Property sector poised for ESG-driven growth

Developers expected to deepen sustainability practices

PROPERTY

PETALING JAYA: MBSB Research has maintained a "positive" call on the property sector as developers continue to integrate environmental, social and governance (ESG) principles into their operations, with benefits seen in risk management, cost efficiency and long-term value creation.

In a report, the research house said most developers under its coverage are included in the FTSE4Good Bursa Malaysia Index, which highlights companies that adopt practices to address ESG risks.

"We observed that property companies under our coverage saw higher adoption of ESG practices due to growing concerns about environmental impacts, social and governance issues," it said.

Among those with a four-star ESG grading are Sunway Bhd, IOI Properties Group Bhd (IOIProp), Mah Sing Group Bhd and Eco World Development Group Bhd, while S P Setia Bhd, Matrix Concepts Holdings Bhd and UOA Development Bhd hold three-star ratings.

On the environmental front, initiatives include sustainable design features such as green certification, allocation of open green areas, energy-efficient building orientation and the use of low volatile organic compound paint.

Developers are also installing solar panels, rainwater harvesting systems and electric vehicle charging stations for a more sustainable use of resources.

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>
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MBSB Research said social initiatives are measured partly through the Construction Industry Development Board's QLASSIC scores, which assess workmanship quality.

For example, Mah Sing achieved scores of between 80% and 86% for various projects, while Sunway's 2024 completions averaged 84%.

Developers are also participating in affordable housing programmes to address supply gaps, especially in the affordable housing segments.

From a governance standpoint, the research house noted that most developers set targets of zero corruption or bribery cases, conduct anti-corruption training and have committees overseeing audit, risk and sustainability matters, alongside policies on data privacy and cybersecurity.

Notably, Mah Sing, Sunway, Eco World and IOIProp are leading in ESG adoption, particularly in sustainable design, renewable energy use and maintaining high construction quality.

Other players such as S P Setia, Matrix Concepts and UOA Development are progressing towards stronger integration.

"We believe that embracing ESG principles is a pathway to long-term value creation, enhancing brand reputation and supporting long-term financial performance.

"Going forward, we anticipate deeper integration of ESG principles into investment decisions and operations of property companies as we believe ESG can help property companies make sound decisions and achieve better long-term returns," it said.

MBSB Research maintained "buy" calls on Mah Sing, UOA Development and Matrix Concepts and "neutral" on Eco World, S P Setia, Sunway and IOIProp.