

Real estate market becoming more selective

Affordability concerns soften buying sentiment

PROPERTY

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PETALING JAYA: Malaysian property developers are expected to sustain healthy sales momentum in the second half of financial year 2026 (2H26), although the market is becoming increasingly selective as economic uncertainties and affordability concerns temper buying sentiment.

RHB Investment Bank analyst Loong Kok Wen noted that when property developers announced their first-quarter results and sales targets back in May, sentiment was clouded by the Iran conflict.

"Many industry players (then) had expressed concerns over rising cost pressures. Since then, however, most developers have indicated that these cost pressures remain manageable and have reiterated confidence in achieving their sales targets for the year," she told *StarBiz*.

Loong said product launches also continue to proceed largely as scheduled, suggesting that development pipelines remain intact.

"From a demand perspective, the residential mid-market segment, particularly homes priced within the RM400,000 to RM600,000 bracket, is viewed as the most vulnerable should economic conditions weaken.

"In contrast, demand for high-end residential properties and industrial developments has remained resilient, supported by sustained buyer interest and underlying market fundamentals."

Olive Tree Property Consultants founder and chief executive officer Samuel Tan said the Malaysian residential property market is at an "inflection point".

"It is a situation that had been building even before the recent global volatility.

"We are transitioning from a post-pandemic recovery phase into a highly differentiated, localised market."

Tan said 1H26 largely aligned with expectations of a "stabilising, but fragmented" market.

Citing data from the National Property Information Centre, he said national house prices remained resilient, with the House Price Index showing modest growth of

"The residential property market is at an inflection point."

Samuel Tan

around 1.7% year-on-year (y-o-y).

"Yet, transaction volumes dropped by roughly 8%. The defining characteristic of 1H26 has been the widening divergence between segments."

Additionally, Tan observed that the residential overhang, which climbed to over 32,800 units, is heavily concentrated in the "RM300,000 and below" segment.

"This is ironic because this tier sees the highest volume of buyer interest, but transactions are failing to clear.

"Conversely, properties priced above RM500,000 have demonstrated stronger absorption rates.

"Developers holding completed stock in this bracket have found a steady pool of buyers who are financing-ready."

Hong Leong Investment Bank (HLIB) Research, meanwhile, said it continues to see opportunities in the high-end segment within the Klang Valley, supported by renewed foreign investment interest and demand from the Malaysia My Second Home Scheme holders.

"For the mid-market segment priced between RM500,000 and RM1mil, demand is likely to be more nuanced and location-driven, given the increase in supply following higher launches over the past few years.

"Transit-oriented projects and developments within mature townships or well-established neighbourhoods with good amenities should continue to see resilient demand."

In Penang, HLIB Research said mid-to-high-end residential demand could recover, as artificial intelligence compute demand has pulled almost the entire semiconductor supply chain in Penang into an upturn in 2026.

"Meanwhile, affordable housing remains underserved, which should support demand for SkyWorld Development Bhd's

affordable projects in Seberang Jaya and Batu Kawan."

MBSB Research analyst Jessica Low Jze Tieng said she expects tepid new sales outlook for developers.

"Most of the developers registered subdued new property sales in the first quarter of financial year 2026 (1Q26) due to the festive period. We reckon that new property sales will pick up from a lower base in 1Q26 as buying sentiment normalises," she said in a research note.

Nevertheless, Low believes the outlook for property sales will largely depend on how inflation in Malaysia evolves in 2H26.

"Inflation is a key factor that influences homebuyers' purchasing power and overall buying sentiment toward properties.

"We think that the new sales outlook will be generally tepid in 2H26 amid an increasingly inflationary environment."

Low noted that total loan application for purchase of property was stable in the first four months of this year – increasing by 1.8% y-o-y.

"Overall, buying sentiment is still holding up well amid rising oil prices globally, as Malaysia still maintains fuel subsidies for RON95 and the logistics sectors.

"Nevertheless, we are cautious about the buying sentiment going forward, as the knock-on effects of higher oil prices could weigh on property buying sentiment."

She cautioned that rising inflation and living costs may reduce consumers' purchasing power in 2H26, especially on big-ticket items. Low also believes that higher cost pressures are expected to be more prominent in 2H26.

"The 1Q26 earnings of developers were somewhat softer than expected, with three companies reporting earnings growth and three companies reported earnings decline.

"The mixed earnings of developers were partly dragged down by a narrowing margin."

Low thinks developers may continue facing margin compression in 2H26, as higher fuel costs drive up construction material prices and increase developers' overall construction costs. "We also see limited ability of developers to pass on higher construction costs to homebuyers, as buying sentiment is likely to be tepid."

Tan also concurred that rising input costs remain a persistent threat.