Resilient demand a positive sign

However, rising construction costs, the adverse impact of higher US tariffs and potential oversupply remain concerns

This visual is human-created, AI aided.

PROPERTY

By EUGENE MAHALINGAM
eugenicz@thestar.com.my

PETALING JAYA: While real estate experts anticipate a positive outlook for the local property market this year, they have nevertheless cautioned that the sector will still face challenges.

Olive Property Consultants chief executive officer Samuel Tan said he is maintaining a cautiously optimistic outlook for the market.

"Market growth may be impacted by factors such as rising construction costs, adverse impact of higher tariffs as a result of the United States' revised trade policy and potential oversupply, especially for high-rise units in certain urban markets," he told *StarBiz*.

Zerin Properties chief executive officer Previn Singhe said there is a persistent overhang challenge facing the Malaysian property market.

"As of the first quarter of 2025, there were 23,515 unsold completed residential units valued at RM15bil, a slight increase from end-2024.

"While the overall overhang had improved last year, declining by 10.3% in volume, the fact that 59% of the current overhang is made up of properties priced at RM500,000 and below points to challenges that go beyond affordability."

Previn noted that factors such as location, product design and quality are likely contributing to the disconnect between supply and demand.

Additionally, Previn said that the market is facing delivery cost pressures.

"Rising construction costs and materials inflation remain a threat to margins and may test the financial resilience of smaller or highly-leveraged developers.

"The market is facing delivery cost pressures. Buyers, meanwhile, are increasingly discerning, demanding better locations, liveability and transparency."

Previn Singhe

"Buyers, meanwhile, are increasingly discerning, demanding better locations, liveability and transparency."

According to the National Property Information Centre (Napic), Malaysia's property transaction value fell 8.9% in the first quarter of 2025 to RM51.42bil, compared to RM56.47bil in the previous corresponding period.

Meanwhile, the transaction volume dropped by 6.2% year-on-year, with 97,772 transactions recorded in the first quarter of 2025, compared with 104,194 in the first quarter of 2024.

According to Napic, new residential launches more than doubled to 12,498 units in the first quarter of 2025 from 5,585 units a year earlier.

However, sales performance remained modest at 10.8% (or 1,351 units). Previn said the spike in new residential launches to 12,498 units in the first quarter of this year – a 124% increase from the same quarter last year – was "notable though broadly within industry expectations".

"It reflects a combination of deferred launches from late-2024, a strategic shift toward more affordable product segments and renewed developer confidence supported by stable policy and financing conditions.

"While 2024 marked a relatively strong year for the residential sector with new launches achieving a 37.3% sales rate, albeit slightly below the 40.3% recorded in 2023, developers remained cautious due to rising construction costs and increasingly selective buyer behaviour."

Previn said the surge in the first quarter of 2025 is, therefore, less a sign of exuberance and more a tactical effort to capture early-year momentum and align with companies' financial year 2025 sales targets, particularly in active growth corridors such as Selangor, Johor and Negri Sembilan.

"Several key drivers underpinned this trend, such as deferred launches coming to market: Many projects released during the first quarter of this year were originally scheduled for late 2024, but were held back due to economic uncertainties and internal recalibration.

"With improved macroeconomic clarity and sustained buyer interest, developers strategically advanced these launches."

Previn also said that most developers have been focusing on the mass market with their launches.

"A significant proportion of launches (72.8% in the landed segment; and 42.8% priced between RM300,001 and RM500,000), indicates a more disciplined focus on segments with stable, owner-occupier demand, particularly among the M40 group."

Previn noted that the Malaysian House Price Index recorded a 0.9% year-on-year increase in the first quarter of this year, indicating a stable pricing environment without overheating.

"With average transaction prices in many urban areas remaining below the RM500,000 threshold, this stability is crucial for sustaining buyer interest, especially in the mid-market segment where affordability remains a key consideration."

Additionally, Previn said stable overnight policy rates have provided greater visibility and confidence for both buyers and developers.

"These monetary conditions, combined with stamp duty exemptions for first-time buyers and ongoing public infrastructure investments, have contributed to more resilient housing demand fundamentals.

"That said, the low average take-up rate of just 10.8% for these new launches highlights a key concern. While supply has surged, buyer absorption remains selective."

Previn explained that this did not indicate weak demand, but rather, a misalignment between what is being supplied and what the market genuinely needs.

> TURN TO PAGE 2

Large-scale developments fuel investment interest

> FROM PAGE 1

"Developers must be more agile not only in pricing, but also in product design, location strategy and delivery timing to better match evolving buyer expectations."

Savills Malaysia Sdn Bhd group managing director Datuk Paul Khong, meanwhile, noted that launches during the first quarter of this year suggested new launches remained relatively active.

"This can be supported by renewed buyer confidence amid improving macroeconomic indicators, and stronger demand from upgraders and owner-occupiers who had postponed decisions during previous years.

"Moreover, investor interest is getting increasingly stronger in Iskandar Malaysia, Greater Kuala Lumpur and Penang."

Additionally, Khong said developers "have started to activate landbanks" which they previously owned and/or acquired from 2020 to 2023.

"More new launches are noticed in Greater Kuala Lumpur, Penang, Iskandar Malaysia and other emerging corridors."

Olive Tree Property Consultants executive director Tan Wee Tiam said the property market in the first quarter of this year had been driven by government housing initiatives and major infrastructure projects.

"Programmes such as the Program Residensi Rakyat and Projek Rumah Mesra Rakyat provided vital support for affordable housing development.

"While large-scale developments like the Forest City Special Financial Zone and the Johor-Singapore Special Economic Zone spurred optimism and investment interest."

Wee Tiam noted that there has also been rising demand for affordable housing.

"There was rising buyer interest in properties priced below RM500,000, particularly among first-time homeowners and the M40 segment.

"Meanwhile, developers are more optimistic of the market in the coming years.

"This is partly due to the lack of housing launches during the pandemic years."

Still, Wee Tiam cautioned that excessive launches must be matched by good take-up rates.

"Otherwise, it will contribute to a higher overhang situation.

"Approving authorities and developers must use big data to ensure a good balance between supply and demand."