ALLIANCEDBS RESEARCH

# Malaysia Property

## Sustained growth momentum

**Industry Focus** 25 March 2025

- Sustained uptrend in 2025 on healthy economic outlook and favourable supply-demand dynamics
- Robust labour market and tax relief for first-time homebuyers supportive of sector growth momentum
- Strong positive spillover effects from Malaysia's investment upcycle


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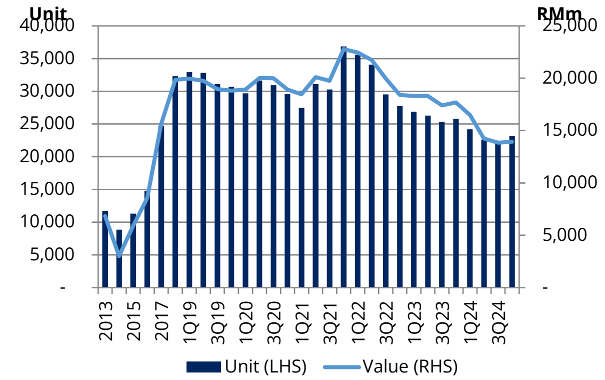
**Unabated growth.** Malaysia's property sector ended the year of 2024 on a high note with total property transactions rising by 5.4% y-o-y, marking its fourth successive year of growth since 2020. For 4Q24, property volume grew 3% y-o-y, largely driven by the strong growth trajectory in the business segment, in tandem with the robust 4Q24 GDP growth of 5%. This is also corroborated by firm property loans demand as loans for residential property and non-residential property grew 6.9% and 8.1% respectively in Dec 2024, reflecting the healthy economic outlook.

**Favourable supply-demand dynamics.** 4Q24 residential overhang came in at 23,149 units (+5% q-o-q, -10% y-o-y), a level that was last seen in 2017. Meanwhile, improvement was also seen in the overhang for serviced apartment which dipped 3% q-o-q and 6% y-o-y in 4Q24, recovering to the pre-pandemic level. All these positive results were achieved despite more aggressive property launches in 2024 (+34% y-o-y vs +4% in 2023), signalling significantly improved property demand.

**Tailwinds in 2025**. Budget 2025 has introduced income tax relief of up to 7k/year for three consecutive years for first home purchase priced up to RM750k. We believe this could be a strong impetus to encourage homeownership among young Malaysians and first-time buyers considering that the incentive was last introduced in 2010 when Malaysia's economy was recovering from the 2009 global financial crisis. In addition, the solid labour market conditions with record labour force participation and low unemployment will continue to sustain the property sector recovery.

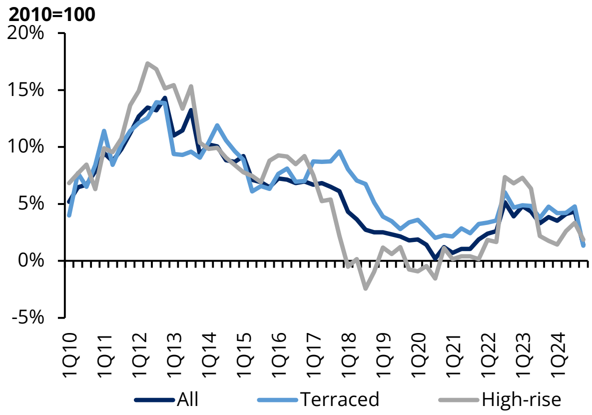
**Benefitting from burgeoning investment activities**. Malaysia's progressive national policies for digital economy and renewable energy have led to record high investments, as the country has emerged as a fast-rising hub for regional cloud infrastructure. This has spurred strong land price appreciation in Johor and Selangor, benefitting industrial landowners in strategic locations. This structural trend is likely to remain supportive of Malaysia's overall property sector in 2025.

**Completed but unsold residential units**




*Source: AllianceDBS, NAPIC*

**Stable Malaysian House Price Index (MHPI)**




*Source: AllianceDBS, NAPIC*

## Cautiously optimistic

Malaysia's economy grew 5.0% y-o-y but dipped 1.1% q-o-q on a seasonally adjusted (SA) basis in 4Q24 (revised 3Q24: +5.4% y-o-y; 1.9% SA q-o-q), which was better than the advance estimate of 4.8%. This takes 2024 GDP growth to 5.1% which is in line with our expectations, thanks to the sustained growth in domestic demand (+6.5%) and a recovery in external trade (+2.2%). It is noteworthy that the stellar growth was achieved amid a lower fiscal deficit of 4.1% in 2024 compared to the government's initial estimate of 4.3%, reflecting the early success of Madani Economic Framework.

Thanks to the concreted efforts by the federal government to boost economic growth under the Madani Economy Framework, 4Q24 capital expenditure continued to sustain its third successive double-digit growth of 11.7%, signifying the positive impact arising from record-high approved investments in 2021-2023 and various government-led strategic developments under national blueprints. This underlines the robust prospects of the investment upcycle in Malaysia which will continue to provide further tailwinds in the near-term.

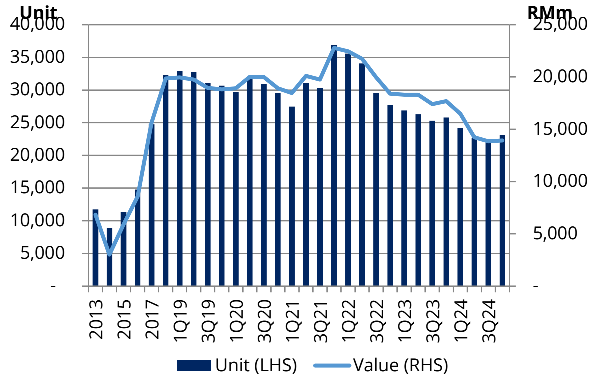
In 4Q24, Malaysia's property market maintained its positive growth momentum as transaction volume grew by 3% y-o-y to 109,335. Healthy growth momentum was observed across all the sub-sectors, especially commercial (+6% y-o-y) and industrial (+11% y-o-y). Therefore, Malaysia's property sector ended the year of 2024 on a high note with total property transactions rising by 5.4% y-o-y, marking its fourth successive year of growth since 2020.

Meanwhile, Malaysia's 4Q24 house price index grew at 1.4% y-o-y, following the strong growth of 4.1% in 2023 and 3.5% in 2022. We believe price growth is likely to remain on a healthy trend given the improvement in supply overhang, sustained growth trend in the overall economy and cost-push inflation for developers.

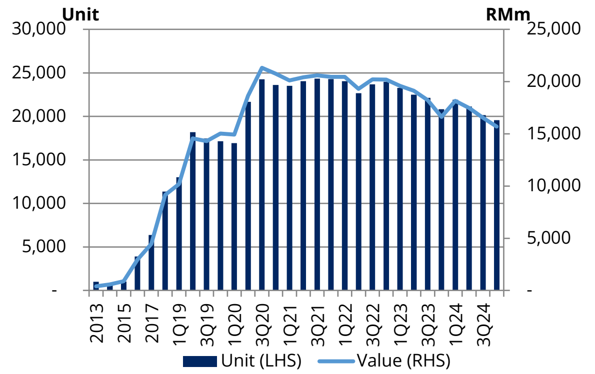
We believe that Malaysia's property sector is experiencing a sustainable uptrend given the healthy supply-demand dynamics as supply overhang is no longer a major concern for the sector. In fact, supply overhang has continued to show sequential improvement. It is noteworthy that residential overhang has reached the lowest since 2016. This illustrates the successful monetisation of unsold inventory that has been going on over the past few years as well as the pick-up in property buying demand since 2022.

For high-rise overhang, unsold completed units (inclusive of SOHO and serviced apartments) have been showing a declining trend as the robust domestic economy helps to absorb the unsold units. While high-rise units still account for ~80% of the total overhang, we believe this should continue to improve given the favourable economic outlook.

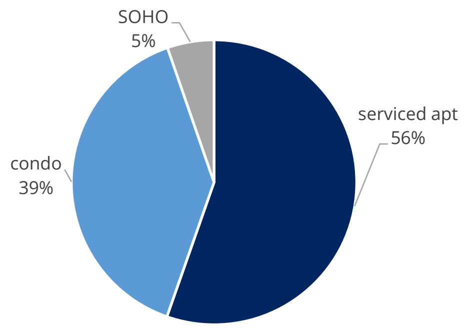
**Completed but unsold residential units**




**Completed but unsold serviced apartments**

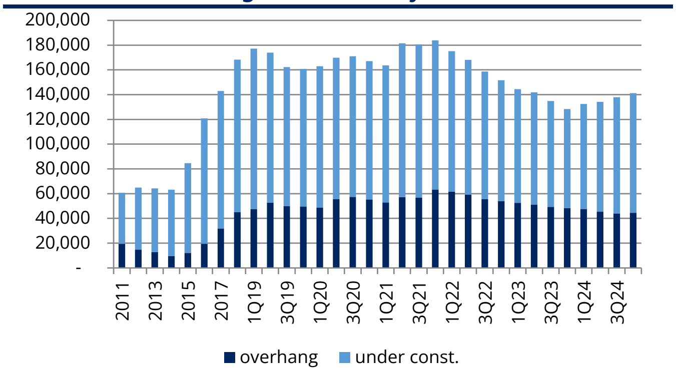



**Overhang of high-rise properties in 4Q24**

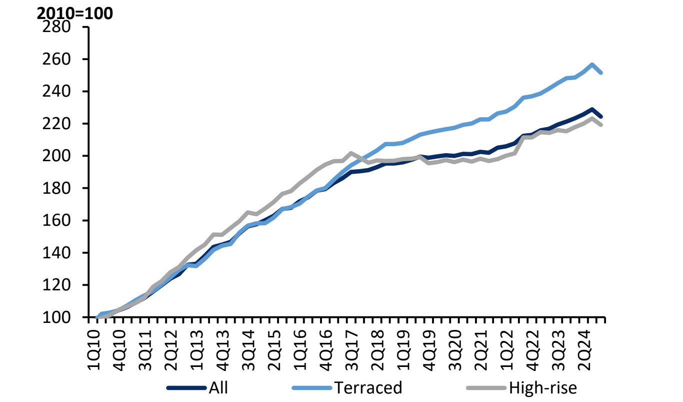



*Source: AllianceDBS, NAPIC*

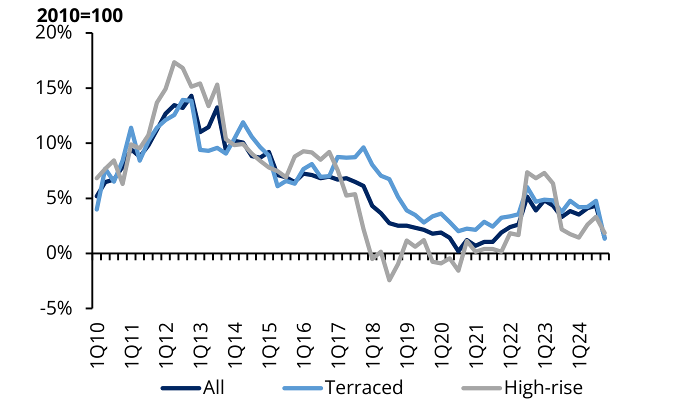
**Total unsold housing units in Malaysia**




**Malaysian House Price Index (MHPI)**




**Malaysian House Price Index growth trend**




*Source: AllianceDBS, NAPIC*

On an aggregate basis, total unsold units (completed and under construction) are slowly reducing in the system to the lowest since 2016 as Malaysia's economy remains on a healthy growth momentum. We believe the overall supply-demand dynamics will continue to improve on a gradual basis, in tandem with the growth trajectory of Malaysia's economy.

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 70.6% in Dec 2024 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.

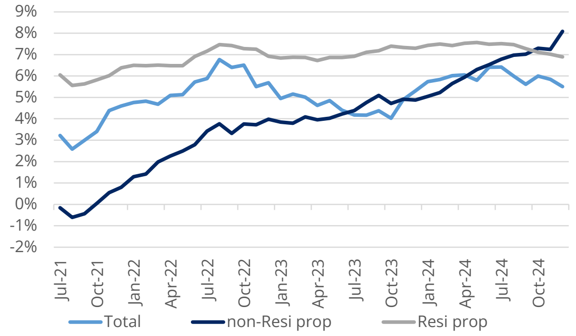
In addition, the emphasis by the government to push for the green economy agenda with its progressive policies such as the Net Energy Metering and Large-Scale Solar for renewable energy has also indirectly contributed to Malaysia's property sector. The rising adoption of solar energy in Malaysia, driven 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 2025 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 2025, the government has introduced income tax relief of up to 7k/year for three consecutive years for first home purchase priced up to RM750k. We believe this could be a strong impetus to encourage homeownership among young Malaysians and first-time buyers considering that the incentive was last introduced in 2010 when Malaysia's economy was recovering from the 2009 global financial crisis. This could further boost the firm property loans demand as loans for residential property and non-residential property grew 6.9% and 8.1% respectively in Dec 2024.

Malaysia's property market is expected to improve further in 2025 given notable improvements in the supply overhang. 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 strong economic growth momentum, peaking interest rates and healthy growth in labour force, notwithstanding the external uncertainties.

**Strong 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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