

Demand for industrial real estate holds steady despite rising supply

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PETALING JAYA: Malaysia's industrial property segment stands out for resilience as the property market enters 2026 on a softer footing, but this is not without emerging risks.

Siva Shanker, Rahim & Co's director of real estate agency, said the success of the industrial segment "has been something of a double-edged sword" because while it has performed well overall, its success also encouraged the building of more such properties.

This is as developers bet on demand continuing, given the growth of eCommerce and the need for warehouse space.

He highlighted that the industrial segment has seen supply rising faster than demand as 2025 ended. He cited 12 million sq ft of new warehouse space set to enter the market over the next two years, especially in key logistics hubs such as Shah Alam as well as Grand Valley and Rawang, Selangor.

"This primarily includes large-scale projects from prominent developers.

"While the market will gradually absorb this supply, it will take some time given the sheer volume, particularly in Shah Alam, where roughly 10 million sq ft is expected over the next two years," he said, adding that demand remains healthy.

"In the past, properties could be taken even before construction was finished, but those days are largely over," Siva said, pointing out that the market would need time to absorb the new supply.

However, the industrial segment remains closest to equilibrium in regards to supply and demand due to eCommerce growth and logistics activity, while the residential and office segments grapple with oversupply and the shift to higher-grade office space.

An argument can also be made that investors who had traditionally bought into residential and commercial properties, have now shifted their interest to industrial properties as being more sustainable over the longer term and offering steadier income and capital growth.

"The larger, purpose-built industrial developments are typically driven by genuine or carefully assessed demand.

"In many cases, they are built-to-suit projects, resulting in near-immediate occupancy.

"That is why supply and demand remain close to equilibrium, they are demand-led rather than speculative.

"In the case of warehouses, for instance, it operates on a simple but highly efficient principle: trucks arrive, goods are unloaded and stored briefly, then trucks leave and the next load comes in.

"The system relies on constant movement," he said.

Siva said multi-storey warehouses could be an emerging trend due to greater efficiency and effectiveness.

"Traditionally, we were content with single-story warehouses.

"Now, we're starting to move toward two and even three-storey facilities.

"In places like Japan, they have 16 stories incorporated due to high land costs, and in Singapore, warehouses can reach up to six to eight floors.

"Here, multi-storey warehouses are still emerging, but the two-storey ramp-up model is already starting to take off," he said.

Siva explained that the new warehouses are compartmentalised, allowing tenants to rent space in various configurations.

He shared that this creates flexibility, making it ideal for a wider market.

Rahim & Co's Property Market Review for 2025-26, reported some large-scale industrial activity, driven by diversified investments in logistics.

The report said 1,472 new industrial properties were under construction, largely concentrated in Klang and Kuala Langat, signalling continued expansion in logistics and manufacturing capacities.

Selangor recorded healthy growth in the first half of 2025 (1H25), with transaction volume rising by 10.1% to 1,433 properties valued at RM6.82bil.

On the supply front, Malaysia's most industrialised state saw a 1.6% growth in supply reaching 43,295 industrial units as of 1H25.

Terraced factories made up 67.3% of the total supply, followed by semi-detached units at 17.2%.

Petaling remains the state's key industrial hub, housing 14,889 units (34.4% share), followed by Klang with 9,381 units (21.7%).