PROPERTY

Real estate sector in healthy condition

Demand for industrial parks to fuel earnings upside

By EUGENE MAHALINGAM
eugenicz@thestar.com.my

PETALING JAYA: The recently concluded corporate results season saw many property developers reporting steady performances, with the majority maintaining their sales targets for 2025.

Seasoned investor Ian Yoong said earnings of real estate firms were "generally within expectations" during the quarter ended September 2025 (3Q25), adding that 2026 is expected to be a "banner year" for the property sector.

"Property stocks are fired up for outperformance in 2026 with earnings growth of 21% for the sector.

"We expect the anticipated fall in global interest rates to be a catalyst for the property sector," he told *StarBiz*.

Yoong expects continued growth in mid-market residential, affordable housing and industrial properties.

"We expect a continued focus on Johor, the Klang Valley and Penang-centric developers, rather than across-the-board exuberance in 2026.

"The good news is that the prices of residential and industrial properties in Malaysia are significantly lower than other developed Asean countries."

Areca Capital chief investment officer Ch'ng Cheng Siew also said earnings for property developers in 3Q25 were mostly within expectations, adding that the results were, however, "tilted toward disappointment".

"There were more misses than beats," she said.

Going forward, Ch'ng said investor focus will be on robust take-up in landed residential and industrial property, active de-gearing and Johor Baru catalysts – including price uptrends and the Rapid Transit System (RTS) link completion expected end-2026, improving cross-border mobility and sentiment.

She emphasised that "opportunities are pick-driven, not sector-wide".

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"A softer rate environment in financial year 2026 (FY26) and continued housing incentives support affordable and mid-market demand."

Following the 3Q25 results, TA Research in a report said all developers within its coverage maintained their FY25 sales targets.

"Given the sector's solid sales performance for the nine-month period ended Sept 30 (9M25), healthy pipeline of bookings pending conversion and a series of upcoming launches in 4Q25, we believe developers are on track to achieve their full-year targets.

"Encouragingly, Sime Darby Property Bhd and Sunway Bhd are on track to exceed their FY25 sales targets, having achieved 94% and 87% of their respective targets in 9M25."

CIMB Securities, meanwhile, said the recent spike in logistics and input costs may cause near-term disruptions to property deliveries.

""We believe developers will likely pass on the associated increases in construction costs.

"Nevertheless, we continue to see sustained interest in industrial properties, while Johor-related names could rerate on ongoing infrastructure spending ahead of the targeted launch of the Johor Baru-Singapore RTS link in January 2027."

Going forward, TA Research expects developers to post a steady performance in 4Q25, supported by resilient property demand, healthy unbilled sales and a strong pipeline of upcoming launches.

"The sector's earnings momentum should remain stable, with most developers on track to meet their FY25 sales targets following the solid 9M25 performance."

The research house noted that although Bank Negara Malaysia's 25-basis-point cut of the overnight policy rate to 2.75% in July is no longer recent, the rate cut's positive effects are still filtering through the system.

"Lower borrowing costs continue to support homebuyer affordability and reduce financing expenses for developers, sustaining a conducive demand environment heading into year-end."

TA Research echoed the general view that industrial properties remained the sector's key growth driver.

"Demand for industrial parks continues to outpace other segments, buoyed by rising manufacturing foreign direct investment inflows, data centre investments and supply chain diversification into Malaysia.

"Developers with strong industrial exposure, particularly Sime Darby Property, IOI Properties Group Bhd and S P Setia Bhd, are expected to maintain solid sales momentum in 4Q25, reinforcing sector resilience."

On the residential front, TA Research said launches are poised for a stronger showing as improved mortgage affordability and targeted government incentives lend support to demand.

"Nonetheless, buyer sentiment will likely remain selective – firm for affordable, well-located and landed township projects, but subdued for mid-to-high-end condominiums in oversupplied areas."

Looking ahead to 2026, the research house expects sector sentiment to remain broadly positive, underpinned by the sustained impact of pro-homeownership measures, the rollout of infrastructure projects and continued progress in strategic growth corridors, such as the Johor-Singapore Special Economic Zone and Malaysia Vision Valley in Negri Sembilan.

"These developments, coupled with easing financing conditions and steady demand for industrial and affordable housing, should provide a supportive backdrop for a stronger earnings recovery and potential re-rating of select developers with well-located landbanks and diversified income streams," TA Research stated.