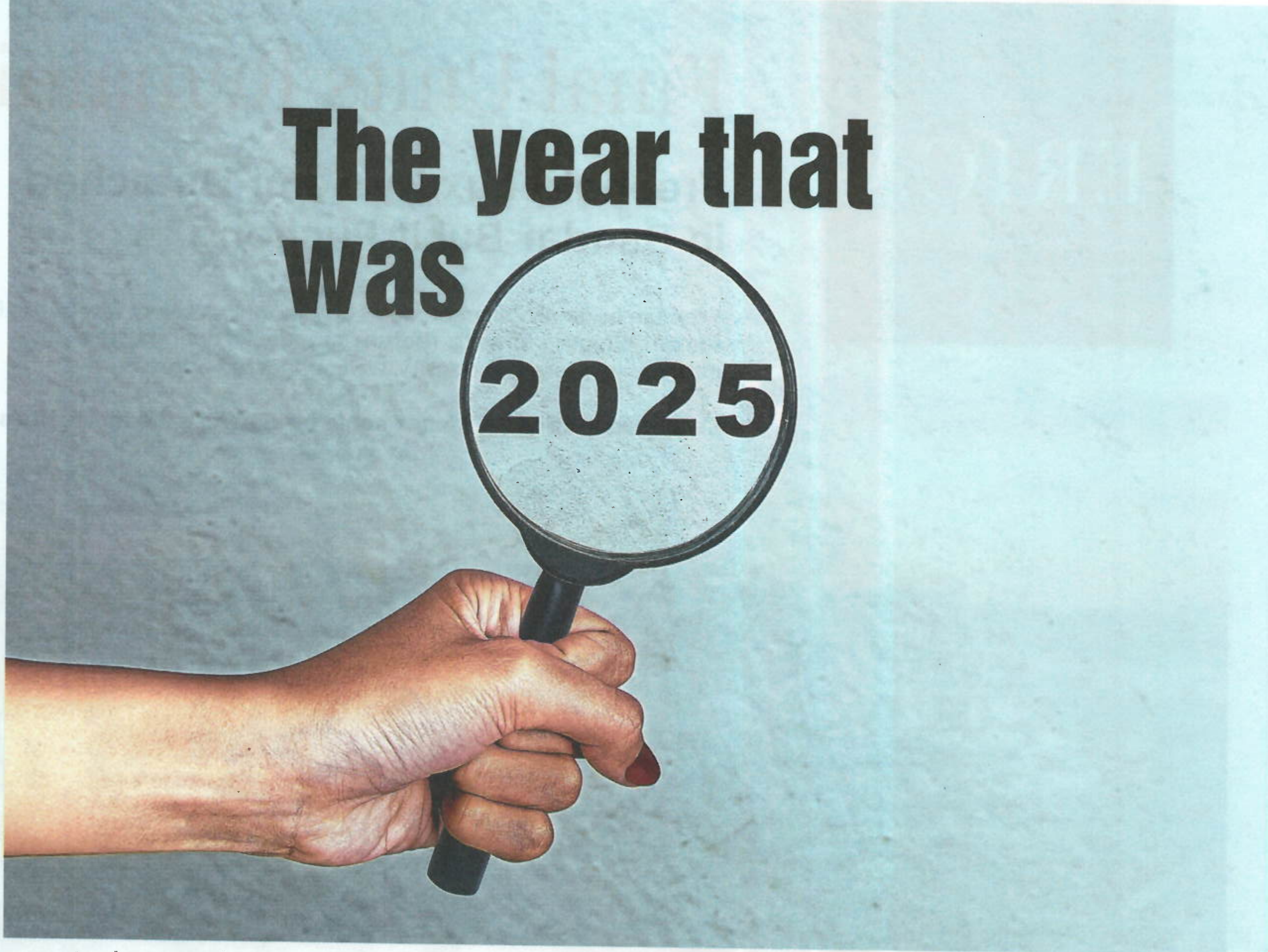
The year that was 2025



A deep dive into a year of resilience and regulatory shift

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The year 2025 has cemented its place as a pivotal period for the Malaysian property market, marking a transition from post-pandemic recovery to regulatory maturity. The market dynamics were characterised by a curious divergence which witnessed a demonstration of strong transactional resilience in value terms, even as volume metrics remained subdued.

This resilience, however, was accompanied by persistent challenges, chief among them the ongoing struggle for affordability and the necessary adaptation to significant, mandatory government policy changes, particularly the introduction of the Real Property Gains Tax (RPGT) self-assessment system.

The first half of the year saw the total value of property transactions rise robustly by 1.9% to RM107.68bil. This growth in transactional value is a testament to the underlying demand for quality real estate and inflationary pressures within the construction sector. The market effectively shrugged off global uncertainties, reflecting strong domestic liquidity and confidence, especially among high-net-worth individuals and institutional investors.

However, this growth in value was achieved despite a slight dip in the total number of property deals transacted. This divergence—value rising while volume falls—is symptomatic of several key factors:

1. Rising asset prices: Inflationary costs for construction materials (cement, steel, labour) are consistently passed on, increasing the average selling price of new launches.

2. Secondary market strength: The secondary market, particularly for established properties in prime areas with readily available infrastructure, saw strong price appreciation, contributing heavily to the overall rise in transaction value.

3. Affordability bottleneck: The primary reason for the stagnant volume lies in the widening gap between house prices and median household income, pushing first-time buyers and B40/M40 segments out of the market for certain housing types.

The overall outlook for the remaining quarter of 2025 remains cautiously optimistic. This positive sentiment is underpinned by continued economic recovery, sustained political stability and the tangible progress of critical national infrastructure projects that act as economic catalysts.

Addressing structural challenges

While high transaction values suggest a healthy market, the sector cannot ignore two critical, long-standing pressures, namely, the current level of unsold completed units and the affordability crisis.

The build-up of unsold units—defined as completed properties that have remained unsold for more than nine months—continues to plague specific segments.

Geographically, the crisis is disproportionately severe in certain states and heavily concentrated in high-rise residential properties priced above the RM500,000 threshold. For developers, this represents trapped capital and necessitates significant inventory

2025's property-related events at a glance

January
• The year opened with a focus on compliance as the mandatory Real Property Gains Tax (RPGT) self-assessment system officially took effect.
• The My First Home Scheme was updated to the 2025 version.

February
• The Bank Negara Malaysia (BNM) Monetary Policy Committee (MPC) maintained the Overnight Policy Rate (OPR) at 3.00%.

March
• The Ministry of Housing and Local Government (KPKT) released the final draft of the Urban Redevelopment Act (URA) for public consultation.

April
• Announcement that the East Coast Rail Link is 82% completed.

May
• The first major investment announcement tied directly to the Johor-Singapore Special Economic Zone (SEZ) was made public.
• The StarProperty Real Estate Developer Awards 2025 celebrated its 10th anniversary with 99 awardees, 13 special recognitions and a once-in-a-decade award.

June
• Malaysia's real estate sector records steady growth by 1.9% in 1H 2025 at RM107.68bil in transacted value and the House Price Index rose by 0.7%