

PROPERTY

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PETALING JAYA: The outlook for the property sector in the second half of financial year 2026 (2H26) will be one of "cautious optimism", as experts believe the lingering geopolitical and macroeconomic uncertainties could continue to weigh on market sentiment.

PPC International Sdn Bhd managing director Datuk Siders Sittampalam expects to see steady, gradual growth in the property market for the remaining six months of 2026.

"There will be growth, but it will not be rapid. It will be demand-driven, especially within the affordable and mid-market segments," he told *StarBiz*.

Siders added the property market in the 2H26 will be supported by infrastructure developments and growth corridors.

"We remain optimistic of the residential, as well as the logistics and industrial sectors," he said.

Johor-based Olive Tree Property Consultants founder and chief executive officer Samuel Tan said the outlook is cautiously optimistic, provided the "right corridors are looked at".

"Broad national trends are taking a back seat to highly specific regional and infrastructural catalysts."

The imminent operational readiness of the Johor Baru-Singapore Rapid Transit System Link (RTS) is fundamentally altering the southern landscape," he said.

Because cross-border rentals remain historically high (in Johor), Tan said the viability of daily commuting is driving immediate residential demand.

He emphasised that the Johor-Singapore Special Economic Zone (JS-SEZ) is uniquely positioned right now.

"As global tech firms and major corpora-

Property outlook turns cautious in 2H

Growth supported by JS-SEZ, infrastructure catalysts

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tions actively look to reduce their exposure to the Middle East amid ongoing volatility, the JS-SEZ stands to capture a significant share of redirected foreign direct investment.

"This will be a massive driver for commercial and industrial space in the region."

Meanwhile, Maybank Investment Bank in its "2H26 outlook" report said it is turning more cautious on the sector's near-term outlook.

"While tensions in the Middle East have eased following the recent ceasefire, lingering geopolitical and macroeconomic uncertainties could continue to weigh on consumer confidence, with buyers taking longer to commit to big-ticket property purchases."

It said developers may face slower sales momentum and potential downward revisions to sales targets should sentiment weaken further – while margins remain susceptible to cost pressures in a challenging operating environment.

"That said, we do not expect the sector's long-term growth drivers to be materially affected.

"The JS-SEZ initiative remains a key catalyst, while the completion of RTS by end-2026 should enhance connectivity, spur business activity and support property demand through job creation and population growth."

Maybank added industrial developments are expected to continue outperforming the broader market, underpinned by demand from manufacturing, logistics and data centre investments.

"Asset monetisation remains a key sector theme.

"However, with most real estate investment trust plans already well flagged, investor focus is likely to shift towards delivery and execution," the bank noted.

Despite the strong localised catalysts, Tan said the broader market faces several structural and operational headwinds, going into the final quarters of 2026.

"The primary constraint in the market is not a lack of supply or a lack of demand; it is access.

"Mortgage approval ratios have hovered around 40%, meaning six out of 10 applicants are turned away."

Tan believes that until there is better access to bridge eligible buyers with the right financing pathways, the overhang in the affordable segment will persist.

MBSB Research in its "Second half of calendar year 2026 Market Outlook" report said the property sector faces rising overhang risk.

"According to data released by the National Property Information Centre, unsold completed residential units increased to 32,801 units in the first quarter of financial year 2026 (1Q26) from 30,471 units in 4Q25.

"The higher residential overhang was owing to higher unsold completed residential units in Kuala Lumpur, Melaka and Pahang."

Similarly, the research house said the serviced apartment overhang also rose to 19,263 units in 1Q26 from 18,752 units in 4Q26, as the overhang in Kuala Lumpur and Johor increased.

"Overall, we see the increasing property overhang as a downside risk to the sector, as higher levels of unsold completed properties may dampen developers' appetite for new launches going forward," it highlighted.