Industry Focus:

Real Estate

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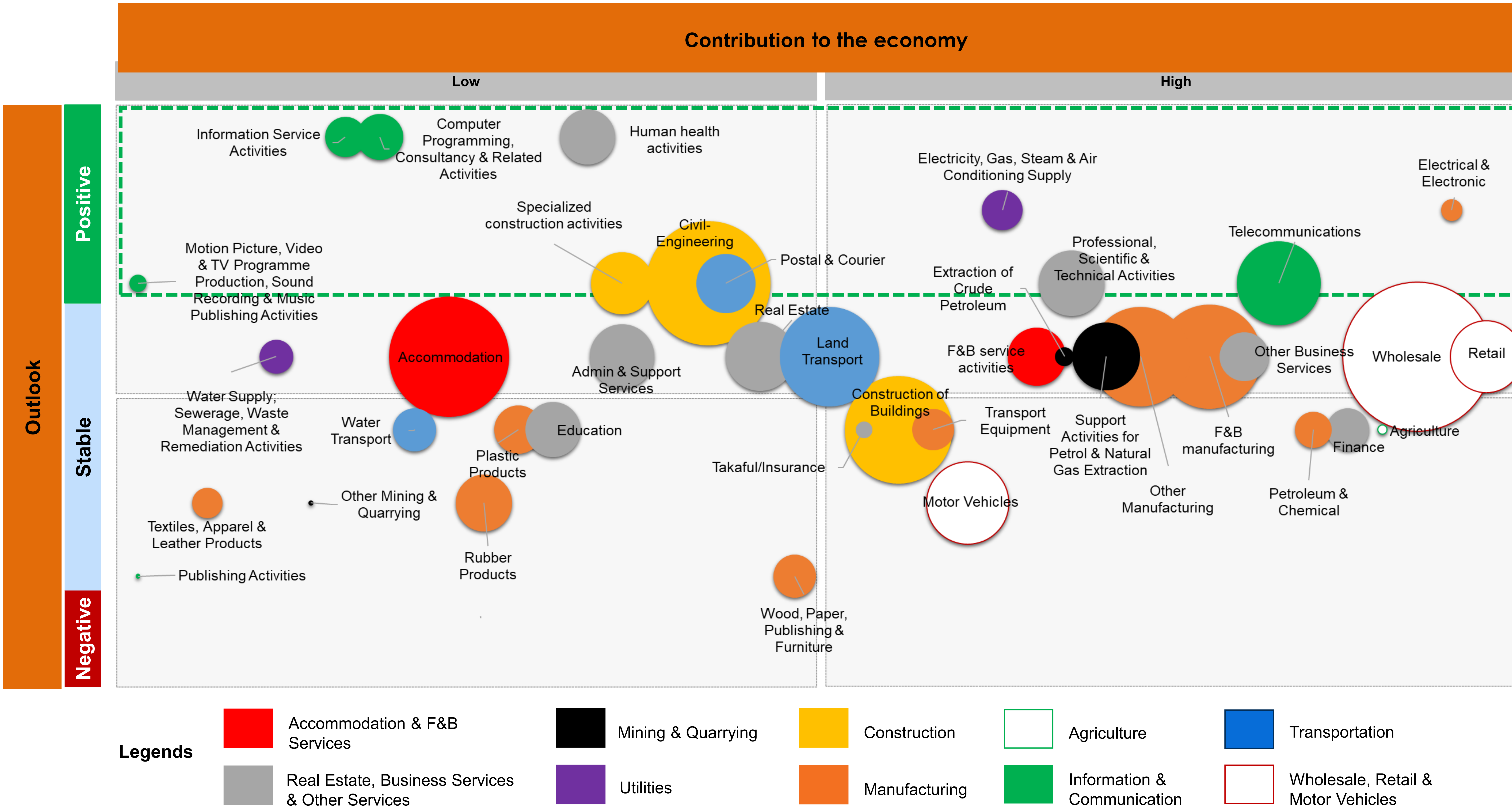
Presentation Outline

1 **Industry Focus: Real Estate**

Industry Focus: Outlook for 40 sectors
Real Estate



Sources: EMIS, CEIC, Department of Statistics Malaysia (DOSM) and SME Bank Economic Research

Industry Focus: Real Estate Summary

Brighter Prospects

A Subsidiary of BPMB Malaysia Development Bank

Property sales in 2024 climbed to RM232.3 bil (2023: RM196.8 bil), **Real estate approved investment** also rose to RM64.5 bil in 2024 (2023: RM61.0 bil; average 2015 - 2019: RM45.1 bil).

Sector Key Indicators

Share to GDP (%)
Latest (1Q 2025): 1.5
4Q 2024 : 1.4

Real estate sales YoY (%)
Latest (1Q 2025): 13.5
4Q 2024: 14.3

Sector GDP YoY (%)
Latest (1Q 2025): 12.4
4Q 2024: 13.5

Residential Launched YoY (%)
Latest (1Q 2025): 5.9
4Q 2024: 1.8

Outstanding loan/financing performance

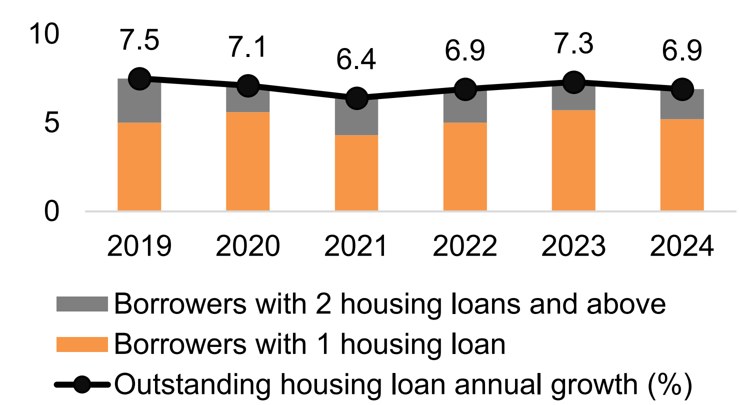
2024	RM bil	% Share	% YoY
Banking Industry	114.9	5.1	2.3
SMEs Industry*	67.7	16.2	9.5

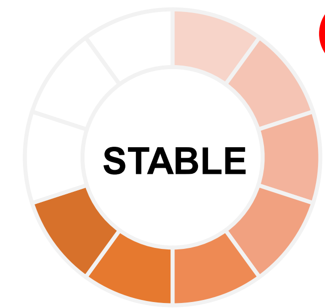
*Used total construction value due to absence of breakdown by subsectors

PROS

1. **More Govt fund & incentives for youths and 1st time home buyers, a boost to the property industry.** As of Jun 2024, **76%** of outstanding housing loan was owner-occupiers (1 house) while 24% were investment-related (>2 houses). Moreover, the housing loan growth was also driven by owner-occupier.

Contribution to growth of housing loans by type of borrower (ppt)





2. **Primary** residential sales volume surged by 13.1% YoY in 2024 (2023: 9.6%) vs residential **sub-sales** (2024: 1.6%: 2023: 1.4%). **Residential primary** volume share enlarged to 22.6% (avg 2015 - 2019: 17.2%). **Spillover from major infra projects/ initiatives to boost property demand:**
   - New townships along **ECRL** line (16 stations) to boost property segment. ECRL slated to commerce operations early 2027.
   - **Johor-Singapore Special Economic Zone, Johor-Singapore RTS**
   - **LRT 3, LRT Mutiara Penang**

3. **Gradual recovery of rental market in 2025**. Malaysia Home Rental Index grew by 3.9% YoY in 4Q 2024 (3Q: 2.9%). New lease rents are 24% higher than their 2020 level, but overall, renters still pay RM442 less per month than in 2019, on average.

CONS

1. **High overhang units for service apartments** totaling RM15.9 bil or 19.6k units in 2024 (2023: 20.8k; avg 2016 - 2019: 9.7k). The top 3 States with the highest overhang serviced apartment units are Johor (10.6k), KL (4.2k) and Selangor (2.6k).

2. **Further worsening of office space's occupancy rate** to 78.1% in 2024 (2023: 78.5%; avg 2015 - 2019: 82.5%) amid higher supply of office spaces in 2024 to 25.1 mil sqm (2023: 24.8 mil sqm). However, **higher demand for green offices** is projected to significantly surge by 10 mil sqf annually in the coming years.

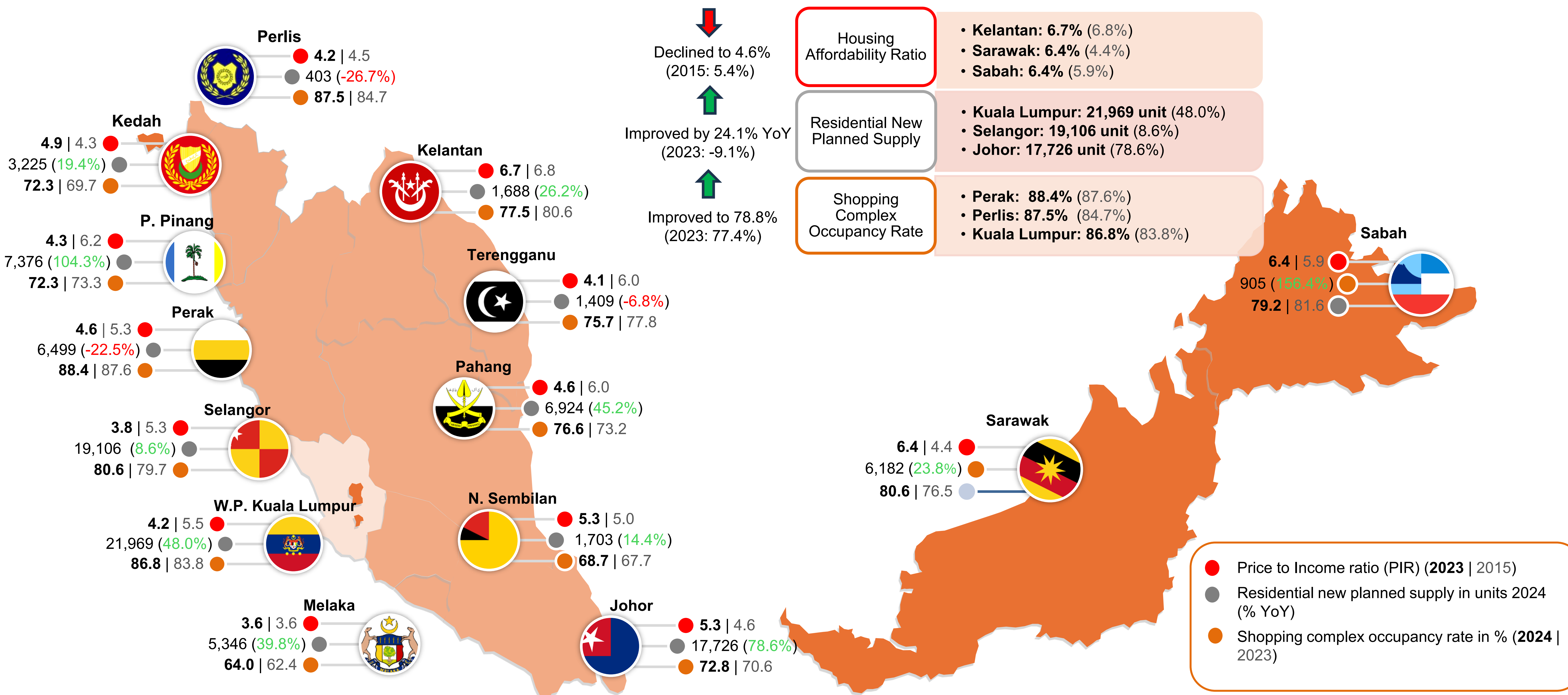
3. **New supply of warehouses** coming in the next 36 months is close to 25 mil sq ft, which **raise concerns of oversupply** (+44% of existing space).
   - **Slower manufacturing growth**, especially export-oriented industries that are linked to the global trade slowdown in 2025 could reduce demand for industrial factories. Nevertheless, demand for **industrial properties** should remain resilient, underpinned by data center, e-commerce, China+1 strategy, rising food trade & global tech upcycle.

4. **Shopping complex occupancy rate improved to 78.8% in 2024** (2023: 77.4%), but still underperformed the pre-pandemic 2016 - 2019 average of 80.3%. While 7 states/territory achieved occupancy rates exceeding 80%, Melaka (64%) had the lowest occupancy rate in the country.

Sources: EMIS, CEIC, DOSM, The Edge, MIDA, NAPIC, IQI Malaysia and SME Bank Economic Research

Industry Focus: Real Estate Summary

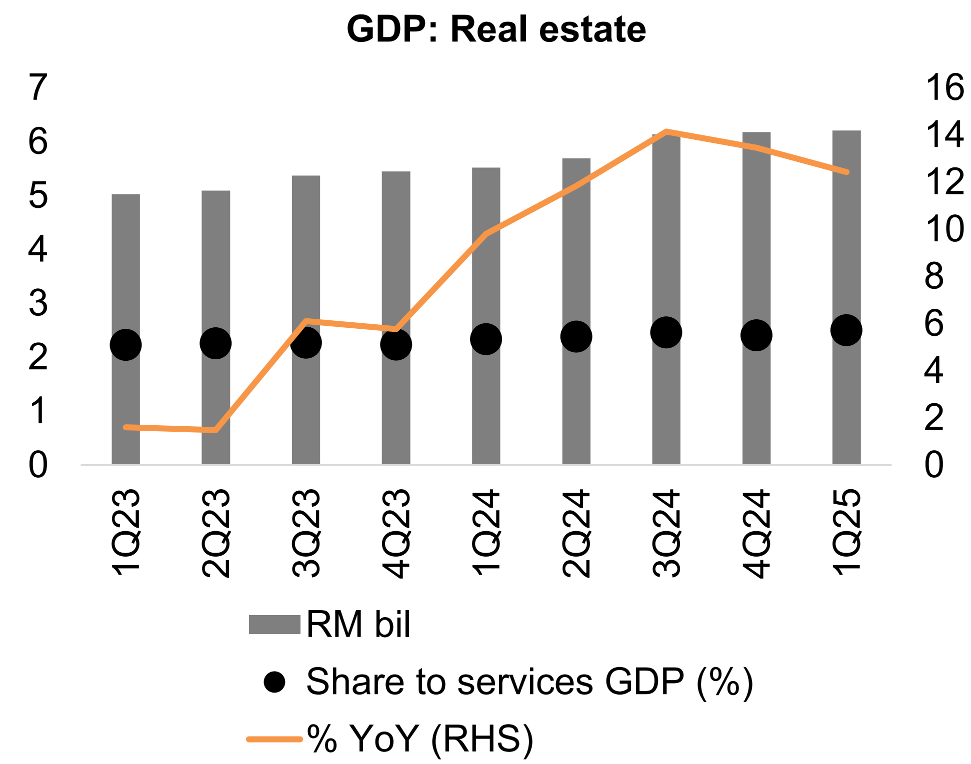
Sub-Sector	Outlook
Real Estate	Stable



Sources: EMIS, CEIC, DOSM, National Property Information Centre (NAPIC) and SME Bank Economic Research

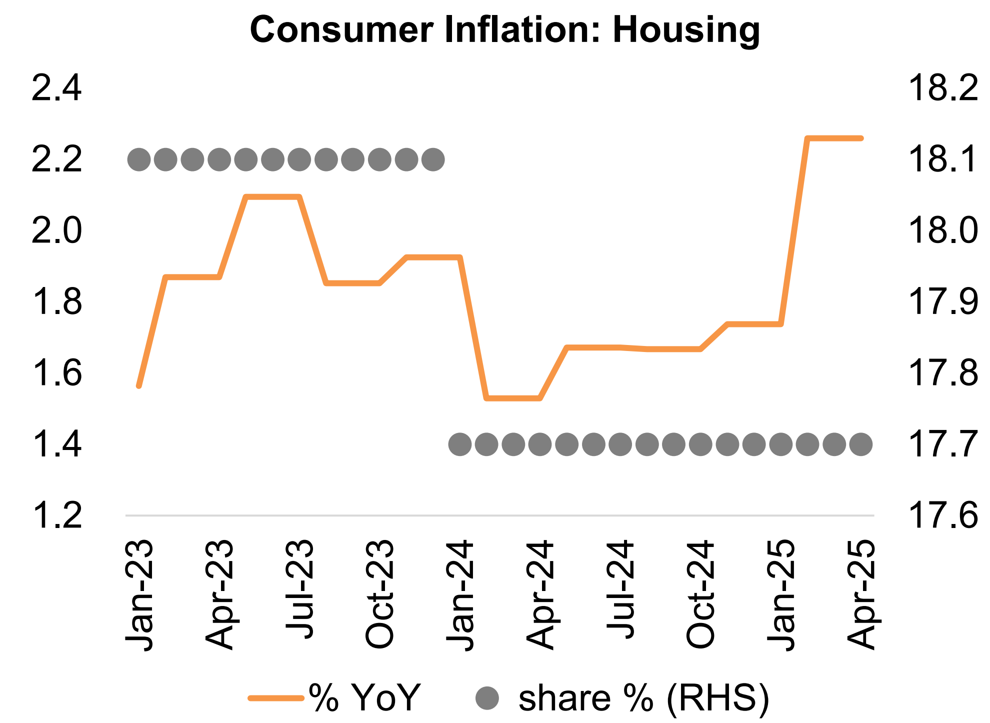
Industry Focus: Real Estate Macro Landscape (1/3)

Double-digit real estate GDP growth for 4 straight quarters



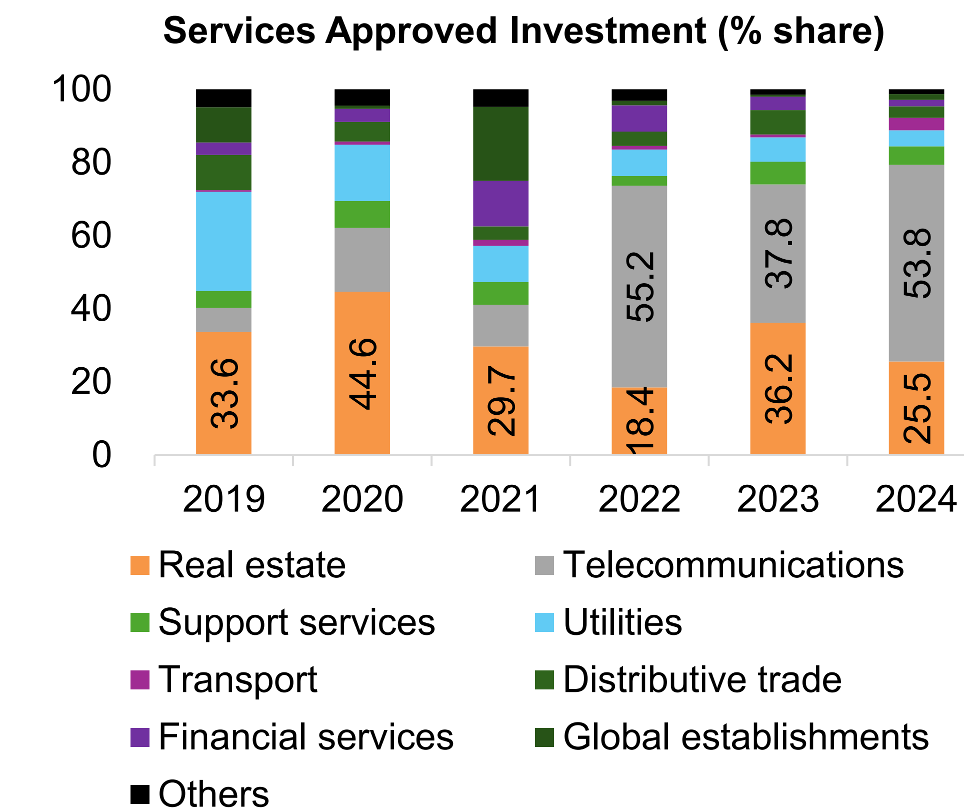
- Share of **real estate GDP to services GDP** is trivial, **around 2.0%.** However**, share has been increasing** from 2.2% in 4Q 2023 to 1Q 2025 (2.5%), but below quarterly historical average share (2016 - 2019) of 2.7%.
- Despite that, real estate GDP **sustained double-digit growth for 4 straight quarters** in 1Q 2025 at 12.4% YoY (4Q 2024: 13.5%).
- Annual performance also shows a **recovery trend** post-covid pandemic whereby the average growth of 15.7% (2022 - 2024) **outperformed** the pre-pandemic level of 3.9% (2016 - 2019).

Cost of housing has jumped in 1Q 2025



- The share of housing inflation to CPI stood at **18.1%** from 2016 to 2023 before it declined in Jan 2024 to **17.7%** where it has remained until now.
- Although the housing inflation remained unchanged at 2.3% YoY in Apr 2025 for 3 consecutive months, it was higher from a year before (Apr 2024: 1.5%).
- Moreover, housing inflation which represent **actual rental paid grew at a faster pace** of 2.1% YoY in 1Q 2025 (4Q 2024: 1.7%), which is significantly higher than house price index of 0.9% YoY (4Q 2024: 4.4%) i.e. increase in house prices.

Real estate the 2nd largest approved investment for services

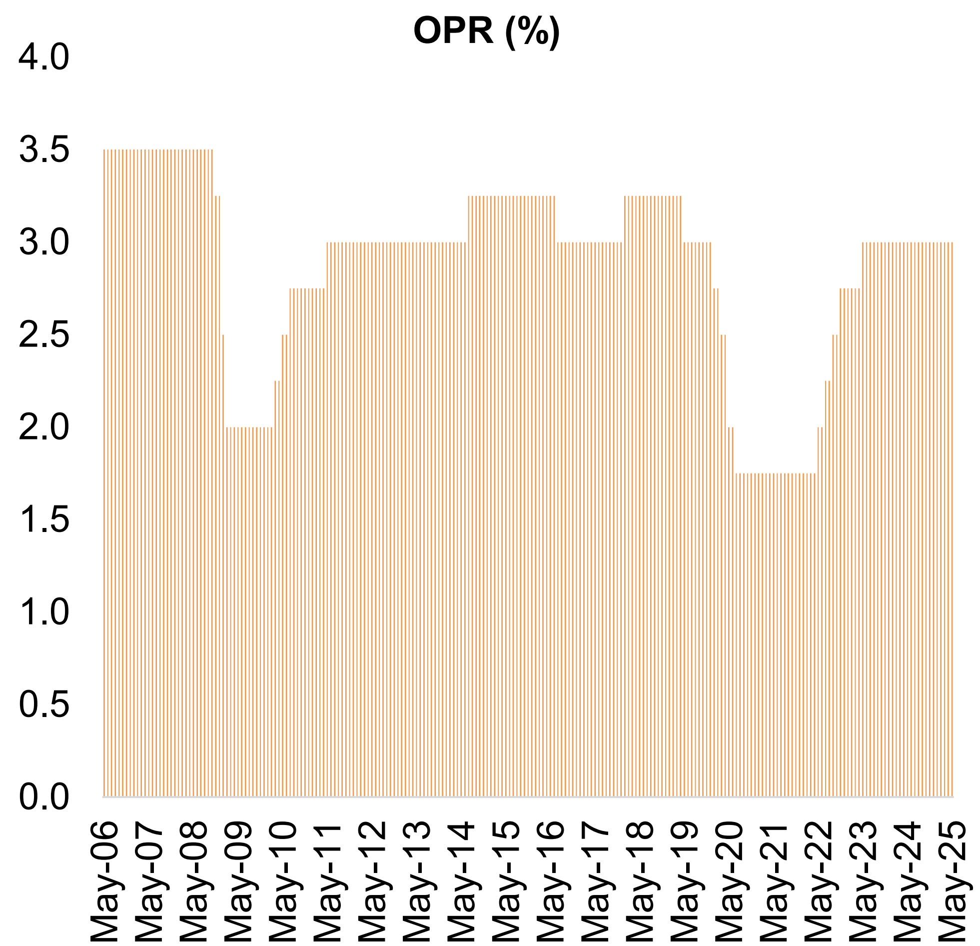


- The share of real estate approved investment has been consistently the highest prior to 2021 with an average share of 36.7% (2015 - 2021). In 2022, the domination was overtaken by telecommunication sector where it made up 55.2% share (Real estate: 18.4%).
- The real estate approved investment recorded a high of RM64.5 bil in 2024 (2023: RM61.0 bil), 58% above 2019 levels.
- **Since 2019, all real estate approved investment came from domestic sources.** Prior that (avg 2015 - 2018), around 96% was from domestic and the balance of 4% from foreign sources.

Sources: CEIC, DOSM, Malaysia Investment Development Agency (MIDA) and SME Bank Economic Research

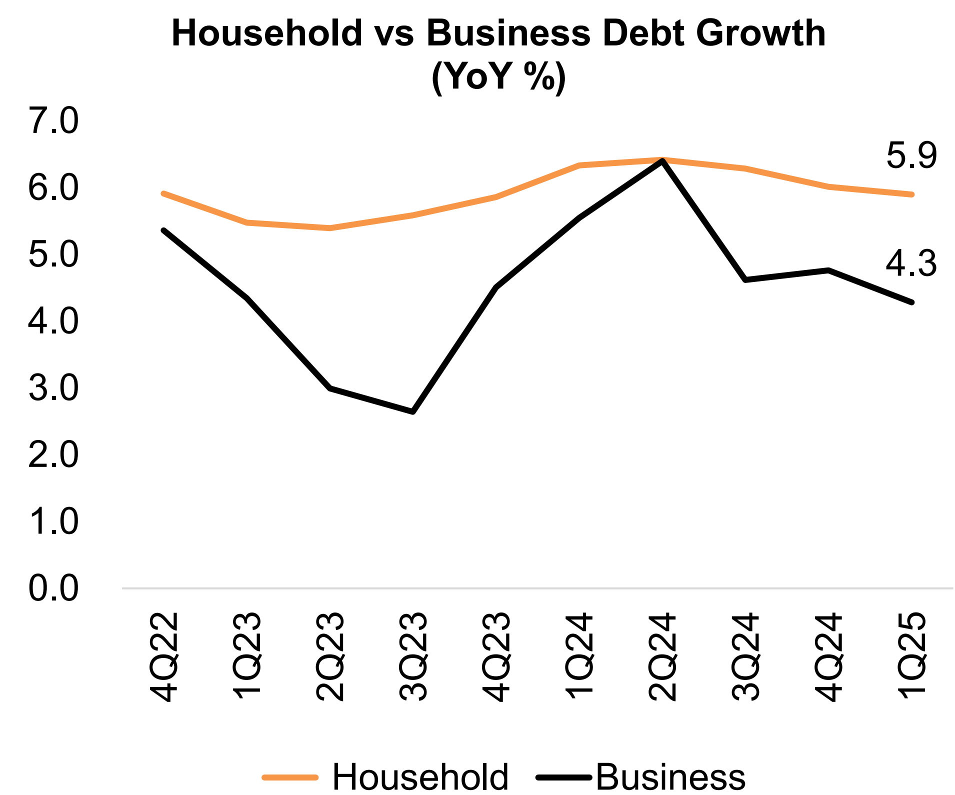
Industry Focus: Real Estate Macro Landscape (2/3)

With heightened downside risks, OPR could be lowered by end of the year



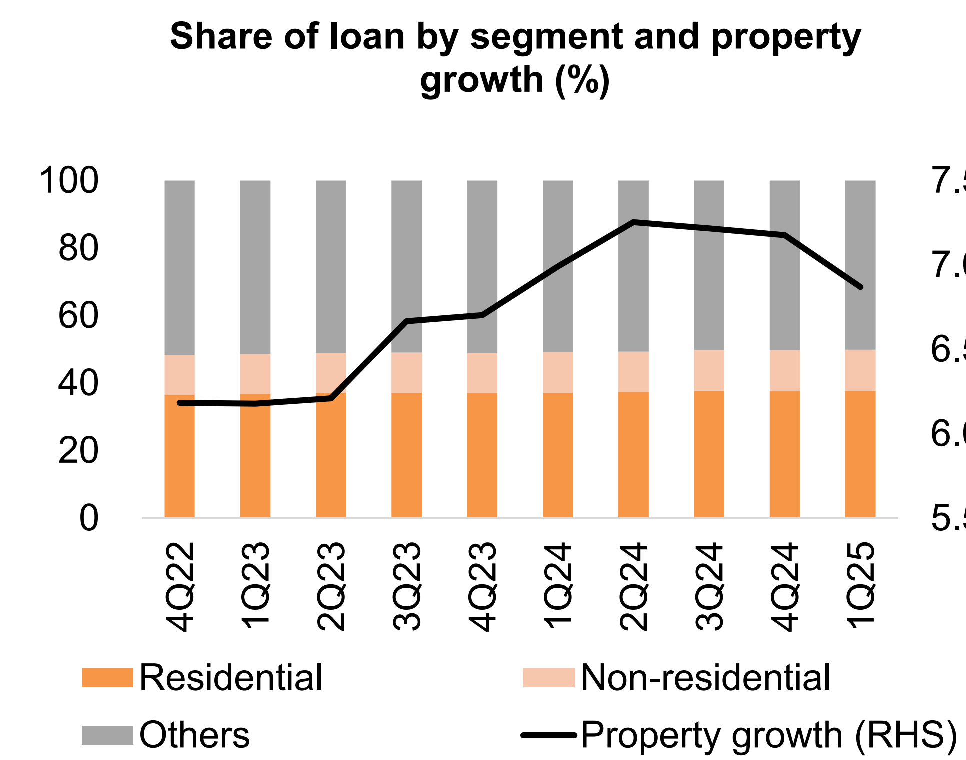
- Overnight Policy rate (OPR) has yet to return to our pre-pandemic record high rate of 3.5%.
- Hence, cost of borrowing is relatively low and remain supportive for house purchases and/or investments.
- We foresee OPR could be lowered by end-2025, given the downside risks from the US reciprocal tariff and slower global trade that may affect our domestic growth trajectory this year.

Household loan growth outperformed business



- **Around 60%** of total domestic debts are **households related consumption** (residential property, passenger cars, personal uses, credit cards etc)
- Total **outstanding loan growth** moderated to **5.2% YoY** in 1Q 2025 (4Q 2024: 5.5%) where business growth slowed down to **4.3% YoY** (4Q 2024: 4.8%) and household debt growth eased marginally to **5.9% YoY** (4Q 2024: 6.0%).
- Over the quarters (1Q 2023 to 1Q 2025), growth in the average household debt (5.9%) **outperformed** the business segment (4.5%).

Property consumes majority of banking loan



- Property contributed to the **largest share** of total banking loan in 1Q 2025 at 49.9%, made up of residential (37.7%) and non-residential (12.1%). Followed by working capital (22.2%), fixed asset including vehicles (10.8%), personal use (5.2%), securities (3.3%), construction (2.7%), credit card (2.1%) and other purposes (3.7%).
- Overall property loans grew slightly slower **in 1Q 2025, at 6.9% YoY** (4Q 2024: 7.2%). Of which, residential loan growth **slowed** to 6.6% YoY in 1Q 2025 (4Q 2024: 6.9%). Similarly, non-residential loan growth moderated **to 7.8% YoY** in 1Q 2025 (4Q 2024: 8.5%).
- According to BNM, **76% of outstanding housing loan** was **owner-occupiers** (1 house) while **24% were investment-related** (>2 houses) as of 1H 2024.

Sources: CEIC, DOSM, Bank Negara Malaysia (BNM) and SME Bank Economic Research

Related measures announced in Budget 2025

Funding and guarantees

- RM10 bil allocation for 1st time home buyers under the Housing Credit Guarantee Scheme (HCGS)
- RM5 bil for Step-Up Financing scheme for youth seeking to buy their 1st homes and offers lower repayment terms for the first 5 years
- LPPSA – Youth Housing Financing Scheme for civil servants seeking mortgage financing up to 40 years

Commercial

- PNB and PHB to develop Malay Reserve Land for affordable housing projects, houses for rent, student accommodation and elderly care facilities
- Vacant spaces and buildings owned by Government agencies, GLICs, and GLCs to be repurposed for preschools, childcare centres, and skills training centres

Tax relief

- Individual tax relief of up to RM7k on housing loan interest payments for first-time home buyers for residential properties valued at ≤RM500k
- Stamp duty exemption announced in 2021 for homes valued at ≤RM500k is still valid until Dec 2025

Wakaf land & affordable housing

- HCGS's guarantee for 1st home buyer loans up to RM500k for properties development on wakaf land
- UDA – RM200 mil fund for affordable housing on wakaf lands
- LPPSA – funding for public servants purchasing homes on wakaf land
- RM857 mil allocation for 48 People's Residency Programmes (2 new) & 14 Rumah Mesra Rakyat projects
- KWAP – RM300 mil fund to enhance development of wakaf land for building independent retirement homes for low-income senior citizen pensioners

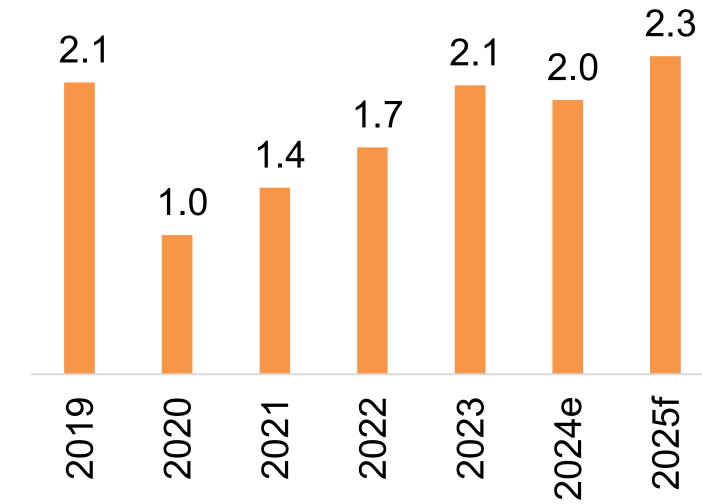
Infrastructure development to improve connectivity

- Johor–Singapore Special Economic Zone (JS-SEZ)
- Johor–Singapore Rapid Transit System (RTS)
- Expansion of Kulim Hi-Tech Park
- Kerian integrated Green industrial Park

High-cost environment could lower disposable income

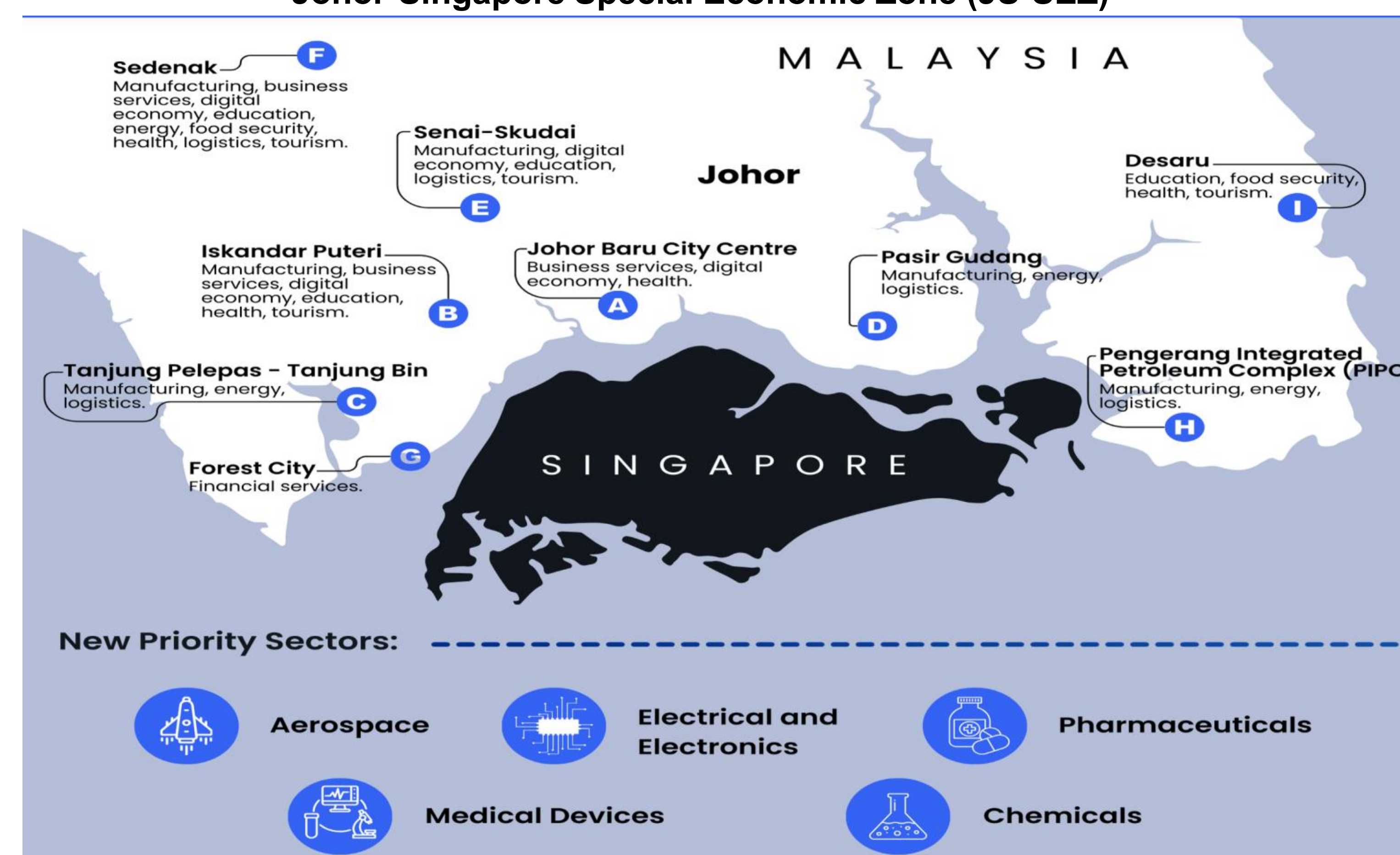
- RON95 subsidy rationalisation
- SST expansion
- Health and education subsidy rationalisation
- Dividend tax

Development Expenditure: Housing (RM bil)



DEVEX for housing in Budget 2025 is the largest since 2007 (RM2.9 bil)

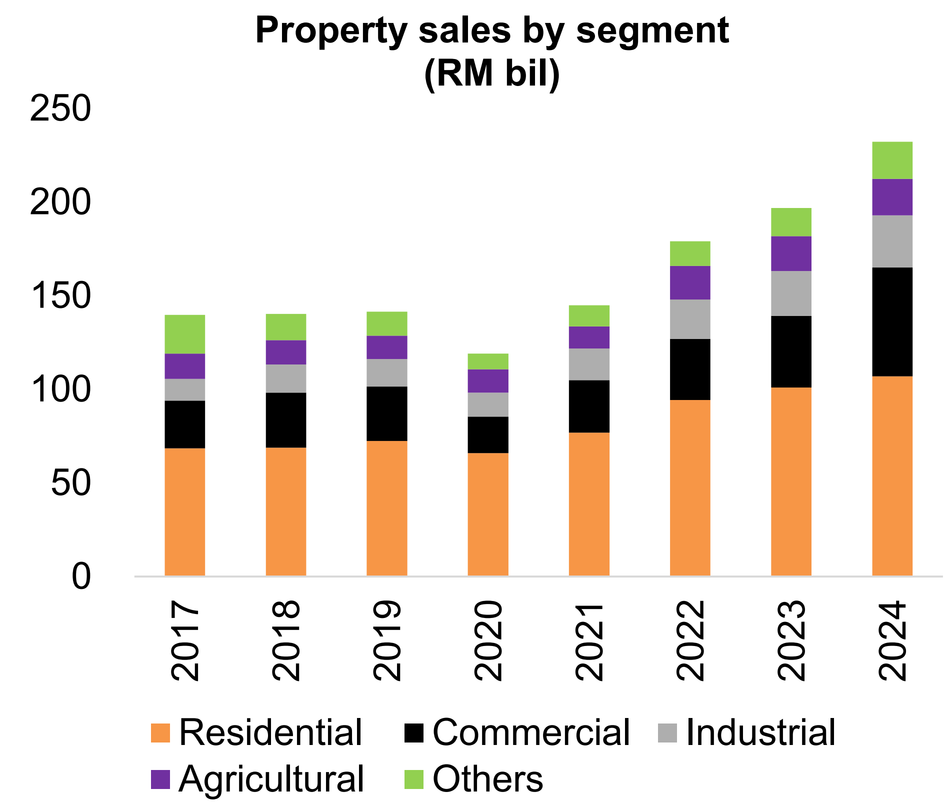
Johor-Singapore Special Economic Zone (JS-SEZ)



Sources: CEIC, DOSM, Ministry of Finance (MOF), Property Genie and SME Bank Economic Research

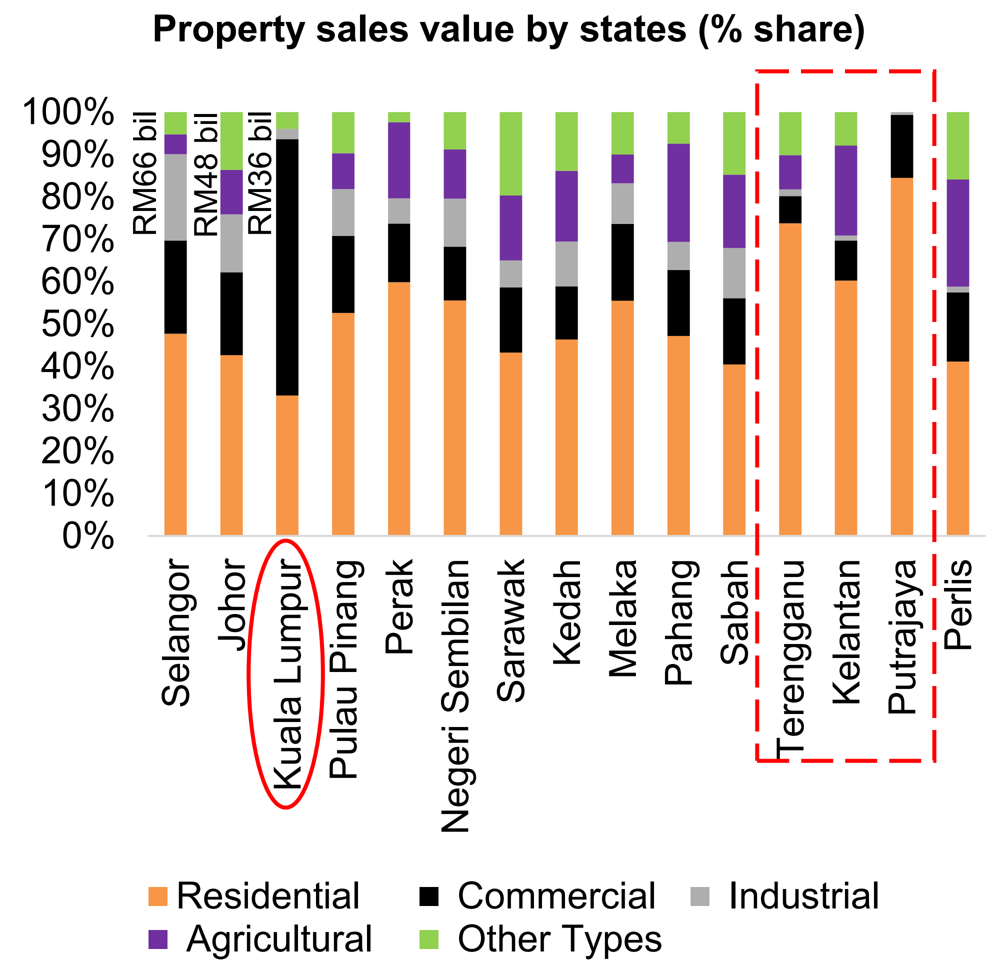
Real estate landscape

Steady climb in property sales; highest sales in residential segment



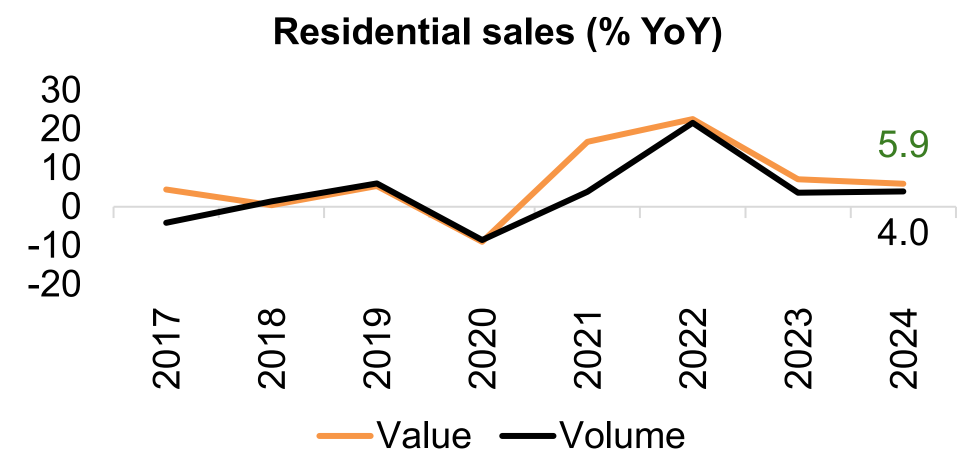
- Malaysia's property sales is dominated **by residential segment** with 46.0% share in 2024 (avg 2017 - 2019: 49.7%). This is followed by **commercial** (25.0%), **industrial** (12.0%), **agriculture** (8.4%) and others (8.6%).
- Throughout the years, share of both commercial (avg 2017 - 2019: 19.9%) and industrial (9.8%) properties have enlarged, while others had shrunk.
- By growth, all segments have outperformed their 2017 - 2019 level, led by commercial with an average of 28.6% annual growth between 2022 - 2024, followed by agriculture (20.0%), industrial (18.1%) & residential (11.9%).

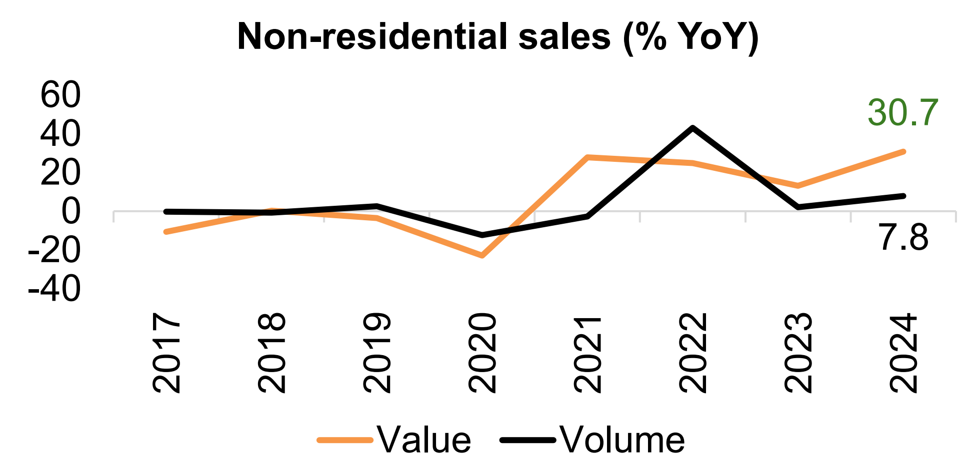
Residential has the biggest share of property across states



- By type of property, **residential** was the largest share across states **except** Kuala Lumpur in 2024. Putrajaya has the highest share (84.5%), followed by Terengganu (73.8%), and Kelantan (60.2%).
- In Kuala Lumpur, the highest share was in **commercial** (60.5%), then followed by residential (33.1%).
- The **highest shares of industrial segment** were in **Selangor (20.4%), Johor (13.7%), and Sabah (11.8)**. Meanwhile **agricultural property's highest share** in Perlis (25.3%), Pahang (23.2%), and Kelantan (21.2%).

Historically, growth in properties' value > volume



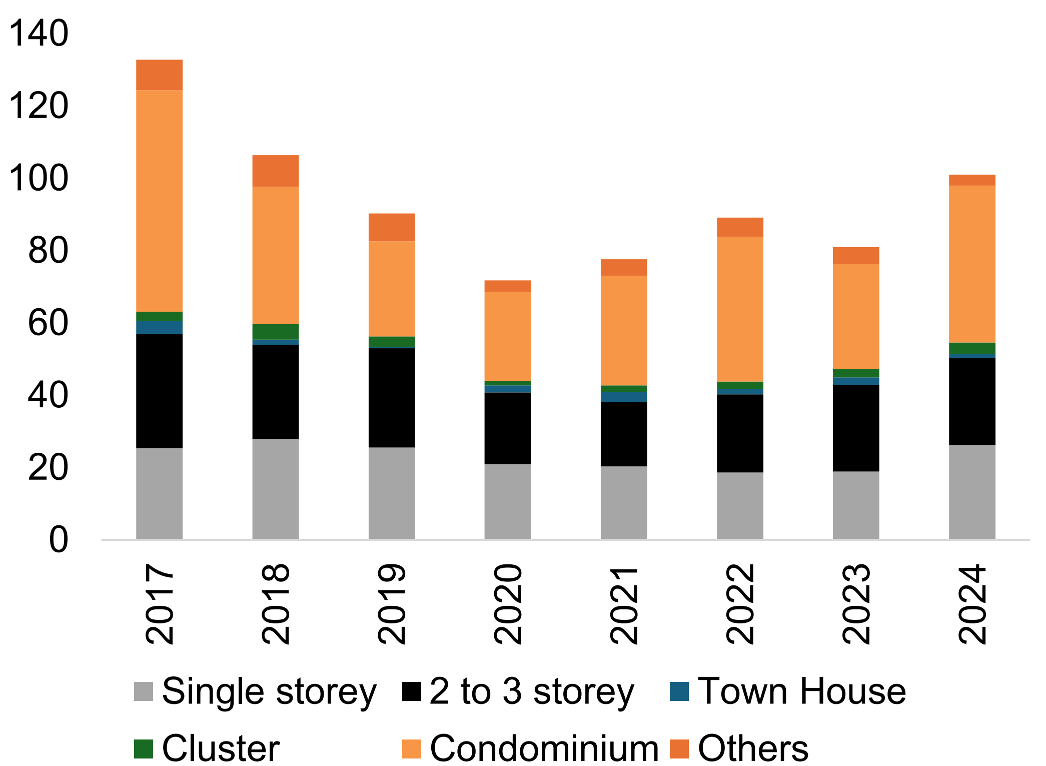


- Historically, growth in sales value for residential property (6.7% average annual 2017 - 2024), outpaced volume growth (3.5%) by 2x.
- Similarly, non-residential value grew by an average 7.4% annually 2017 - 2024, **higher than volume** (5.0%). Specifically, the **industrial segment accelerated**, where value (12.2%) > volume (7.1%).

Sources: CEIC, DOSM, NAPIC and SME Bank Economic Research

Improving new planned housing supply, but still below historical level

New planned housing supply by segment ('000 Unit)



- **Condominium dominates the overall new planned supply** with an average share of 38.5% between 2017 - 2024. This is followed by **2-3 storey** (25.9% share), and **single storey** (24.9%) houses.
- For 2024, total new planned supply jumped by 24.1% YoY (2023: -9.1%)
- However, **compared to historical trend**, total new planned units in 2024 only amounted to 101k units (2014: height of 204.2k units).

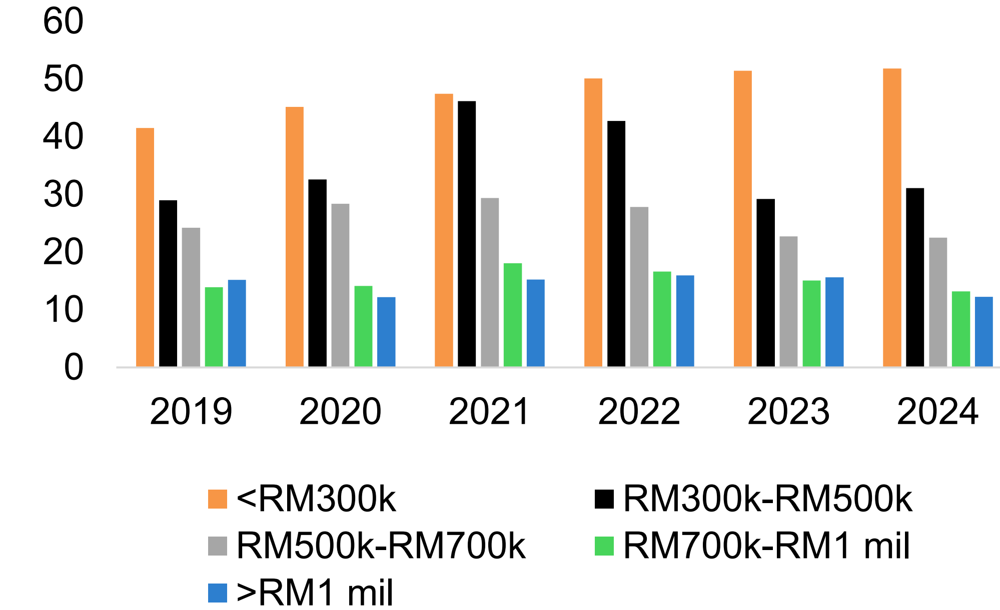
Top 3 states by property segments for new planned supply in 2024

Condominium	• **Kuala Lumpur:** 21,904 (48.5%) • **Selangor:** 8,953 (16.1%) • **Pulau Pinang:** 6,663 (345.4%)
2 to 3 storey	• **Johor:** 9,930 (69.8%) • **Selangor:** 5,924 (-14.9%) • **Perak:** 2,662 (48.1%)
Single storey	• **Pahang:** 6,424 (64.7%) • **Johor:** 4,101 (166.6%) • **Selangor:** 3,079 (144.9%)
Cluster	• **Johor:** 1,050 (40.4%) • **Melaka:** 694 (-2.1%) • **Selangor:** 584 (-23.2%)
Town House	• **Selangor:** 448 (-4.3%) • **Melaka:** 366 (-18.5%) • **Johor:** 107 (214.7%)

Note: Figures in units (% YoY compared with 2023)

Affordable houses <RM300k dominates the market

Property launch by price range ('000 unit)



Note: Figures include launched residential units that are completed, under construction and not constructed (approved)

- Volume of properties with price **<RM300K** was the highest during 2019 - 2024, indicates that **affordable housing dominates the market.**
- The contraction in overall property launch has moderated in 2024 to -2.4% (2023: -12.5%), propped up by a **strong rebound in the mid-range properties**; **RM300k-RM500k** segment to 6.5% YoY (2023: -31.6%),
- However, launches in the **expensive housing market i.e. RM700k-RM1 mil segment** further worsened to -12.5% (2023: -9.1%), and **>RM1 mil** segment to -21.7% (2023: -2.1%).

Sources: CEIC, DOSM, NAPIC and SME Bank Economic Research

Industry Focus: Real Estate
Residential property (Affordability, overhang and new planned supply)

Declined to 4.6% (2015: 5.4%)

Affordability Ratio
- **Kelantan : 6.7%** (6.8%)
- **Sarawak : 6.4%** (4.4%)
- **Sabah : 6.4%** (5.9%)

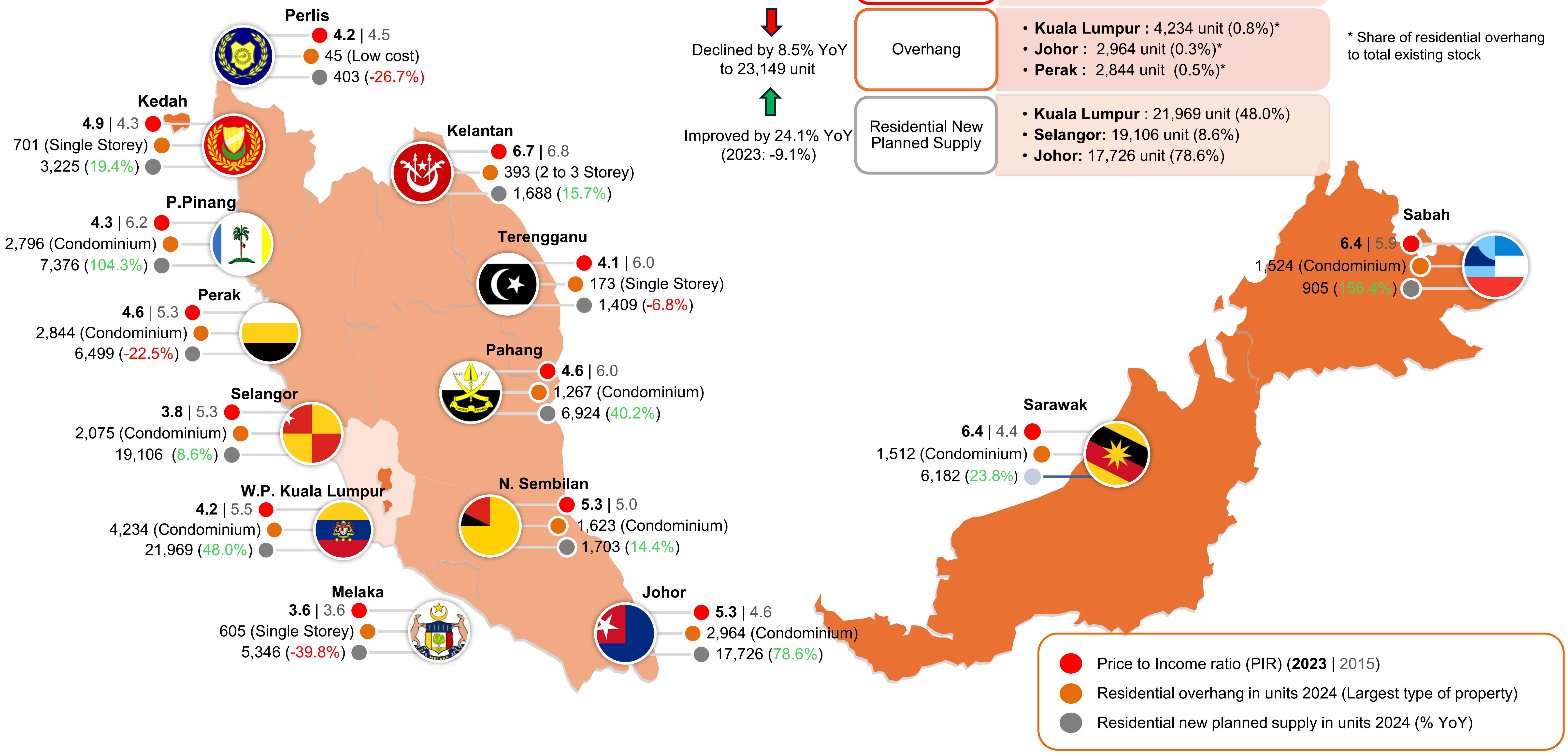
Declined by 8.5% YoY to 23,149 unit

Overhang
- **Kuala Lumpur :** 4,234 unit (0.8%)*
- **Johor :** 2,964 unit (0.3%)*
- **Perak :** 2,844 unit (0.5%)*

* Share of residential overhang to total existing stock

Improved by 24.1% YoY (2023: -9.1%)

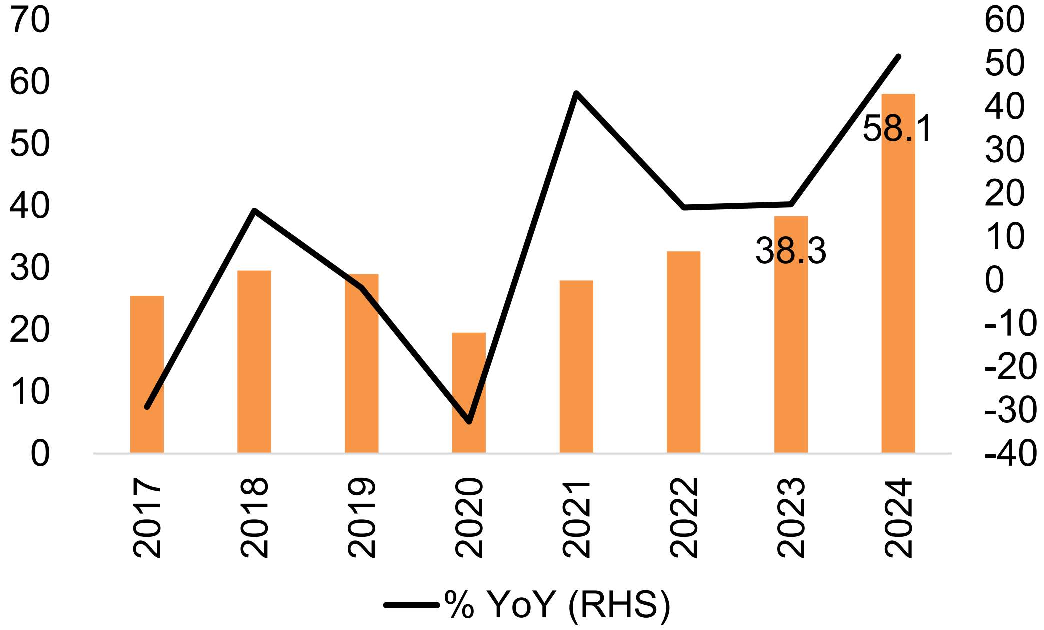
Residential New Planned Supply
- **Kuala Lumpur** : 21,969 unit (48.0%)
- **Selangor:** 19,106 unit (8.6%)
- **Johor:** 17,726 unit (78.6%)



Sources: CEIC, DOSM, NAPIC and SME Bank Economic Research

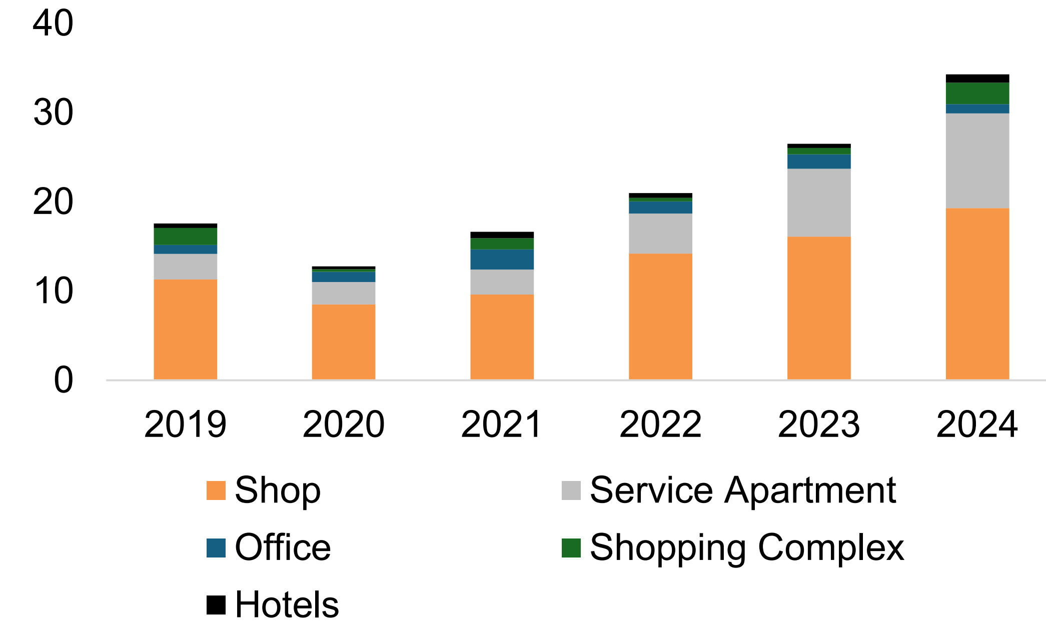
Industry Focus: Real Estate
Commercial property

Commercial sales above historical average



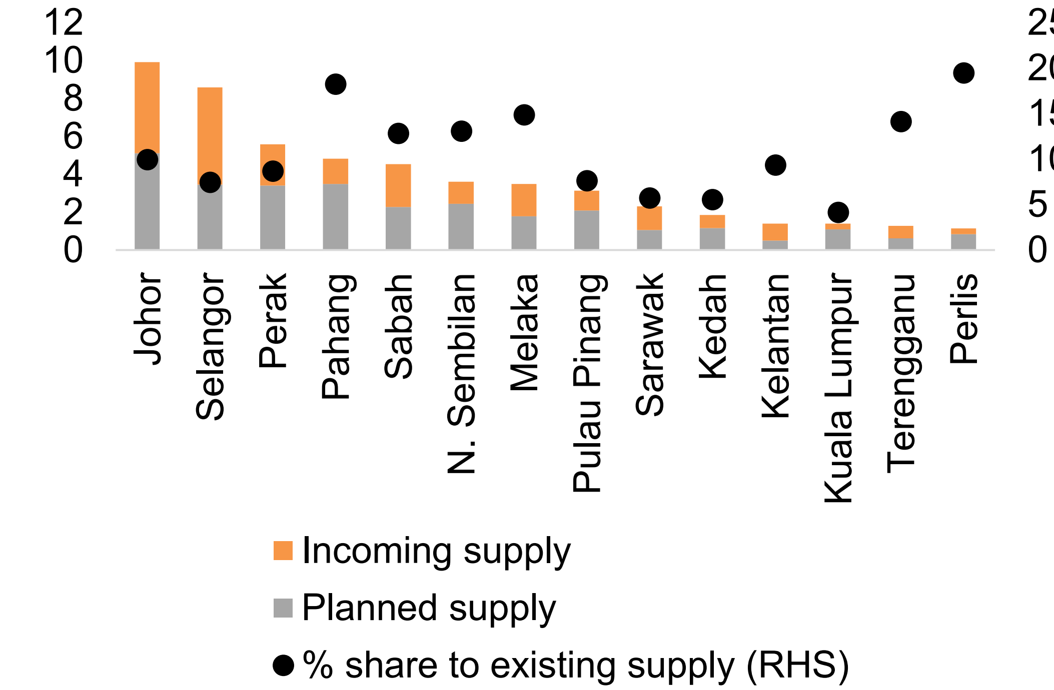
- Commercial property sales makes up 25.0% share of total property sales in 2024 (2023: 19.5%; avg 2017 - 2019: 19.9%), **the 2nd largest after residential** at 46.0% (2023: 51.3%).
- Sales have consistently increased since 2020 to RM58.1 bil in 2024 (avg 2017 - 2019: RM28.0 bil).
- 2024 performance also registered **a robust growth** of 51.6% YoY (2023: 17.5%), outperforming its historical average trend of -5.0% during 2017-2019.
- Among commercial property sales in 2024, **shop segment** makes up the largest share at 33.2%, followed by **service apartment** (18.2%).

Shop dominates the commercial property segment



- Transactions of shops & service apartments expanded rapidly post-Covid, Particularly, **service apartment sales charted robust growth in 2024** where it further surged by 39.5% YoY to RM10.6 bil (2023: 68.9%).
- Meanwhile, its latest **overhang units** decreased to RM15.9 bil or 19.6k units in 2024 (2023: 20.8k units). Top 3 States with the largest overhang serviced apartment units are Johor (10.6k), KL (4.2k) and Selangor (2.6k).
- Although office segment recorded weak sales & small share, **green offices** see pickup in demand. Green-certified Grade A office buildings in KL had increased to 41% (2.42 mil sq ft.) of the total stock in 2024 (2019: 16%), as higher demand for green offices is projected to surge by a significant 10 mil sq ft. in the coming years.

Johor has the highest number of incoming and planned shop supply

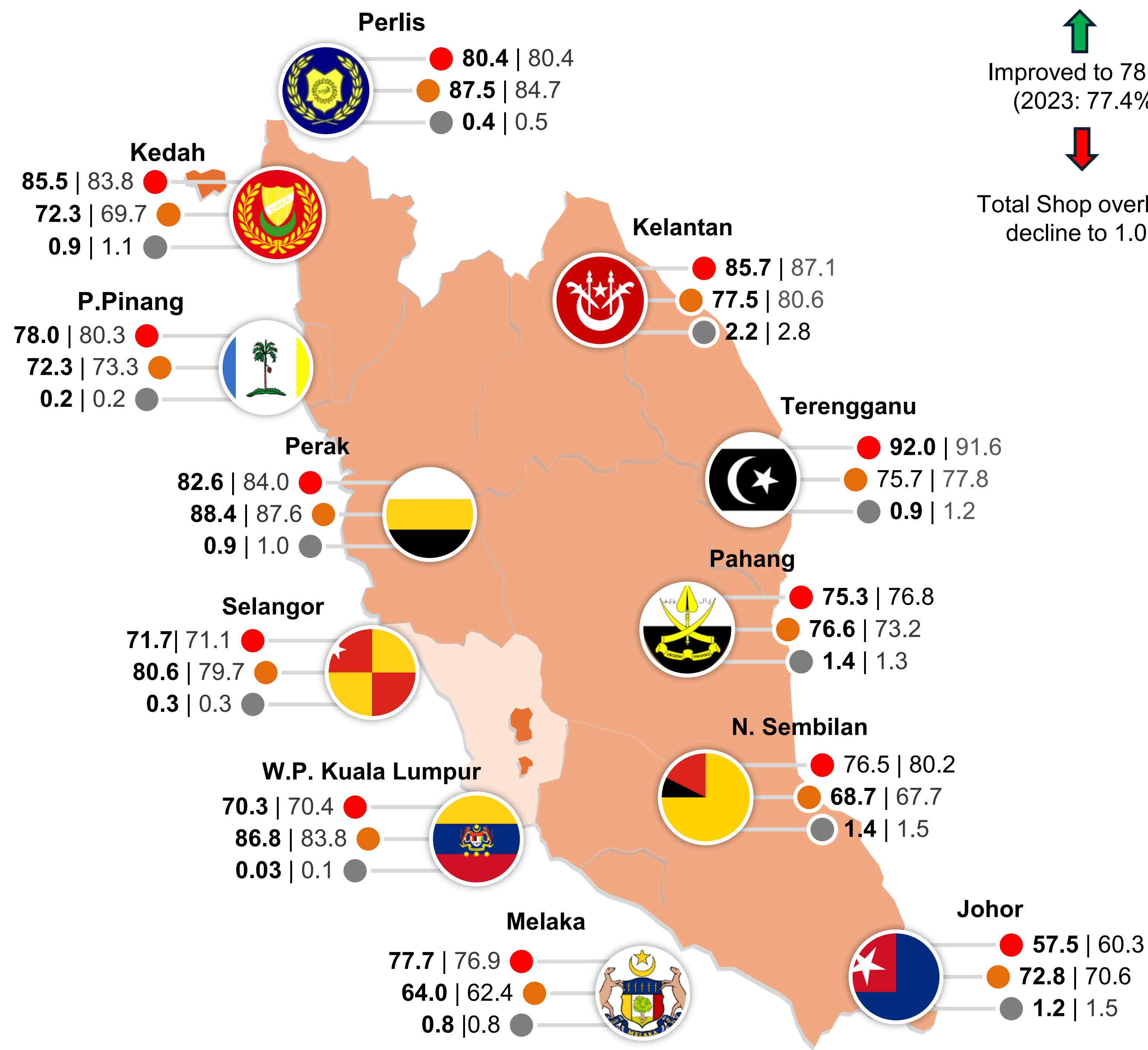


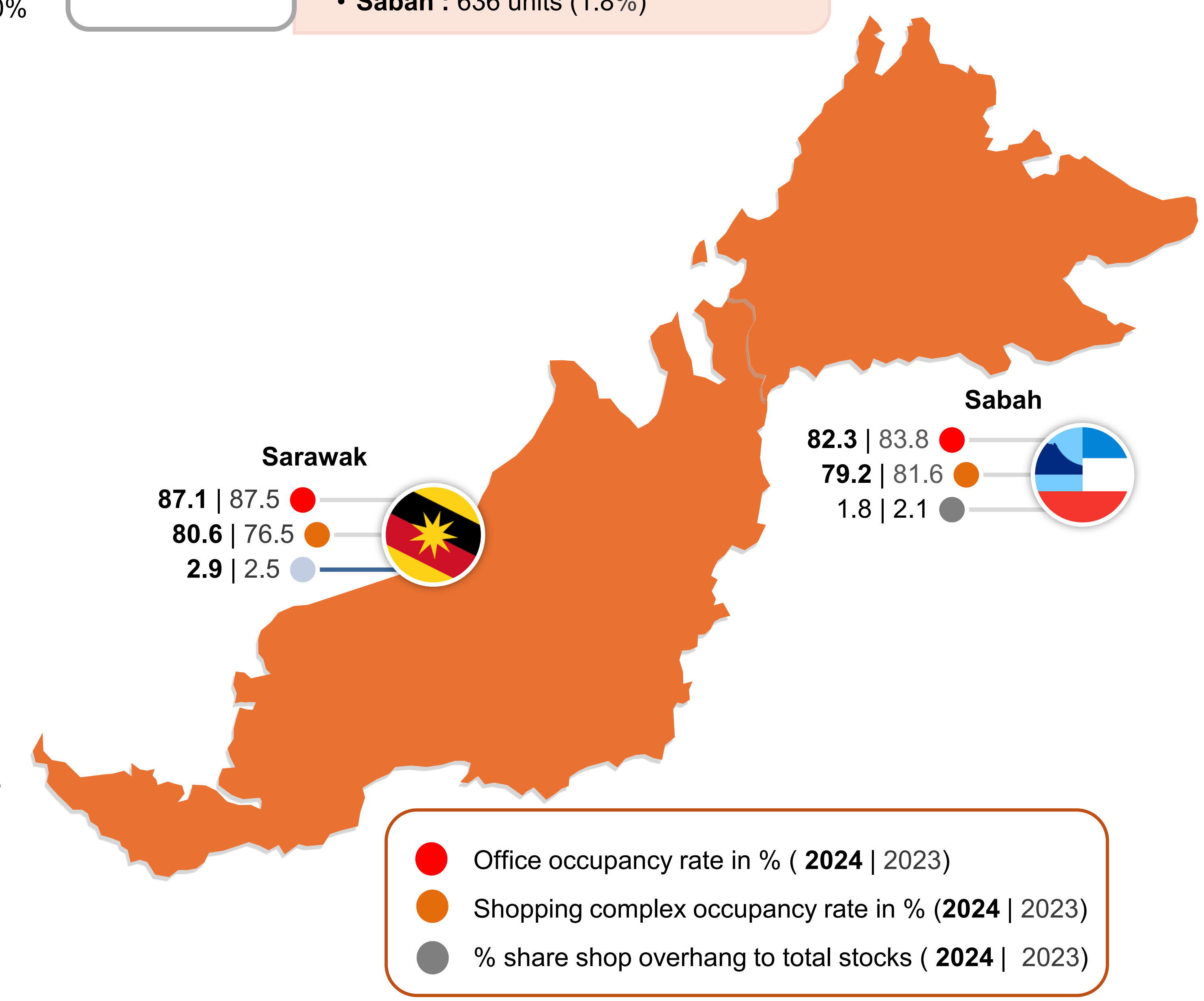
- Despite **Perlis** having the lowest number of planned (obtained approval) and incoming supply (construction in progress) in 2024 with 1.1k units, its **share to existing stock of shops in the State is the highest** (19.5%).
- Total planned and incoming supply of shops registered **a slower contraction** of 0.5% YoY in 2024 (2023: -4.7%).
- Of which, total **planned supply** in 2024 grew 4.9% YoY (2023: -8.6%) to 29.3k units, **reversing 5 years of contraction**. Meanwhile, incoming supply dropped to -6.5% YoY to 23.8K units (2023: 0.1%).

Sources: CEIC, DOSM, NAPIC, JLL Research and SME Bank Economic Research

Industry Focus: Real Estate
Commercial property: Occupancy rate by segments & shops overhang in 2024

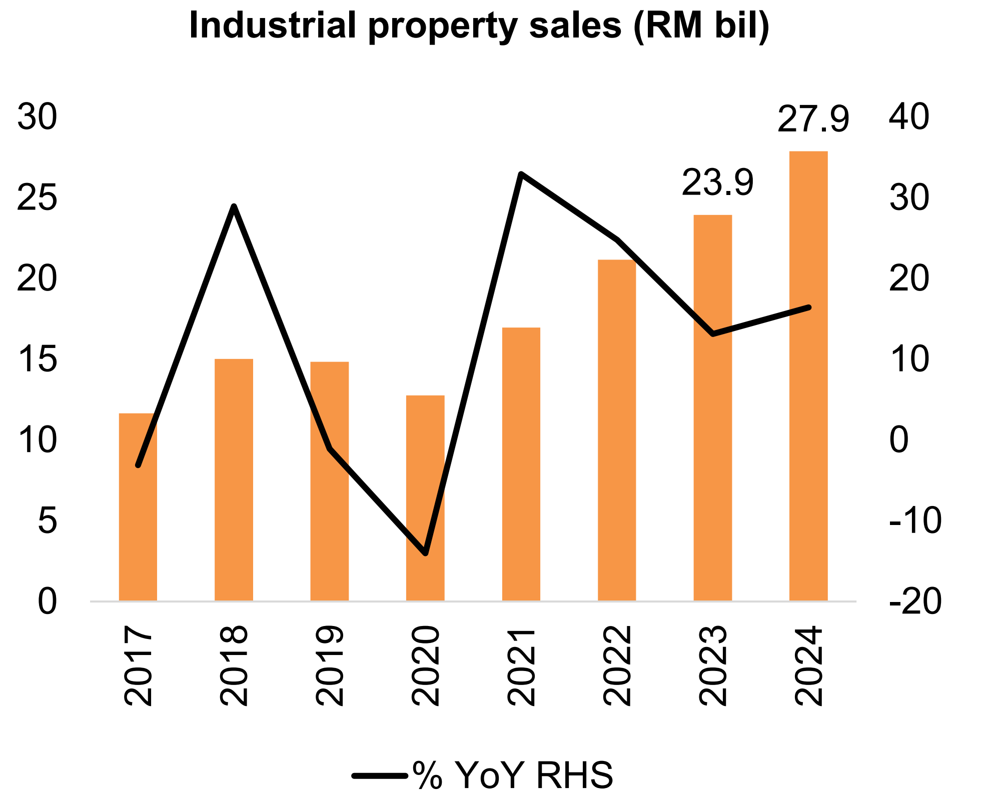
Declined to 71.7% (2023: 71.9%)	Office Occupancy Rate	• **N.Sembilan:** 76.5% (-3.7ppt) • **Johor :** 57.5% (-2.8ppt) • **P.Pinang :** 78.0% (-2.3ppt)
Improved to 78.8% (2023: 77.4%)	Shopping Complex Occupancy Rate	• **Perak :** 88.4% (87.6%) • **Perlis :** 87.5% (84.7%) • **Kuala Lumpur :** 86.8% (83.8%)
Total Shop overhang decline to 1.0%	Share of Shop Overhang	• **Johor:** 1,222 units (1.2%) • **Sarawak:** 1,166 units (2.9%) • **Sabah :** 636 units (1.8%)





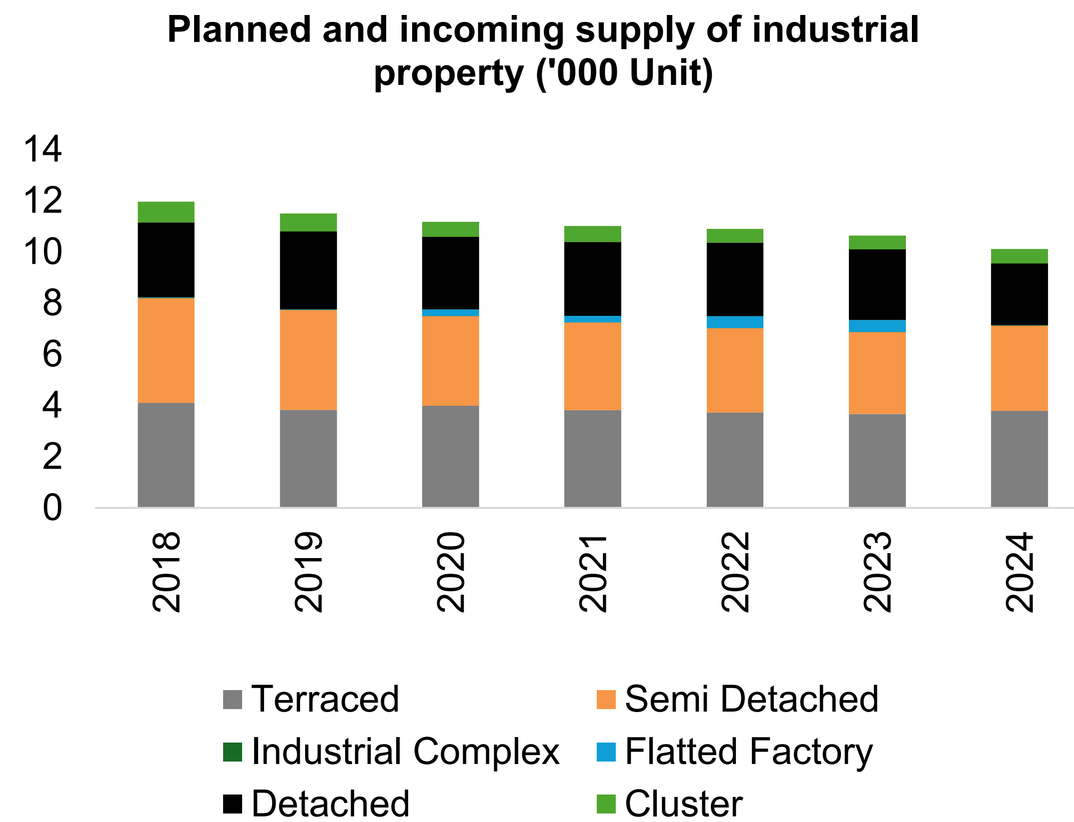
Sources: CEIC, DOSM, NAPIC and SME Bank Economic Research

Growing industrial share to total property sales



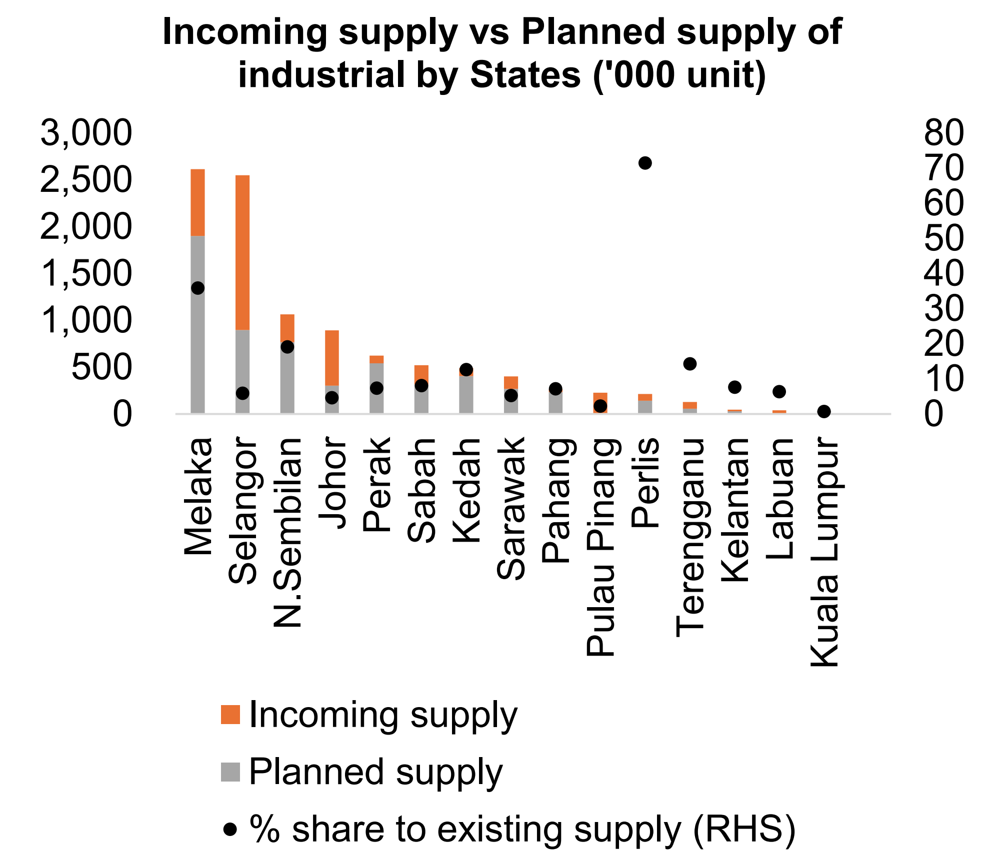
- Industrial property contributed to **12.0%** of total property sales in 2024 (avg 2017 - 2019: 9.8%). It was the 3rd largest after residential and commercial.
- For 2024, sales recorded **double-digit growth** to 16.4% YoY (2023: 13.1%).
- The sales have been in **uptrend** post-Covid-19 (2021 - 2024) with average annual growth of 21.8%, **outperforming** historical average (2017 - 2019: 8.2%). The upward trend could be attributed to **growing demand for warehouses and storage** due to the expansion of **e-commerce** and **data centre**.

Terrace dominated the industrial property segment



- The supply of industrial property in Malaysia is largely contributed by **terrace unit** with average share (2018-2024) of 34.9%. This was followed by semi detached (31.9%), Detached (25.5%), Cluster (5.6%), flatted factory (1.9%) and industrial complex (0.2%).
- By growth, the planned and incoming supply of industrial property have decrease to -4.9% in 2024 (2023: -2.5%), caused by detached & flatted factories. Conversely, cluster unit (2024; 5.2%; 2023: -0.7%), semi detached (4.0% vs -3.0%), and terraced (3.3% vs -1.4%) recorded a **positive growth.**

Melaka and Selangor dominated the supply side of industrial property

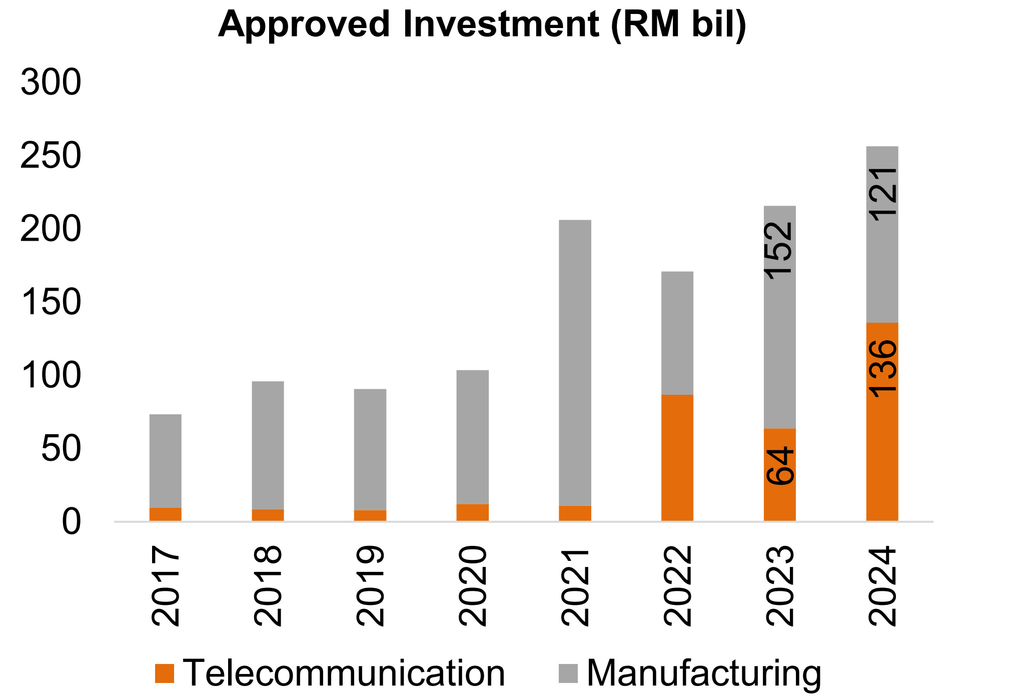


- Melaka has the highest **incoming and planned supply** at 0.7k and 1.9k in 2024, followed by Selangor at 1.7k and 0.9k respectively, contributed **~51% of total incoming + planned supply** nationwide in 2024.
- However, Melaka recorded negative growth for planned supply of -0.9% in 2024 (2023: 7.5%) and incoming supply of -7.4% (2023: -3.7%).
- Despite Perlis among bottom 5 of planned and incoming supply in 2024 with 215 units, its share to existing stock of shops in the State is the highest (71.4%).

Sources: CEIC, DOSM, NAPIC and SME Bank Economic Research

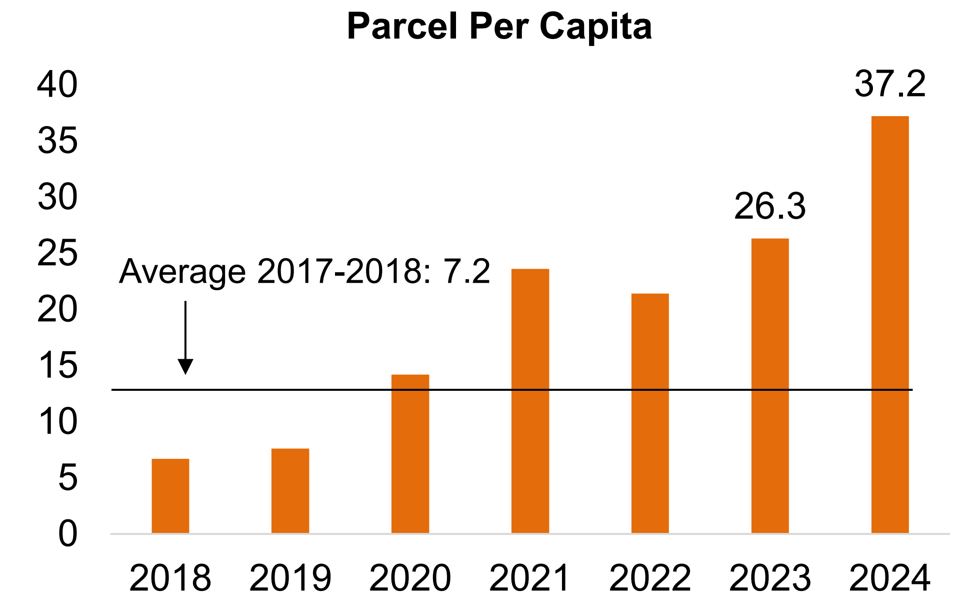
Industry Focus: Real Estate
Industrial property

Higher approved investment to support industrial demand



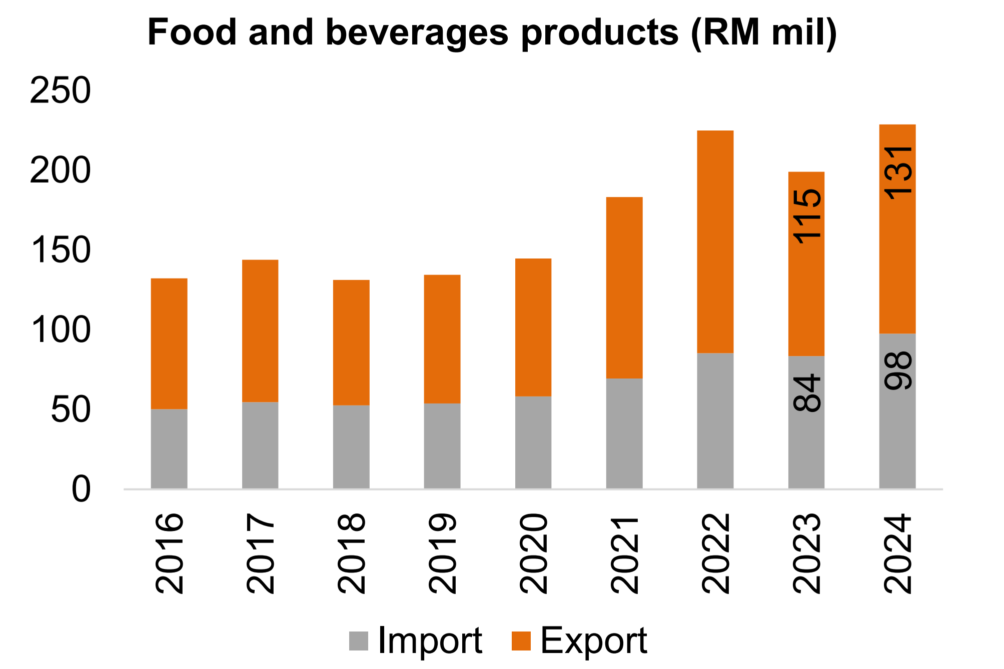
- Approved investment for telecommunication and manufacturing (**both proxy for industrial property**) has been **growing** to RM256.5 bil in 2024 (2023: RM215.7 bil; avg 2017 - 2019: RM86.7 bil).
- Knight Frank SEA-5 **Data Centre** Opportunity Index shows that **Malaysia remained no. 1** with significant annual take up of 429MW, followed by Indonesia (93 MW) and Thailand (31MW).
- **However, manufacturing's industrial production index** growth ticked lower to 4.2% YoY in 1Q 2025 (4Q 2024: 4.5%) as well as **manufacturing sales** (4.0% vs 4.4%). Heightened downside risks from slower global trade this year could pressure manufacturing activities and thus, demand for industrial/factories.

Rapid rise in warehouse supply poses concern despite rising e-commerce



- The **parcel per capita rose to 37.2 in 2024** (2023: 26.3), surpassing the 2017 - 2019 average of 7.2. Increased products/parcels will require warehouse storage for stocks/delivery.
- **E-commerce** (6.2% share) only makes up a small portion of the occupiers of logistics space in the Klang Valley. The highest are **logistics and 3rd-party logistics** players (45.2%), followed by **manufacturing** (31.5%), **retail** (14.6%), **transport** (2.1%), and **information storage** (0.4%). Although **e-commerce** is small, it still **benefits from the logistics supply chain** (e.g.: ninja van, J&T and Pos Malaysia)
- **Vacancy rates of 4.0%** as at 1Q 2025 (4Q 2024: 4.8%), confirms that the logistics and industrial segment remains stable. However, **new supply coming in 36 months is close to 25 mil sq ft**, which will raise concerns of future oversupply (+44% of existing space).

Gradual increase in F&B demand to support cold storage warehouse



- **Global cold storage sector** is expected to grow 4.5% annually to exceed 1.1 bil cubic metres by 2030 (2020: 0.7 bil)
- Both Malaysia's import and export of food and beverages (F&B) in 2024 recorded a **double-digit growth** of 16.6% YoY (2023: -1.9%) and 13.6% (2023: -17.4%), respectively. Increase in F&B import such as vegetables and meat, and export could potentially lift demand for cold storage in Malaysia.
- Meanwhile, Malaysia eyes **cold storage air freight hub in Sabah** to boost seafood exports to China as Sabah ranked no. 2 to national fishery's GDP (16% share) in 2023 after Perak (21.9%).

Sources: CEIC, DOSM, NAPIC, Knight Frank Malaysia, JLL Research and SME Bank Economic Research

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