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Residential property trends key for developers

OPR cut expected to bring interest savings for players

PETALING JAYA: Property developers need to be alert to changing demand and global uncertainties to maintain resilience, especially within the residential market, says real estate experts.

PPC International Sdn Bhd managing director Datuk Siders Sittampalam said cautious developers continue to steer towards projects with good and healthy demand.

"We're seeing more developers focusing on affordable housing – generally units below RM500,000. That's where the market is," he told *StarBiz*.

Siders noted that due to the continued oversupply of high-rise residential units, property developers would need to identify sub-segments with steady, if not strong, demand.

The need for affordable housing was identified as one of the initiatives under the recently announced 13th Malaysia Plan (13MP).

Under the 13MP, which was tabled last month, the government announced plans to develop one million affordable housing units between 2026 and 2035.

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).

Siva Shanker, director of real estate agency Rahim & Co International Sdn Bhd, remains optimistic on the outlook of the local residential market.

"The residential sector is still active and people are still buying. Borrowing (in terms of loans) also is not too difficult," he said, adding that the recent cut in interest rates will help spur the market.

Bank Negara Malaysia cut the overnight policy rate (OPR) by 25 basis points to 2.75% at its July Monetary Policy Committee meeting.

MBSB Research expects the OPR cut to improve home affordability marginally by reducing borrowing costs and improving loan eligibility.

"The higher loan application is in line with our expectation of stronger buying demand for properties in Malaysia, which is underpinned by stable house price outlook and better economic prospect. The recent OPR cut by the central bank is expected to lift demand for properties."

MBSB Research

"The OPR cut is expected to bring interest savings for developers, which are estimated at below 2% of earnings of developers.

"We see that the OPR cut to improve buying sentiment on property in Malaysia and benefit property developers particularly middle-end housing developers."

Overall, the research house thinks that the OPR cut increases optimism on the property sector.

"Hence, we are narrowing our revalued net asset value discount for property companies by around 10% to reflect the OPR cut optimism."

With that, MBSB Research sees a better outlook for loan applications.

"According to Bank Negara Malaysia data, total loan application for purchase of property was flattish in May 2025, growing by a marginal plus 0.4% month-on-month to RM56.4bil after a growth of 3.1% month-on-month in April 2025.

"On a yearly basis, total loan application was lower by minus 3.6% year-on-year in May 2025 after registering three consecutive increases in February 2025 to April 2025."

Despite the temporary blip in the loan application in May 2025, MBSB Research said cumulative loan application in the first five months of this year remained higher at RM259.4bil (1.9% year-on-year).

"The higher loan application is in line with our expectation of stronger buying demand for properties in Malaysia, which is underpinned by stable house price outlook and better economic prospect.

"The recent OPR cut by the central bank is expected to lift demand for properties."

The research house said approved loans for purchase of property increased by 5% month-on-month in May 2025 after an increase of 6.8% month-on-month in April 2025.

"The higher approved loan was mainly driven by a higher loan approval ratio of 46.4% in May 2025, against 44.3% in April 2025.

"On a yearly basis, approved loans climbed by a marginal 0.8% year-on-year in May 2025 despite lower loan application, due to a higher loan approval ratio of 46.4% from 44.6% in May 2024."

Cumulatively, MBSB Research said total approved loans in the five months of 2025 was unchanged at RM110.9bil.

"We expect that the total approved loan to be marginally stronger in the coming months as loan application is expected to remain resilient."

Meanwhile, Knight Frank in its "Real Estate Highlights for the first half of 2025" report said stronger domestic fundamentals are expected to drive housing demand in 2025.

"The increase in Malaysia's minimum wage from RM1,500 to RM1,700 effective February 2025, coupled with a 13% salary increment for civil servants starting December 2024, is anticipated to improve household purchasing power.

"These enhancements, along with ongoing housing incentives under Budget 2025 such as income tax relief and the Step-Up Financing Scheme, are targeted at easing the path to homeownership, particularly for young and first-time buyers."

Nevertheless, Knight Frank noted that the high-rise residential segment in Kuala Lumpur experienced a mixed performance in the first quarter of this year, marked by a decline in transaction volume but supported by resilient transaction values and a steady pipeline of new residential launches.

"This reflects a cautiously optimistic market sentiment, as developers and buyers navigate evolving economic conditions.

According to Napic, as of the first quarter of 2025, there were 23,515 unsold completed residential units valued at RM15bil – a slight increase from end-2024.

Knight Frank noted that while the increase in overhang units was only marginal, concerns persist regarding the concentration of unsold inventory in the mid-to-upper tier price range – particularly within stratified developments such as serviced apartments.

"This indicates a growing supply-demand mismatch, where affordability and market absorption challenges continue to hinder effective take-up in the vertical housing segment."

In response, Knight Frank said developers have increasingly adopted more flexible financing structures and alternative homeownership models to attract first-time buyers and improve market accessibility.

"Notable schemes include Maybank's HouseKey, Affin Bank's Home Step Fast/i and CIMB's HomeFlexi Smart, which combine rent-to-own features and step-up financing mechanisms to bridge affordability gaps and stimulate buyer interest," it said.