PROPERTY

Property sector forecast to stay strong

High-end residential, industrial demand to stay solid

PETALING JAYA: Despite headwinds this year from US regulations for artificial intelligence chips and tariffs, the local property sector remains resilient, analysts say.

Hong Leong Investment Bank (HLIB) Research said high-end residential demand is recovering in the Klang Valley, signalling improving sentiment, while the Urban Renewal Act could unlock new redevelopment opportunities in prime areas.

In Johor, the Johor-Singapore Special Economic Zone and better connectivity with Singapore are spurring development, although a surge in launches in areas near the Rapid Transit System Link risks causing oversupply.

In Penang, a stronger ringgit and trade uncertainty may weigh on demand for high-end housing.

Industrial demand outside of data centres is expected to stay strong, supported by robust foreign direct investments.

HLIB Research has an "overweight" call on the sector.

The research house said the property upcycle remains intact, supported by sustained investment inflows, structural reforms supporting sustainable growth, rising income levels from initiatives like the minimum wage and civil servant pay hikes, and the economy's ongoing move up the value chain.

Its top stock picks are IOI Properties Group Bhd (IOIProp), OSK Holdings Bhd, Sunway Group Bhd and Sime Darby Property Bhd.

After around a decade of oversupply and subdued demand, the Klang Valley office market is also showing signs of recovery as the prolonged supply glut is beginning to ease.

Several significant new malls in the Klang Valley are also slated to open this year.

These include Sunway Square Mall located in Sunway South Quay, Sime Darby Property's Senada Mall in KLGCC, the second phase of Pavilion Damansara Heights, 118 Mall at Merdeka 118, Ombak Mall in the KLCC area and Hektar World in Damansara, Petaling Jaya.

The research house said this year is shaping up to be one of execution and delivery for developers and more developers are diversifying beyond residential property into the industrial segment, establishing new revenue streams in line with Malaysia's pivot towards a high-value, high-tech economy.

The next two years are also shaping up to deliver some of the largest initial public offerings (IPOs) in history, as property developers move to unlock value by spinning off key business segments.

Sunway Group is expected to list its healthcare segment in the first quarter of next year with an indicative market capitalisation of RM20bil, which could be the largest IPO ever on Bursa Malaysia.

IOIProp is also likely to list its Malaysian real estate investment trust (REIT) next year, with an estimated value in the range of RM7bil to RM8bil, which could make it the largest REIT listing in Bursa's history.

IOIProp has plans to list its Singapore REIT in 2027, valued at about S$8bil.

It could also be one of the largest IPOs in over a decade on the Singapore Stock Exchange.

SP Setia Bhd is expected to list its portfolio of assets next year, valued at around RM2bil.

The potential listings reflect the strong underlying asset value and growing investor appetite for quality Malaysian and regional property-linked investments, the research added.