Summary of Henry Butcher Malaysia Perspective - Malaysian Property Outlook 2025

Key Highlights

The Malaysian property market continued to register a positive performance in 2024, chalking up increases in both volume as well as value of transactions although some states recorded declines in either volume or value of transactions or both. The residential sub-sector recorded just single digit increases in volume and value of transactions, signaling a return to normalisation in growth after the slowdown during the pandemic hit years whilst the commercial sub-sector enjoyed double digit growth in both volume as well as value of transactions, reflecting a healthy interest especially in shophouses. The volume of transactions for the industrial sub-sector recorded single digit growth whilst value wise it went up by double digit, an indication that higher value industrial properties were the focus of interest.

Supported by a steady GDP growth projected by the government at between 4.5% and 5.5% in 2025 and barring any adverse global events which can affect Malaysia's economic wellbeing, we are confident that the resilient Malaysian property market will continue to experience positive growth in 2025. The country is seeing increasing digitalisation of the property industry with expanded use of proptech, social media, virtual showhouse tours and other digital technologies to improve operational efficiency, service quality, marketing reach and time and cost savings. Infrastructural enhancements like LRT, MRT and highways will influence property development activities and trends. Increased FDIs and DDIs including investments by large multinationals in data centres and chip design and manufacturing activities will drive the industrial sub sector whilst VMY 2026 promotional programmes will boost the hospitality and retail sectors.

Overview of the Malaysian property market in 2024

For Q1-Q3 2024, the overall volume of transactions climbed 6% compared to the same period in 2023 whilst the value of transactions increased by 14%. This compares favourably with the stagnant growth in volume and single digit increase in value recorded in 2023.

Increase / Decrease in Volume and Value of Overall Transactions Q1-Q3 2024 vs 2023

	Volume		Value	
Kuala Lumpur	10.3	↑	41.9	↑
Selangor	6.4	↑	18.6	↑
Johor	7.4	↑	22.9	↑
Pulau Pinang	-0.8	↓	-12.7	↓
Perak	10.7	↑	14.5	↑
Negeri Sembilan	-13.2	↓	17.3	↑
Melaka	19.8	↑	16.3	↑
Kedah	2.8	↑	-1.6	↓
Pahang	9.3	↑	15.3	↑
Terengganu	-6.1	↓	-0.9	↓
Kelantan	95.0	↑	52.6	↑
Sabah	-9.3	↓	-2.4	↓
Sarawak	-12.5	↓	-4.9	↓
Malaysia	**6.2**	↑	**14.3**	↑

Residential Sub-Sector

Review for 2024

Increase / Decrease in Volume and Value of Residential Transactions Q1-Q3 2024 vs 2023

	Volume (%)		Value (%)	
Kuala Lumpur	3.6	↑	6.4	↑
Selangor	4.6	↑	7.5	↑
Johor	4.9	↑	13.3	↑
Pulau Pinang	-0.8	↓	4.0	↑
Perak	15.6	↑	13.7	↑
Negeri Sembilan	-17.4	↓	-21.0	↓
Melaka	25.9	↑	18.1	↑
Kedah	-2.7	↓	-9.5	↓
Pahang	10.0	↑	16.97	↑
Terengganu	-6.3	↓	2.1	↑
Kelantan	92.3	↑	71.1	↑
Sabah	-7.3	↓	-7.6	↓
Sarawak	-9.7	↓	-4.4	↓
Malaysia	**5.1**	↑	**6.9**	↑

- The residential property market in Malaysia recorded a nearly 5% jump in the volume of transactions in the first nine months of 2024 compared to a marginal improvement of just over 1% for the corresponding period in 2023 whilst the value of transactions went up by close to 7% compared to under 4% the year before.
- **Most states** recorded similar positive performances although **a few states** registered marginal declines in volume or value or both. **Negri Sembilan** recorded double digit declines in the volume and value of transactions whilst **Kelantan** experienced a substantial increase in both volume and value of transactions.
- **Kuala Lumpur** recorded an increase of just under 4% in the volume of transactions whilst the value went up by 6%. **Selangor** meanwhile recorded a rise of nearly 5% in the volume but a jump of more than 7% in the value of transactions.
- For **Penang**, although the volume of transactions declined marginally by 0.8%, the value of the transactions went up by 4%, indicating a rise in the average price of the properties transacted. Approximately 46% of the residential properties transacted are located on the island whilst the bulk are located on the mainland. Nonetheless, residential transactions on the island contributed more than 55% of the total value of transactions in the state.
- **Johor**'s residential sub-sector continued its upward movement y-o-y, growing 4.9% and 13.3% in the volume and value of transactions respectively. This is however only a fraction of the pace last year at 46.7% in volume and 66.9% in value of transactions. Worth noting is that the RM14.8 billion recorded in 2024 is almost double the RM7.8 billion recorded in 2022.
- The number of new residential units launched nationwide registered a 47% increase in the first nine months of 2024 compared to the same period in 2023 but overall sales

performance declined from 41% to 34%, possibly due to the larger number of units launched. Two and three storey terraces contributed the largest share of transactions followed by condominiums/apartments.

- The residential property overhang for the country as at Q3 2024 meanwhile recorded a 13% decline compared to Q3 2023.
- The Malaysian House Price Index (MHPI) crept up just marginally as at Q3 2024 compared to 2023 and all house types recorded improvements except for detached houses & high rise. The highest increase was recorded by Semi Detached houses.

Outlook for 2025

- Bank Negara Malaysia (BNM) has maintained the OPR at 3% since raising it in May 2023 and this augurs well for the property sector as a rise in the OPR will increase borrowing costs and may deter property investments.
- The continued positive performance of the residential property market has encouraged developers to acquire more land and to launch more new projects. Noting that a number of the leading developers have made land bank acquisitions over the past two to three years, it is not unrealistic to expect these developers to be launching more new projects over the next few years.
- The raising of the minimum wage from RM 1,500 to RM 1,700 per month effective 1 February 2025 as well as the more than 13% increase in salaries of civil servants starting December 2024 could provide a boost to consumer spending as well as motivate some to start thinking of buying their own homes.
- The stamp duty for foreign individuals and companies has been increased to a flat 4% in 2024 but this is not expected to have a big impact as Malaysian real estate prices are still very much cheaper than other countries in the region.
- The thirty-day visa free programme offered to travellers from several countries will boost not only the retail and lesisure but also probably, the residential sub-sector.
- Various global and domestic events such as the continuing war in Ukraine, the expansion of the war in Gaza as well as the slow recovery of the Chinese economy have all cast shadows on economic growth as well as the country's property market.
- Nevertheless, there are positive factors such as the more stable political situation, continued economic growth, strong inflow of FDIs and expected improvement in the tourism industry fueled by VMY 2026 which will help cushion the country against any adverse effects arising from negative global events.
- The proposed Urban Renewal Act (URA) is expected to be tabled in Parliament for approval in 2025. This Act, introduced by the Ministry of Housing & Local Government (KPKT) is aimed at rejuvenating ageing and dilapidated urban areas and revitalizing cities. KPKT says the redevelopment of some 139 pieces of land in Kuala Lumpur could generate an estimated gross development value (GDV) of RM 332.5 billion.
- The country is seeing increasing digitalisation of the property industry with expanded use of proptech, social media, virtual tours and other digital technologies to improve operational efficiency, service quality, marketing reach and time and cost savings. Infrastructural enhancements will influence property development activities and trends.
- For the coming year, we are optimistic that the residential property market will likely be stable and continue to enjoy positive growth. House prices could go up as developers try to recoup higher construction costs although the sensitive market and cautious consumer sentiments would place a ceiling on how much developers will be able to raise prices.

- Overall, we believe that the general focus of the residential property market in 2025 will continue to be on:
    - landed residential properties, principally single and two storey terrace houses since they are the preferred house types for most Malaysians.
    - high rise apartments in the affordable price range in the major towns and cities, especially in the more popular or high growth locations.
    - smaller sized units which will bring down the absolute price of the unit, and
    - niche high-end projects in good locations where supply is limited.
    - projects which are designed to comply with eco-friendly and green building standards.
    - projects with innovative concepts, designs and themes which set them apart from the usual fare in the market.

- Areas which will be served by proposed new major infrastructure projects like highways, LRT / MRT networks will become more accessible and this will lead to more projects being undertaken by developers in these locations. These are growth areas which will be of interest to both investors and house buyers.
- Established locations which enjoy proximity to a wide range of social, educational, shopping and recreational amenities and which are popular with local home buyers as well as expatriate tenants, will always remain attractive to investors, especially where there is limited land available to carry out new projects which means future supply of houses in the area will be limited.
- **Johor**: The Johor-Singapore Special Economic Zone (JS-SEZ) will be a game changer and provide a big boost to the residential, commercial and industrial sub-sectors and ultimately could lead to the area rivalling Klang Valley in the next ten years
- **Penang**: The implementation of the Mutiara LRT line linking Georgetown city centre to Bayan Lepas and onwards to Seberang Perai will improve the public transportation system in Penang and provide a boost to development activities along the route especially around the stations. The upgrading and expansion of Penang International Aiport will also provide a boost to the leisure as well as commercial sub-sectors.
- **Selangor**: The various policies adopted by the state government such as IDRISS (Integrated Development Region in South Selangor), SSAP (Smart Selangor Action Plan), SAGE (Selangor Agenda for Green Economy) and RS-1 (Rancangan Selangor Pertama) will guide the development and growth of the state.

Commercial Sub-Sector

The commercial sub-sector registered double digit growth in both volume as well as value of transactions although a few states recorded declines in either volume or value of transactions or both.

Increase / Decrease in Volume and Value of Commercial Transactions Q1-Q3 2024 vs 2023

	Volume (%)		Value (%)	
Kuala Lumpur	25.7	↑	102	↑
Selangor	16.1	↑	28.5	↑
Johor	33.2	↑	54.9	↑
Pulau Pinang	-10.9	↓	-48.1	↓
Perak	25.7	↑	34.7	↑
Negeri Sembilan	2.2	↑	-2.6	↓
Melaka	14.6	↑	39.1	↑
Kedah	9.7	↑	77.6	↑
Pahang	1.8	↑	34.2	↑
Terengganu	-21.1	↓	-31.5	↓
Kelantan	73.2	↑	-27.7	↓
Sabah	-6.5	↓	8.8	↑
Sarawak	-0.8	↓	-7.3	↓
Malaysia	**16.6**	↑	**32.7**	↑

Office Sector

Review for 2024

- The total supply of privately-owned, purpose-built offices (PBOs) in the country stood at 18.82 million sq m as at Q3 2024, up slightly compared to 18.39 million sq m as at Q3 2023 whilst the occupancy rate was recorded at 71.6%, down from 72.7%.
- As the supply and demand dynamics of each state are different, the performances of the office sector of each state vary depending on the supply and demand situation of each state.
- The supply of PBOs in **Kuala Lumpur** increased to 9.657 million sq m as at Q3 2024 of which approximately 7.554 million sq m or about 78% of the total space available is located within the city centre. **Selangor** meanwhile have a current supply of 4.352 million sq m.
- The occupancy rate of PBOs in **Kuala Lumpur** eased to 70.1% as at Q3 2024 from 72.2% the year before. The occupancy rate of PBOs in the city centre was 72% which is better than the 63.2% recorded by PBOs located outside the city centre. Meanwhile, the occupancy rate of PBOs in **Selangor** as at Q3 2024 improved from 70.2% the year before to 71.6%.
- For **Penang**, the supply of PBOs in the state amounted to 811,060 sq m as at Q3 2024 with an occupancy rate of 77.8% which was higher than the national average. Close to

71% of the available space were supplied by buildings located in Georgetown which recorded an occupancy rate of 81.4%.

- **Johor**'s PBOs sub-sector encountered moderate challenges with overall occupancy rate hovering around 50.6%, slightly lower than those seen in 2023. Grade A Offices on the other hand improved with occupancy rising to 31.7%.

Outlook for 2025

- The completion of mega office towers in **Kuala Lumpur** in recent years like Signature 106 and Merdeka 118 has significantly increased the supply of office space on the market and this have led to concerns of an oversupply situation building up.
- Older buildings which have not embarked on any upgrading exercises will tend to lose out in the competition to not only attract new tenants but also retain existing ones as the newer buildings offer better quality specifications, amenities, M&E infrastructure at not significantly higher rentals.
- Multinationals as well as local companies have placed increasing importance on environmental, social and governance (ESG) issues and in response, new office buildings have adopted designs which will comply with ESG or at least green-certified building requirements in order to attract such tenants.
- The continued positive economic growth enjoyed by Malaysia has led to companies becoming more optimistic about future prospects and this has led to stronger demand for office space by existing companies as well as new ones setting up office in the country.
- The looming oversupply situation may lead to some developers rethinking about their new office projects and shelving or deferring them.
- The country has continued to attract foreign investments into the country and this is expected to spur economic growth which in turn, will lead to business expansion and increased demand for office space.
- The entry of several multinational corporations (MNCs) to set up regional offices in the country as well as expansion of business activities by existing ones have contributed to an increase in demand for office space.
- The outlook for the office sector is mixed. States which are not expecting any significant increase in supply of office space like **Kedah**, **Perak**, **Pahang**, **Terengganu** and **Kelantan** will enjoy a stable market whilst states which could see a substantial increase in space like **Kuala Lumpur** and **Selangor** could face increasing pressure on occupancy and rental rates.

Retail Sub-Sector

Review for 2024

- The supply of retail space in shopping malls in Malaysia increased marginally by 0.68% in 2024 whilst the occupancy rate of the malls also went up slightly from 76.8% to 77.6%.
- As at Q3 2024, the Klang Valley (covering Kuala Lumpur, Selangor and Putrajaya) had 290 shopping centres with a total supply of more than 88 million square feet of retail space as detailed out in the table below:

Retail Supply and Occupancy Rates in Klang Valley, Q3 2024

No.	Location	No. of Malls (#)	Total Nett Floor Area (sf)	Average Rental Rate (RM psf pm)*	Average Occupancy Rate (%)
1	Kuala Lumpur	123	41,047,826	11.83	78.0
2	Selangor	164	46,117,456	11.00	73.8
3	Putrajaya	3	1,018,000	13.11	76.1
	TOTAL	**290**	**88,183,282**	**11.42**	**75.8**

Notes:
 # -include hypermarket malls and arcades
** -exclude rental rates of anchor tenants such as supermarket, department store, cineplex, bowling alley, etc.*
Source: Henry Butcher Retail

- The average occupancy rate of shopping centres in **Kuala Lumpur** improved to 78.0% in 2024 whilst the average occupancy rate of shopping centres in **Selangor** which stood at 73.6% in 2023 was maintained at 73.8% in 2024. The average occupancy rate of shopping centres in **Putrajaya** rose from 75.4% in 2023. To 76.1% in 2024.
- **Penang** has a supply of approximately 1,941,000 sq m of retail space located within shopping malls and they enjoyed an occupancy rate of 70.5% as at Q3 2024. About 58% of the retail space were located on the island and the malls there enjoyed a higher occupancy rate of 76.9%.

Outlook for 2025

- Retail Group Malaysia (RGM) has forecast a 4.0% growth rate for the Malaysian retail industry in 2025.
- Biggest challenge for Malaysia's retail industry is the rising cost of living which will influence consumers to spend less on non-essential items and dining out.
- The Service Tax rate has increased from 6.0% to 8.0% effective from March 2024 and this has led to further increases in prices of retail goods and services and is expected to affect retail spending.
- The Malaysian government increased the remuneration of civil servants from 1 December 2024 and these increments should stimulate retail sales during the year-end holidays. The government has also increased the minimum wage from RM1,500 to RM1,700 effective 1 February 2025. This will put more disposable income in the hands of consumers and could benefit the retail sector.

- The weaker Ringgit since Q3 2023 will encourage more international tourists to spend more during their trips in Malaysia. At the same time, the higher cost of airfares as well as the weak Ringgit will encourage more Malaysians to spend their holidays within the country instead of travelling abroad.
- 2026 has been designated as Visit Malaysia Year and the expected increase in tourist arrivas will benefit the hospitality as well as retail sub-sectors.

Industrial Sub-Sector

Review for 2024

The industrial sub-sector enjoyed healthy growth in 2024 with a single digit growth in the volume of transactions whilst the value of transactions went up by double digits.

Increase / Decrease in Volume and Value of Industrial Transactions Q1-Q3 2024 vs 2023

	Volume (%)		Value (%)	
Kuala Lumpur	7.2	↑	101.1	↑
Selangor	8.4	↑	22.3	↑
Johor	3.4	↑	46.3	↑
Pulau Pinang	-16.6	↓	-7.8	↓
Perak	71.9	↑	-1.6	↓
Negeri Sembilan	-19.7	↓	-9.1	↓
Melaka	9.7	↑	45.4	↑
Kedah	-2.7	↓	1.7	↓
Pahang	79.1	↑	-1.3	↓
Terengganu	-18.2	↓	12.9	↑
Kelantan	0.0	`=	-46.8	↓
Sabah	-24.8	↓	8.6	↑
Sarawak	6.9	↑	16.7	↑
Malaysia	**6.5**	↑	**22.8**	↑

- The volume of industrial transactions in Malaysia increased by 6.5% in the first nine months of 2024 compared to the same period a year ago whilst the value of the transactions rose 22.8%. Selangor continued to dominate the market, contributing the most to the national transaction volume (33%) followed by Johor (18.5%). Terraced factories contributed the highest to the total volume of transactions, followed by vacant plots.
- The volume of industrial property transactions in **Selangor** increased by 8% in the first nine months of 2024 compared to a drop of nearly 5% for the corresponding period in 2023. The value of the transactions on the other hand went up by 22%. The bulk of the industrial property transactions (62%) were of properties priced at RM1 million and above.
- For **Kuala Lumpur** where industrial activities are not that significant, the volume of industrial property transactions rose 7% whilst the value of the transactions jumped by more than 100% indicating that the transactions were mostly of larger, higher value industrial properties.
- The volume of industrial property transactions in **Penang** dropped by nearly 17% in the first nine months of 2024 compared to an increase of 12% for the corresponding period in 2023. Meanwhile the value of the transactions declined by nearly 8% compared to an increase of almost 9% the year before.

- The first nine months of 2024 saw **Johor**'s industrial property market maintained growth from the corresponding period last year with a 3.5% increment in the volume of transactions and a much higher 46.4% uptick in the value of transactions.

Outlook for 2025

- The better trade performance recorded by the country in 2024 could ultimately contribute to a higher demand for industrial space as manufacturers expand capacity. Moreover, the country has succeeded in attracting a higher level of committed FDIs as well as DDIs in 2024. The higher level of committed investments secured, including from several large and well known multinationals like AWS, Google, Microsoft, Amazon and Alibaba will benefit and provide a boost to the industrial property sub-sector and this could translate into increased demand for business and industrial space.
- More data centres have been established and are still being built, with **Johor** having the most number followed by **Selangor**. The government has set out to attract more data centres to be built in the country and also more chip design and manufacturing activities.
- Improved accessibility arising from the completion of major infrastructural projects such as the RTS link between Johor Bahru and Singapore and the LRT line linking Penang island and the mainland could help to generate more investments in JB and the Penang mainland and lead to increased demand for industrial space.
- The government's New Industrial Master Plan 2030 (NIMP 2030) as well as National Energy Transition Roadmap (NETR) are expected to provide a boost to the manufacturing sector and in turn benefit the industrial property market in the coming years.
- Government policies and programmes such as Industry4WRD (National), IDRISS (Selangor) and JS-SEZ (Johor) will act as catalysts to upgrade & drive future industrial development and the digital economy.
- The incoming Trump II administration is expected to adopt a protectionist policy and various tariffs will be imposed on imports into the United States. This will likely affect countries deemed to be not supportive of the US' efforts to support its US Dollar as well as domestic economy and will include China as well as BRIC's member countries of which Malaysia has recently been admitted as a partner country. However, Malaysia may be able to benefit from some rerouting of Chinese manufacturing activities to the country to enjoy lower tariff rates than direct Chinese exports to the USA.
- The outlook for the industrial sub-sector appears to be positive unless global events adversely affect the country's exports.

Hospitality Sub-Sector

Review for 2024

- For 2024, the Ministry of Tourism, Arts and Culture (MOTAC) has set a target of attracting 27.3 million international tourists with tourism receipts of RM102.7 billion. However, based on the latest available data, the country has welcomed only 18.38 million international tourists between January and September this year which although is an increase of 27% y-o-y, is still about a third short of the full-year's target.
- Malaysia's domestic tourism has however risen significantly, as more Malaysians chose to holiday within the country due to the higher cost of holidaying abroad as a result of the weak Ringgit and higher global air fares. The country recorded a total of 213.7 million domestic tourists in 2023, a 24.6% increase compared with 171.6 million in 2022. At the same time, domestic tourism receipts rose by 32.5% to RM84.9 billion. For Q1 2024, the country recorded 58.6 million domestic tourists travelling within Malaysia whilst for Q2, the figure went up to 68.4 million, marking a 16.8% increase over the previous quarter and a 23.8% increase compared with the same period last year. At the same time, MOTAC reported that domestic tourism expenditure rose to RM28.1 billion for Q2 2024 which represented a 28.6% growth y-o-y and a 16.9% increase from the RM24.6 billion recorded in the previous quarter.
- The average occupancy rates of hotels in Malaysia in the first six months of 2024 was recorded at 52.6% which is an improvement from the 50.5% recorded in 2023 but lower than the 56.6% recorded in 2019. **All states** recorded an increase in average occupancy rates with the highest occupancy rate recorded by **Pahang** (74.6%) followed by **Kuala Lumpur** (60.3%) and **Penang** (53.5%). The lowest occupancy rates were recorded by **Negri Sembilan** and **Labuan**.
- According to Tourism Malaysia, the average daily rate (ADR) achieved in the first six months of 2024 have registered an increase over the same period in 2023 as shown by the ADR recorded by the top five states.

Outlook for 2025

- Domestic tourism is expected to play a big part in the tourism landscape as more Malaysians are expected to spend their holidays within the country instead of travelling abroad in view of concerns of a slowdown in economic growth as well as the weaker Ringgit.
- The shortage of labour which has plagued the country is a major issue faced by the hospitality industry and if not resolved by the government, will continue to hamper the recovery and growth of the hospitality industry.
- There are quite a number of new hotels being built especially in the **Klang Valley** and when completed over the next few years, will add significantly to the supply of hotel rooms.
- The government has introduced a 30-day visa free initiative for nationals of China and India under the Malaysia Visa Liberalisation Plan which expired on 31 December 2024. This has now been extended to 31 December 2026. Citizens of ASEAN countries are currently allowed to stay for more than a month without a visa.
- The weaker Ringgit will make Malaysia an attractive place for foreign travellers to have their holidays here and could lead to higher spending by these tourists.
- 2026 has been designated as the next Visit Malaysia Year. It is the government's aim to bring in 26.1 million tourists with an estimated domestic spending of RM97.6 billion.

- In Budget 2025, RM550 million has been earmarked for the ASEAN Tourism Forum (ATF) 2025 and Visit Malaysia Year (VMY) 2026. An additional RM110 million has been allocated for ecotourism.
- The government will also be promoting medical tourism as part of its plans to boost tourist arrivals in the country.
- The outlook for the hospitality sub-sector looks promising.

About Henry Butcher Malaysia Sdn Bhd

Henry Butcher Malaysia offers a comprehensive range of services, from Plant & Machinery valuation & disposals to real estate valuation, corporate real estate advisory, agency & marketing, market research & development consultancy as well as art auctions and consultancy services.

Our clients include individual investors and property owners, financial institutions, small medium private corporations, public listed companies, government departments, utility companies and multinationals.

For more information, please visit our website at www.henrybutcher.com.my.

Henry Butcher Malaysia Sdn Bhd (198701001968 (160636-P)
a | No. 25, Jalan Yap Ah Shak, Off Jalan Dang Wangi, 50300 Kuala Lumpur, Malaysia.
t | +603 2694 2212 **f** | +603 2694 3484 **WhatsApp** | +6012 223 3573
e | admin@henrybutcher.com.my **w** | www.henrybutcher.com.my

---

If you wish to read a digital copy of the report, please click here.

If you would like to download a copy of HB Perspective 2025, please click the link here

###