

# A year of resilience and catalysts for the property market

In 2025, research houses have mostly positive calls for the property sector



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The year 2025 was generally a good year for the property market, marked by stable borrowing costs, major government initiatives and developers' strong focus on properties that generate steady income. Most research houses remained positive on the property sector throughout the year, with several maintaining an overweight rating, indicating a sustained optimistic outlook fueled by favourable domestic conditions.

Summarising several research houses' findings and outlook for the property sector throughout the year, StarProperty reconstructs the sector's performance from the market's perspective.

The year had begun with strong optimism, with the KL Property Index (KLPi) in Bursa Malaysia significantly outperforming the main stock index, the KLCI, in 2024, chalking up gains of 31.5% compared to the KLCI's 12.9% gain.

Following a strong performance in 2024, Maybank Investment Bank noted that developers have set varied sales targets for 2025. Sunway Bhd set a 20% year-on-year (yoY) increase while others like SP Setia Bhd, Sime Darby Property Bhd and Eco World Development Group Bhd set more conservative, lower targets compared to their 2024 actual sales. This was largely because the 2024 sales were boosted by significant land sales.

In fact, major catalysts that would have a sustained impact

throughout the year were already picking up momentum in the first quarter, starting with the formalisation of the Johor-Singapore Special Economic Zone (JS-SEZ) initiative and the progress of the Johor Bahru-Singapore Rapid Transit System (RTS) Link. Additionally, the reintroduction of the Malaysia Vision Valley 2.0 (MVV 2.0) was noted as potentially rekindling investor interest.

Noting positively that developers were increasingly focused on diversifying into businesses that offer steady recurring income streams, such as data centres and industrial property development, RHB Research viewed the strategy as enhancing earnings quality and potentially leading to higher valuation premiums.

With the Overnight Policy Rate (OPR) unchanged at 3% (at the first half of the year)—viewed as supportive of buying interest—research houses gave largely positive calls for the sector during the first quarter (MIDF Research: positive, RHB Research: overweight, Maybank IB: neutral).

## Headwinds from afar

The good start, however, was tempered by global shocks in the form of a US reciprocal tariff announcement at the beginning of the second quarter. The KLPi experienced a sell-down in the first quarter, declining by 11.3% (steeper than the KLCI's decline of 7.8%), mainly due to profit-taking and concerns over a potential slowdown in data centre development and US policy risks. Following President

Donald Trump's reciprocal tariffs announcement, the index declined by 3.2% in April 2025, underperforming the KLCI's 1.8% gain.

While total loan applications for property purchase increased for three consecutive months yoy through April 2025, total approved loan for the first quarter was marginally lower (-0.6% yoy to RM59.8bil) and flattish for the year's first four months (-0.1% yoy to RM84.7bil).

Kenanga Research noted that despite the cooling off, demand continued to be upheld by the mid- and higher-priced units (above RM500,000), indicating selective demand shifts and renewed buyer confidence among higher-income groups.

Nevertheless, research houses remained positive about growth drivers such as the JS-SEZ and RTS and expected the sector to benefit from US-China trade tensions, which compel companies to move operations to Southeast Asia.

Notwithstanding concerns that the expansion of the SST effective July 1, 2025, imposing a 6% tax on construction contracts above RM1.5mil (excluding residential buildings) and an 8% tax on leasing and rental income above RM500,000 annually, would cause a slight margin compression, research houses were of the opinion that developers' earnings will remain healthy due to strong demand for industrial assets.

For the second quarter, research houses' calls were cautiously positive (Kenanga: neutral, MIDF

Research: positive, RHB Research: overweight).

## Lift from domestic policies

The sector received a shot in the arm with the OPR cut by 25bps to 2.75% on July 9, 2025. The move was anticipated to improve home affordability by reducing borrowing costs and lifting loan eligibility, while also offering developers interest savings estimated at below 2% of earnings.

Furthermore, the 13th Malaysia Plan (13MP), announced on July 31 this year, highlights several strategic industrial zones that could reshape the industrial landscape, including the JS-SEZ, Kulim Hi-Tech Park (KHTP) and Carey Island.

Under Budget 2026, full stamp duty exemptions for first-time home buyers for houses priced up to RM500,000 have been extended until Dec 31, 2027, while stamp duty for foreigners was up from 4% previously to a flat 8%. RHB Research noted that the former move was positive for the market while the latter was not expected to have a severe impact on demand for high-end properties, particularly in Iskandar Malaysia, given the region's ongoing infrastructure and economic catalysts.

Maybank Investment Bank, however, pointed out that the 13MP's plan to implement the build-then-sell model mandatorily through amendments to the Housing Development Control and Licensing Act 1966 (Act 118), aiming to curb abandoned housing

projects, is expected to have a pressuring effect on developers' balance sheets. However, it could benefit financially stronger players who can gain market share and potentially address oversupply issues.

Research houses' call for the sector remained positive (MIDF Research: positive, Maybank IB: neutral, TA Research: overweight, UOB Kay Hian: overweight).

## A solid year-end

The KLPi has outperformed the KLCI in the third quarter (+6.2% vs +5.2%) and in September 2025 (+4.4% vs +2.3%), leading the sector's valuation to return to its long-term mean. MBSB Research noted that buying sentiment for property remains resilient, reflected by a double-digit growth in total loan applications of 12.2% (yoY) in September 2025. This brought the cumulative loan application higher at RM490bil, a 3% increase yoy in the first nine months of 2025 (9M 2025).

While total approved loans were flattish at RM212.6bil (-0.4% yoy) in 9M 2025 and the loan approval ratio was marginally lower at 43%, approved loans saw a recovery of 8.7% yoy in September, snapping three months of consecutive decline.

UOB Kay Hian pointed out that demand for higher-value segments (RM700,000-RM1mil and above) continued to rise in 9M 2025, led by properties in Johor Bahru and Kuala Lumpur. The research house also expects the industrial property segment to continue to thrive, as the industry receives a higher amount of enquiries from East Asia-based multinational companies seeking production hubs or warehouses in Malaysia due to US-China trade tensions.

Industrial demand in MVV 2.0 has picked up, spurring new industrial launches such as the 760-acre Vision Business Park, 1,195-acre Eco Business Park VII and 1,000-acre MVV Tech Valley, with take-up mainly led by local SMEs. Developers are actively positioning around future transit corridors, with launches of Transit-Oriented Developments (TODs) such as Seremban Sentral and Ipoh Sentral.

As the year comes to a close, the property sector's recovery has been robust, weathering global policy shocks and policy-influenced sell-down. With the sector demonstrating strong fundamentals, research houses' calls for the year-end were again positive (MBSB Research: positive, RHB Research: overweight, UOB Kay Hian: overweight). 