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The Malaysian property sector is on the cusp of a profound transformation, driven by the government's firm commitment to its net-zero pathway. In 2026, sustainability moves decisively away from optional, premium feature status to become mandatory compliance, affecting every stage of the project lifecycle from initial design to post-occupancy maintenance. This shift is being led by a combination of new federal regulations and stringent local authority mandates, complemented by revised industry standards from bodies like GreenRE.

The central narrative for the coming year is clear. Developers and consultants must master performance-based standards, effectively measure carbon emissions and prioritise long-term building resilience over short-term cost savings. These integrated changes are set to redefine what constitutes a responsible and viable development in the Malaysian context.

## The regulatory tsunami

From a regulatory standpoint, 2026 will see the anticipated strengthening of the Energy Efficiency and Conservation Act (EECA). The industry has already had a year to adjust and the focus is now on stricter enforcement. This includes the phased rollout of building energy labelling for commercial typologies, with progressive benchmarking levels expected for sectors such as retail, hospitality and data centres.

Crucially, local authorities are stepping up to meet state and national net-zero targets. In the Klang Valley, municipalities like Kuala Lumpur City Hall (DBKL) and Petaling Jaya City Council (MBPJ) are poised to introduce new mandatory guidelines for energy efficiency and green buildings, applicable to both new developments and existing buildings undergoing major retrofits. DBKL is also

pushing a firm mandate requiring 30% of available roof space in new developments to be utilised for solar panels. Mirroring this ambition, Penang has already introduced mandatory green building certification and solar panel requirements for all new projects, signalling a trend that is expected to be adopted by more municipalities nationwide.

## Mastering carbon assessment

The biggest technical frontier for the industry in 2026 will be the effective measurement and reduction of embodied carbon—the emissions associated with materials and construction processes. GreenRE is addressing this by adopting the EN 15978 standard for Whole Life Carbon Assessment (WLCA), which calculates a building's environmental performance over an assumed 60-year operational lifetime.

This WLCA framework comprises four stages, namely, Product (A1–A3), Construction (A4–A5), Use (B1–B7) and End of Life (C1–C4). This holistic approach allows for accurate benchmarking during the crucial design phase. The data confirms the urgency because the upfront carbon (material selection, transport and construction) represents approximately 25% of a project's total 60-year carbon impact, with material selection alone responsible for nearly 90% of those upfront emissions.

A comprehensive 2019 report by the Construction Industry Development Board (CIDB) pinpointed concrete and steel as the leading contributors to embodied carbon. In response, GreenRE is implementing stringent pre-requisites for developers, specifically targeting the concrete use index (CUI), green concrete provision and the use of recycled steel content in projects. But calculating emissions is only the first step because the real challenge lies in reducing them.

While regulatory mandates for Environmental Product Disclosures (EPDs)

# Malaysia's green mandate

Navigating the mandatory shift in property sustainability in 2026

are not yet anticipated, an international trade push will increase the need for manufacturers to disclose these metrics. Reducing embodied carbon effectively requires strategic action from developers:

- **Reduce material use:** Design for efficient use of resources.
- **Reuse and retrofitting:** Prioritise adaptive reuse over demolition.
- **Design for modularity:** Implement prefabricated components.
- **Sustainable material choices:** Use lower-carbon concrete mixes, higher recycled steel content, engineered timber where appropriate and local recycled aggregates.

## New revision and toolkit

To support this regulatory evolution, GreenRE will introduce a new revision to all its rating tools. These updates will include pre-requisites specifically focused on construction and embodied carbon measurement, as well as the maintenance and operability of buildings.

In a move to enhance occupant experience, a new Health and Wellbeing Toolkit will be introduced. This toolkit assesses and improves occupant comfort and productivity through criteria covering universal design, indoor air quality (IAQ), thermal and acoustic comfort, hydration and nourishment, daylighting and mental well-being.

Furthermore, a heightened focus will be placed on rejuvenating existing buildings and the renewal of building certifications, recognising the significant portion of national emissions generated by ageing stock. Resource efficiency—energy, water and waste—will be the primary focus of this renewal process. To simplify this, an online portal with a dashboard will be introduced for tracking these metrics and streamlining the recertification process, which is mandatory every three years.

Overall, GreenRE anticipates that these new initiatives will have minimal impact on project timelines or costs. Instead, they are geared toward improving clarity and transparency in efforts toward decarbonising the built environment, shifting capital expenditure toward high-performance solutions.

## Resilience, retrofitting and water management

Resilience against increasing weather extremes is now a core design requirement. While existing manuals such as Malaysia's MSMA (Urban Stormwater Management Manual) and MS2526-6:2014 (rainwater harvesting standard) remain the technical baseline, climate risk necessitates referencing them for higher design standards.

Flood mitigation relies heavily on improved passive water management through more permeable surfaces and reduced surface run-off. All Sustainable Urban Drainage Systems (SUDS) measures will help improve local flood mitigation. Greywater recycling remains encouraged for green building points but mandatory regulation is not expected. The majority of rainwater harvested continues to be used to reduce potable water consumption for non-essential uses like outdoor irrigation, given its ease of implementation and maintenance.

For existing buildings, which contribute significantly to the country's carbon footprint, the enforcement of the EECA is key. The transition will be accelerated by existing government programs under SEDA, such as energy audit and chiller replacement grants (commercial) and the SAVE programme (residential). Crucially, the industry needs more incentives and contractual protection for Energy Performance Contracts (EPCs), which allow third parties to fund capital expenditure for retrofits and recover costs through shared energy savings—effectively a build, operate and transfer mechanism.

## Integrating health and advanced technology

Beyond basic energy efficiency, design integrates human health and comfort. Architects are adopting hybrid strategies that combine natural ventilation and daylighting with sophisticated IAQ controls (filtration and sensors) to maintain air quality even during haze events. Daylighting performance is quantified using established metrics like the daylight factor (described in MS standards). The connection to nature is also becoming a quantifiable metric, tracked through elements like green walls, view-factor calculations and documented access to planted outdoor spaces.

Finally, the increasing integration of on-site renewables demands clear guidelines for Building-Integrated Photovoltaics (BIPV) and Battery Energy Storage Systems (BESS). Safety remains paramount. Key guidelines currently under development will focus on early structural review for wind loads and weight, comprehensive fire strategies combining façade and PV elements, meticulous detailing for waterproofing and thermal bridging and strict containment and access rules for DC cabling and inverter/BESS locations. Mandatory third-party testing and type-approval for custom BIPV modules will ensure both aesthetic and structural designs meet critical safety and integrity standards.

The year 2026 marks the beginning of Malaysia's era of mandatory green building. It is a necessary strategic move that positions the industry for long-term operational savings and resilience in a market where sustainability is no longer optional.