

Property sector set for fundamental-driven growth

KUALA LUMPUR: Headline activity in Malaysia's property market no longer provides a complete picture of underlying market dynamics, as outcomes are now driven by infrastructure readiness, capital discipline and alignment with long-term demand fundamentals.

Knight Frank Malaysia said the second half of financial year 2025 (2H25) highlighted a clear inflexion point in Malaysia's real estate market, as demand remained broadly intact while outcomes have become more fragmented, prompting a realignment in market strategies heading into 2026.

"The market is no longer moving in a single direction.

"Over the past six months, we've seen a clear separation between assets that are aligned with structural demand and those that are not.

"In this environment, performance is determined by alignment, discipline and execution, rather than momentum alone," said its group managing director Keith Ooi in a statement yesterday.

According to Knight Frank, Malaysia's industrial demand remains resilient, but performance is increasingly shaped by

infrastructure readiness and operational efficiency within a more policy-directed environment.

The property consultancy firm said the United States' tariff measures in 2025 disrupted regional trade flows and dampened activity across export-orientated manufacturing and logistics segments.

"While domestic consumption and export market diversification provided partial support, increased trade costs and heightened uncertainty led to slightly softer demand.

"Which results in a moderate impact on overall industrial market activity."

Knight Frank also highlighted that the data centre (DC) sector has transitioned from a phase dominated by investment announcements into a phase of execution.

"The sector's growth is increasingly tied to delivery certainty, governance readiness and access to critical resources."

It also noted that projects facing constraints in approvals, power availability or infrastructure provisioning are already encountering execution delays as the sector moves into its next phase.

As the sector matures, future DC invest-

ment is increasingly defined by sustainability, infrastructure readiness and economic multiplier impact rather than scale alone.

Separately, it said retail performance in 2H25 held firmer than anticipated, anchored by daily-needs retail, food and beverage, and experience-led formats that continue to support consistent footfall.

"As competition intensifies, especially in overlapping catchments, landlords are prioritising tenant retention and mix optimisation over headline rental growth," said its retail management and consultancy Yuen May Chee.

In the hospitality sector, improving travel flows and sustained cross-border demand are already influencing room inventory planning and pricing strategies, as operators position ahead of Visit Malaysia 2026.

Knight Frank said growth in the sector is increasingly supported by policy direction, improved connectivity and event-driven travel.

Meanwhile, the residential market cooled modestly in 2H25, reflecting cautious buyer sentiment amid ongoing pressures on affordability and supply-demand imbalance. — Bernama