

Property demand likely to stay resilient

Developers expected to post firm quarterly earnings

PROPERTY

PETALING JAYA: Real estate developers' earnings for the January-to-March quarter (1Q26) are expected to be largely in line with or slightly below expectations, as the first half of the year (1H26) is typically weaker than the 2H26.

In a sector report, RHB Research said that based on its recent engagements with several developers, many still saw resilient demand and property sales during the quarter, despite the outbreak of the US-Iran geopolitical conflict at the end of February.

"Generally, developers do not see a major impact on their margins for 1Q26, but they caution that if the war is prolonged, profit margins over the next few quarters may be somewhat affected," it said.

The research house noted that a small number of developers guided that there could be provisions for higher construction costs for past and current projects, and any resulting impact on margins may be reflected in the upcoming results.

"We do not expect developers to decrease their sales targets upon the release of results in May.

"Some may wait and see before taking any action, while the majority should go ahead with their launches as planned."

RHB Research said the sector's recent share price recovery indicates that investors have looked past the impact of the US-Iran conflict.

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RHB Research

sion," the research house added.

"However, unlike other sectors, property developers typically have better flexibility to reconfigure their product designs, build-ups, materials, and pricing in order to mitigate the impact on margins."

A property analyst told *StarBiz* that developers are, for now, still able to cope with rising costs as they can pass most of the increases on to customers.

"They are still able to pass on most of the increase, but if the conflict prolongs, margins may start to suffer," he said.

RHB Research noted that despite market headwinds, developers are moving ahead with their asset monetisation exercises.

It said value-unlocking efforts highlighted in the previous quarter remain an important catalyst for the sector, adding that three major developers – including Sime Darby Property Bhd and SP Setia Bhd – are collectively listing property assets worth about RM13bil through injections

into real estate investment trusts over the next two years.

The research house said demand in Iskandar Malaysia remains strong.

Although the ringgit has strengthened, rising inflationary pressures in the region continue to attract travellers from Singapore to spend and/or stay in Iskandar Malaysia, at least over the medium term, it added.

Land prices are expected to stay elevated, as recent land transactions still being concluded at record highs, indicating no signs of weakening demand.

RHB Research, which maintained its "overweight" call on the sector, also said high-end properties in premium locations are expected to continue performing well.

It added that average selling prices for units in new launches in areas such as Desa ParkCity, Damansara, Petaling Jaya and Pavilion Damansara Heights remain resilient.