investment destination, will continue to support demand for industrial and commercial properties.

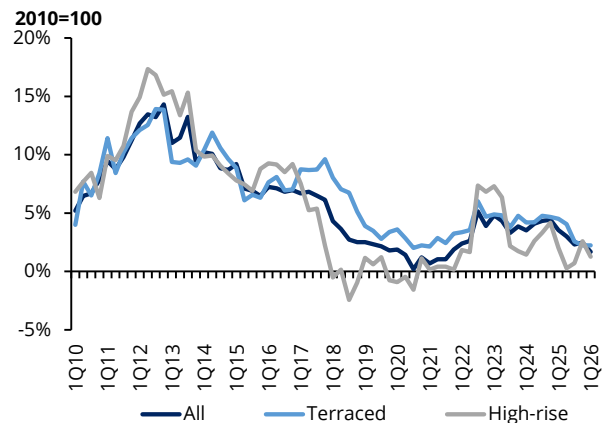
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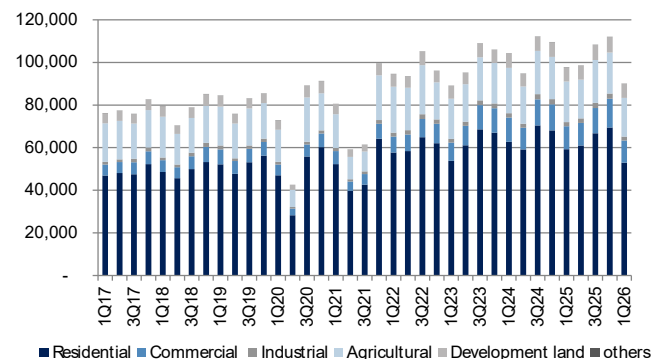
Completed but unsold residential units



Malaysian House Price Index (MHPI)



Malaysia's total property transaction volume



Source: AllianceDBS, NAPIC

Cautious sentiment

Malaysia’s economy grew 5.4% y-o-y but was flat q-o-q on a seasonally adjusted (SA) basis in 1Q26 (4Q25: +6.2% y-o-y; +1.4% SA q-o-q). This was higher than the advance estimate released earlier. The strong 1Q26 GDP performance was largely attributed to the sustained expansion in domestic demand (+5.2%) and firm net exports (+13.5% vs -7.9% in 1Q25). It is noteworthy that continued exports growth driven by the strong expansion in AI spending boom helped to cushion the impact from geopolitical conflicts.

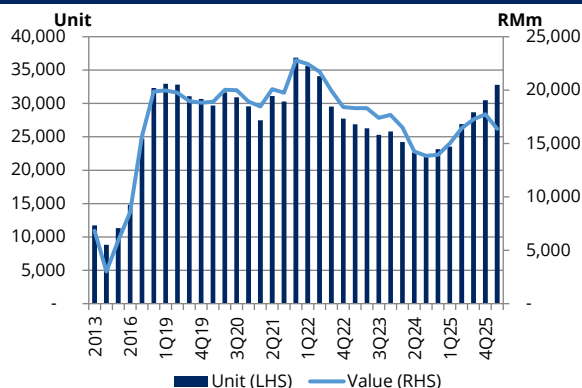
Thanks to the concerted efforts by the federal government to boost economic growth under the Madani Economy Framework, 1Q26 capital expenditure grew at a healthy pace of 7.3% y-o-y (4Q25: +9.3%), reflecting the positive impact arising from record-high approved investments in 2023-2025 and various government-led strategic developments. The momentum stayed intact with approved investments remaining elevated at RM93bn (flat y-o-y) in 1Q26, providing further tailwinds in the near-to-medium term.

In 1Q26, Malaysia’s property market witnessed a seasonally weak performance as total property transactions fell by 8% y-o-y and 20% q-o-q to 89,966 units. We note that the property market sentiment was rather weak given spiralling construction cost and intensifying competition.

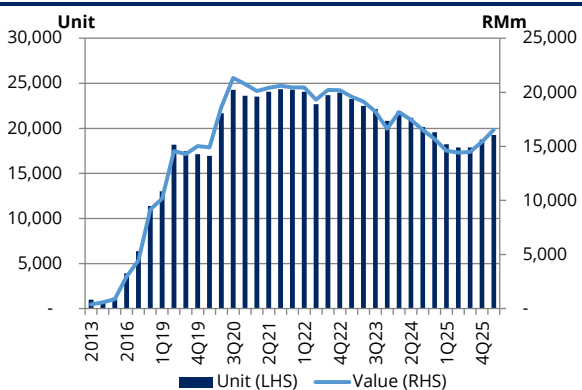
Meanwhile, Malaysia’s 1Q26 house price index grew at 1.7% y-o-y, extending its steady appreciation trend since 2023. We believe price growth is likely to remain on a healthy trend given the sustained growth trend in the overall economy and cost-push inflation for developers. However, inflationary pressures, tighter lending standards and higher development costs could temper demand and weigh on developers’ earnings in the near term.

1Q26 residential overhang came in at 32,801 units (+8% q-o-q, +39% y-o-y), marking the sixth 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 uptick is not a major concern at this juncture, considering the sustained expansion in the labour market and positive wages growth.

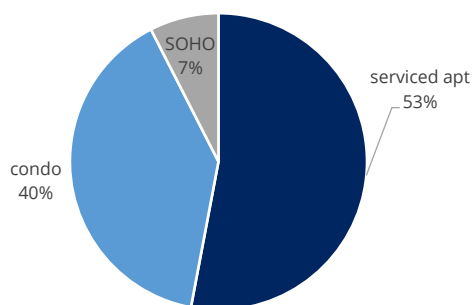
Completed but unsold residential units



Completed but unsold serviced apartments

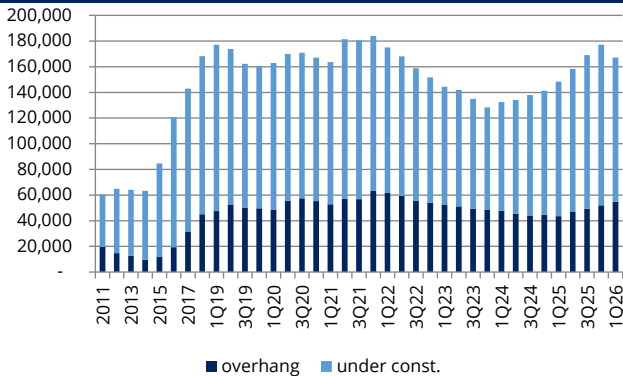


Overhang of high-rise properties in 1Q26



Source: AllianceDBS, NAPIC

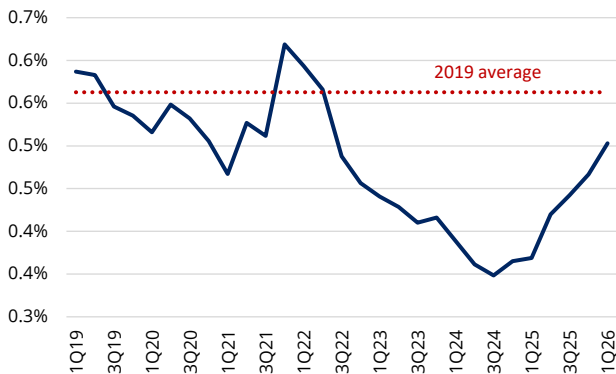
Total unsold housing units in Malaysia



For high-rise overhang, unsold completed units (inclusive of SOHO and serviced apartments) have remained at relatively low levels as the firm domestic economy helps to absorb the unsold units. While high-rise units still account for ~66% of the total overhang, it has been improving from a high of 80% in 2024, underlining decent take-up for high-rise properties.

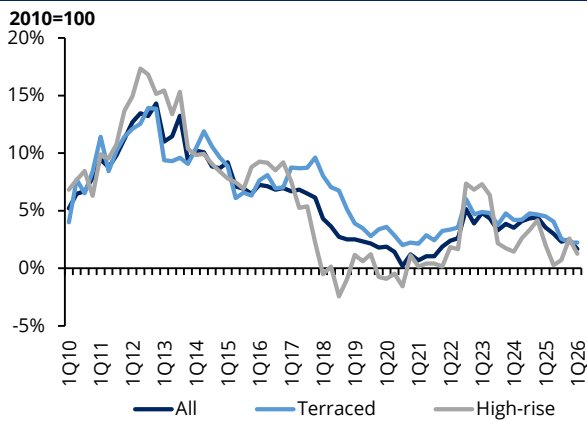
On an aggregate basis, total unsold units have been rising over the past few quarters but we believe this is not really a major concern at this juncture. Property launches have accelerated over the past three years in tandem with the strong take-up among property buyers, resulting in higher supply in 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 hit a record high of 70.9% in Apr 2026 while unemployment remained healthy at 3.0% 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

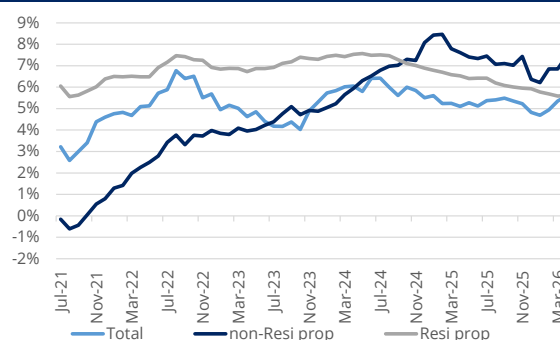
Solar for renewable energy has also indirectly contributed to Malaysia’s property sector. The rising adoption of solar energy in Malaysia, driven by its high irradiance levels, has significantly enhance the value of agricultural land that may otherwise remain idle. Therefore, it is no surprise that certain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

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