

Residential Property Overhang in Malaysia: Patterns, Causes, and Implications: A Systematic Literature Review Approach

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ABSTRACT

The Malaysian housing market has been plagued by the issue of residential property overhang, which has caused policymakers, developers, and urban planners to express worry. To find, compile, and evaluate the trends, root causes, and wider ramifications of residential property overhang in Malaysia, this study thoroughly examines the body of existing literature. The Scopus, Web of Science, and Google Scholar databases were used to compile relevant publications from 2000 to 2025 for a systematic literature review (SLR) that followed the PRISMA guidelines. According to this analysis, the residential property overhang in Malaysia is influenced by a few factors, such as disparities between the supply and demand for housing, speculative construction methods, affordability concerns, inefficient site selection, and regulatory restrictions. Additionally, this data highlights regional variations between states, where high-rise buildings and luxury developments are disproportionately affected. The paper outlines the socioeconomic consequences, such as urban inequality, slower market absorption rates, and a decline in investment confidence. Persistent structural disparities highlight the need for a more integrated strategy that connects market data analysis, housing policy reforms, and sustainable urban development, even in the face of many government endeavours to address this urgent issue. This study advances knowledge of this unregulated occurrence and makes recommendations for future research avenues for creating a conceptual framework that supports sensible planning and policy initiatives to stabilise the Malaysian residential real estate market.

Keywords: Residential property overhang, Housing market imbalance, Systematic literature review, Urban development policy.

INTRODUCTION

Over the past 20 years, the housing market in Malaysia has seen significant changes that are indicative of broader trends in urbanisation and economic growth. However, this growth has resulted in the phenomenon of residential property overhang, which is defined by finished units that go unsold for long stretches of time. This phenomenon has grown to be a major concern that affects both national development goals and market stability. By the third quarter of 2024, Malaysia had 27,746 unsold residential units valued at RM18.5 billion, up more than 10% from 2022, according to the National Property Information Centre (NAPIC, 2024). Especially in metropolitan and semi-urban areas like Johor, Selangor, and Penang, this ongoing excess indicates inefficiencies in the housing market and a discrepancy between supply and effective demand (Ishak et al., 2024a). The overhang issue continues to put pressure on regulators, financial institutions, and developers. High-end and high-rise housing is in excess, but there is still a shortage of affordable housing (Ebekoziien et al., 2022). The disparity is made worse by elements including speculative development methods, unsuitable locations, and limited affordability for middle-class families (Ismail et al., 2025). The number of unsold flats remains at a worrying level despite a number of government initiatives, including the Home Ownership Campaign (HOC) and particular incentives outlined in the National Housing government (2018-2025). The persistence of this problem raises serious concerns regarding the coherence of laws, regulatory effectiveness, and structural dynamics within Malaysia's residential real estate market.

Through a thorough analysis of the existing literature, the main goal of this study is to present a thorough understanding of the residential property overhang phenomena in Malaysia. It specifically aims to pinpoint and enumerate the main causes of the ongoing overhang problem, including those that are related to the economy, geography, and policy. In order to uncover basic market dynamics, the study intends to evaluate trends and patterns of overhang aspects over various time periods and geographical locations. Additionally, it evaluates the wider effects of property overhang on Malaysia's socioeconomic development, investment confidence, and housing market performance. Whilst to support the creation of more sustainable and empirically supported housing policy frameworks, this study identifies current research gaps and suggests future research directions. A comprehensive synthesis of the economic, spatial, and policy aspects of overhang properties in Malaysia is lacking, despite earlier research looking at housing affordability and demand-supply mismatches. According to Lee et al. (2023) and Omar & Tan (2022), current research is frequently fragmented, concentrating on specific factors like pricing or location rather than providing a thorough understanding of how these variables interact to create enduring market inefficiencies. By combining empirical findings from earlier research, this Systematic Literature Review (SLR) closes this gap and provides a clearer, evidence-based understanding of the trends, causes, and consequences of residential property overhang in Malaysia. The results are intended to inform future academic research, industry standards, and policy development to promote a more stable and fair housing market.

LITERATURE REVIEW

Concept of Residential Property Overhang

The accumulation of built-in housing units that are unsold for an extended length of time is referred to as "residential property overhang," indicating a discrepancy between the supply and actual demand for housing (NAPIC, 2024). A residential property overhang in Malaysia is defined by the Valuation and Property Services Department (VPSD) as any unit that has been awarded a Certificate of Completion and Compliance (CCC) but has not been sold for more than nine months after launch. The surplus of residential properties in Malaysia persists despite an active housing regulatory framework and ongoing economic growth, highlighting fundamental inefficiencies in the market (Ishak et al., 2024a). According to research, the Malaysian real estate market experiences unpredictable government coordination, cyclical fluctuations, and speculative development tendencies (Chung, 2024). Developers frequently target the affluent population, while most households struggle with affordability, which results in a shortage of affordable housing options and an oversupply of luxury properties (Ebekozien et al., 2022).

Patterns and Trends of Overhang Properties

The number of constructed housing units in Malaysia has steadily increased over the last ten years, particularly in regions like Johor, Selangor, Penang, and Kuala Lumpur. The total number of unsold residential properties has reached 27,746, with a valuation of RM18.5 billion, according to NAPIC (2024), indicating a steady increase since 2020. About 60% of the unsold inventory is made up of completed units, most of which are in high-rise condominiums and serviced apartments (Ismail et al., 2025). Due to aggressive speculative development linked to large-scale infrastructure projects like Iskandar Malaysia, the southern and urban corridors have the greatest completion ratios (Aris et al., 2020). On the other hand, due to limited purchasing power and insufficient infrastructure, rural and suburban areas have lower completion rates and struggle with absorption (Ishak et al., 2024b).

Causes of Residential Property Overhang

The complex and interrelated factors influencing unsold residential properties in Malaysia draw attention to problems with the way the country's housing market is set up. To explain the continuation of unsold residential units, the literature usually identifies three main dimensions: market-driven, socioeconomic, and policy regulatory difficulties. From a market-driven perspective, price disparities, speculative activity, and developers' insufficient demand forecasts are the main causes of unsold properties. Many developers prioritise high-end, luxurious developments with large profit margins, often ignoring local consumers' true purchasing power (Ishak et al., 2024a). High-end units, particularly condominiums and serviced apartments, are oversaturated in urban areas like Johor Bahru and Kuala Lumpur due to the speculative nature of the housing market, which has been

fuelled by investor confidence during the economic boom (Aris et al., 2020). Furthermore, inaccurate market forecasts arising from a lack of usage of housing demand data have led to projects that do not align with actual household needs, which has resulted in prolonged unsold inventory.

The problem of unregulated housing is made worse by socioeconomic factors. Even though the Malaysian economy is still growing, salary increases have not kept up with the rising cost of real estate, which has led to an increasing affordability gap (Chung, 2024). The bulk of potential homebuyers fall into the middle-income category (M40), and because of tighter lending standards and slower wage growth, they are having more difficulty getting housing financing. Effective demand is limited by the gap between housing costs and income levels, especially in large cities where speculative investment has driven up prices. Furthermore, despite government housing programs, the B40 demographic, which consists of low-income households, continues to face affordability issues, underscoring socioeconomic inequities (Ismail et al., 2025). From a legislative and regulatory perspective, this unregulated housing has been maintained by fragmented housing governance, inconsistent policy implementation, and a lack of collaboration between federal, state, and local authorities. Planning approvals often rely on developer applications rather than comprehensive market data, according to several studies, which results in oversupply in saturated areas and a disdain for affordable housing in expanding areas (Ebekoziem et al., 2022). While initiatives like rent-to-own plans, the Home Ownership Campaign (HOC), and modified housing financing laws have improved sales performance in the short term, they are primarily reactive rather than proactive. Policy efficacy is consistently hampered by the absence of a centralised housing database, insufficient enforcement of supply-demand alignment, and limited use of data-driven planning tools (Ishak et al., 2024a).

According to the literature review, Malaysia's residential property overhang is a fundamental market distortion brought on by a combination of speculative activity, socioeconomic disparities, and uneven governance, rather than just a temporary issue. A sustainable and inclusive housing market must be established by addressing this issue through improved policy alignment, market adjustments, and the integration of data analytics, affordable housing initiatives, and long-term housing policies.

Implications of Property Overhang

The ongoing status of finished properties has significant ramifications that go beyond the real estate sector and affect Malaysia's larger financial, social, and economic structure. Economically speaking, the presence of unsold housing units indicates an ineffective use of resources in the construction and real estate industries. Due to significant financial resources being locked up in vacant units, developers are unable to finance new or more affordable housing projects (Ismail et al., 2025). As a result, potential projects are postponed or cancelled, as this reduces overall market liquidity and strains developers' cash flows. This impasse eventually hinders the housing sector's cyclical momentum, which is crucial to the Malaysian economy.

Long-term unsold loans increase systemic risk in the banking and credit industries from a financial perspective. The likelihood of non-performing loans (NPLs) for real estate developers and buyers increases when developers struggle to sell their unsold inventory, especially amid rising interest rates and tighter credit requirements. There is less credit available in the real estate industry as a result of financial institutions being more cautious when making home loans, especially for speculative or luxury projects (Chung, 2024). The effects might spread to other industries that depend on housing-related activities, such as consumer goods, mortgage insurance, and building materials, which would ultimately affect the state of the economy (Ishak et al., 2024a).

In addition to undermining investor trust and discouraging foreign investment, a continuous excess of unsold houses highlights significant structural inefficiencies in housing regulation and urban planning. The stability of the Malaysian real estate market index may be impacted, new investments may be impeded, and fewer real estate transactions may occur as a result of this decline in confidence (Ebekoziem et al., 2022). Additionally, the government may receive less money from stamp duties and property taxes, which would reduce the amount of money available for infrastructure and housing projects. The repercussions for society are even more worrisome. With most new buildings aimed at wealthy individuals and foreign investors, the abundance of luxury residential units has created urban exclusivity, while most Malaysians, particularly those in the M40 and B40 income groups, continue to struggle with affordability (Aris et al., 2020). Due to the lack of affordable and high-quality

housing options in large cities, this disparity exacerbates housing inequality and causes geographic isolation. Low-income families are consequently frequently left out and have limited access to social services, work opportunities, and transportation (Hassan, 2023).

Furthermore, persistently neglected properties hinder urban sustainability objectives by allowing newly constructed units to remain unoccupied for extended periods of time, leading to inefficient land use, environmental degradation, and the growth of "ghost cities" in specific locations, particularly Johor Bahru and some Kuala Lumpur districts (Ishak et al., 2024b). Malaysia's larger goals, as stated in the National Housing Policy (2018–2025) and Sustainable Development Goals (SDG 11), which emphasize on inclusive, secure, resilient, and sustainable urban environments, are put at risk by this underutilised development, which puts a strain on municipal resources and lessens the vibrancy of urban neighbourhoods. In conclusion, the consequences of neglected residential properties in Malaysia include social, financial, and economic aspects, underscoring the pressing need for collaborative efforts among many stakeholders to restore market equilibrium. In order to achieve sustainable solutions, developers, financial institutions, and legislators must work together to enhance regulatory frameworks, encourage equitable and inclusive urban expansion for long-term socioeconomic stability, and match housing supply with actual demand.

There is a lack of integrated studies that fully address housing affordability, supply and demand disparities, and policy inefficiencies, despite the wealth of empirical research on these topics. Instead of offering a thorough national perspective, the majority of prior research has been limited to places or circumstances, concentrating on specific states or property categories (Ishak et al., 2024b). Additionally, there aren't many comparative and longitudinal studies evaluating how policy changes affect the dynamics of unsold homes over time. According to recent research, data analytics and predictive modelling have not been sufficiently applied to foresee the risk of unsold housing before project approval. By combining empirical data from many contexts, highlighting shared traits, and offering a cohesive framework for further study and policy creation in the Malaysian residential real estate market, this paper closes the gap. The following is a summary of the main conclusions drawn from the literature:

Table 1.1 Summary of Key Findings from the Literature

Author(s) & Year	Focus of Study	Main Findings	Identified Gaps
Ebekozien et al (2022)	The Malaysian housing market's dynamics	Overabundance of high-end products and restricted affordability	Inadequate market demand modeling
Chung (2024)	Policies that deal with excess property	HOC improves sales right away but fails to address underlying issues.	Absence of a long-term policy assessment
Ismail et al (2025)	Systemic barriers to affordable housing	Long-term income surpluses are the outcome of speculative pricing and income inequality.	Limited assessment of socio-economic policies
Aris et al (2020)	Geographical factors influencing overhang	Because of speculative high-rise developments, urban areas are overcrowded with skyscrapers.	The absence of a regional comparative approach
Ishak et al (2024a)	The causes and effects of property overhang	Unsold inventory affects market confidence and urban equity.	The need for adequate synthesis between research
NAPIC (2024)	National property report	27,746 unsold units amounting at RM18.5 billion	Data are not qualitatively or causally analysed.

METHODOLOGY

This study thoroughly synthesises research on unsold residential properties in Malaysia from 2000 to 2025 using the systematic literature review (SLR) technique. Because of its transparency, rigour, and capacity to include a variety of findings from theoretical, empirical, and policy-oriented research, the SLR technique was selected (Sauer & Seuring, 2023).

Using reliable databases including Scopus, Web of Science, and Google Scholar, pertinent literature was methodically found, screened, and assessed in accordance with the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) criteria. Peer-reviewed journal articles, conference papers, government reports, and institutional publications that look at the reasons, patterns, and effects of unsold properties in Malaysia were the main emphasis of the inclusion criteria. The years 2000-2025 were specifically chosen to show how the Malaysian housing market changed over the course of 25 years, marked by important economic cycles, changes to policy (such as the National Housing Policy of 2011 and 2018-2025), and recent property changes brought on by the pandemic.

This longer timeline allows for a thorough understanding of past patterns and new issues impacting the real estate industry. In order to identify persistent structural problems and new dynamics influencing the current state of unsold residential properties in Malaysia, this study methodically reviews the literature from this time period, ensuring the integration of both foundational and contemporary insights.

Review Design and Reporting Standard

This study used a systematic literature review (SLR) to synthesize evidence on the patterns, drivers, and implications of unsold Malaysian residential properties between 2000 and 2025. The protocol and reporting were guided by the PRISMA 2020 Statement to ensure transparency, replicability, and completeness (Page et al., 2021). To strengthen the credibility and usefulness of management and policy-related research, we followed the best practice decision points for SLR in management (Sauer & Seuring, 2023).

Information Sources and Search Strategy

A comprehensive search was conducted in Scopus, Web of Science and Google Scholar to obtain peer-reviewed and highly cited scientific studies. To ensure policy relevance and sector breadth, we also screened government bulletins and institutional reports (e.g., NAPIC/VPSD). The search combines controlled vocabulary and free text terms with Boolean and wildcard operators. Core strings included:

- “residential property overhang” OR “housing overhang” OR “housing oversupply” AND Malaysia
- affordable OR “housing affordability”
- “speculative development” OR “investor-driven”
- governance OR policy OR regulation

Search limits were set to English-language publications with temporal coverage 2000-2025. Citation chaining (backward/forward) was used to identify additional relevant studies (Page et al., 2021).

Eligibility Criteria

Eligibility was defined a priori using an adapted PCC frame (Population/Phenomenon-Context-Characteristics):

- **Phenomenon:** Residential property overhang/oversupply and directly related constructs (e.g., absorption, inventory).
- **Context:** Malaysia (national or state/city scale; comparative studies were eligible if Malaysian data were separately reported).

- **Characteristics:** Empirical or conceptual studies addressing determinants, patterns, market/financial consequences, affordability, speculation, or governance/policy.

Inclusion: Peer-reviewed journal articles, conference papers, theses, and government/institutional reports with sufficient methodological detail and relevance to the Malaysian housing market.

Exclusion: Non-scholarly media, purely descriptive market notes without methodological transparency, studies unrelated to residential markets, and papers lacking Malaysia-specific evidence.

Study Selection and PRISMA Flow

Records were screened in two stages, title/abstract followed by full-text—by two reviewers working independently. Disagreements were resolved through discussion, with a third reviewer available for adjudication if needed. The process and counts followed the PRISMA 2020 flow:

- **Identification:** 412 records from databases; +38 from government/institutional sources.
- **Screening:** after deduplication, 298 unique records screened by title/abstract; 171 excluded for irrelevance to overhang or the Malaysian context.
- **Eligibility:** 127 full texts assessed; 63 excluded due to conceptual scope, insufficient empirical basis, or inadequate methodological detail.
- **Inclusion:** 64 studies retained for synthesis.

A PRISMA flow diagram summarises these stages and counts (Figure 1:PRISMA flow diagram) (Page et al., 2021).

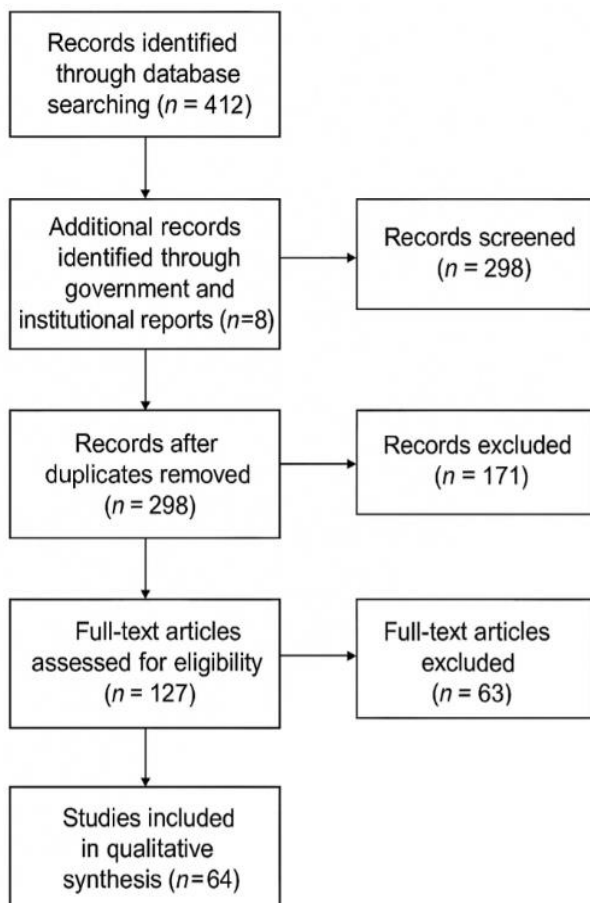


Figure 1: PRISMA flow diagram

Data Extraction and Management

The structured extraction form recorded bibliographic data, study purpose and design, data sources, geographical scale, operational overhangs, analytical techniques and key findings (market/capability/speculation/governance). Extraction was performed independently by two reviewers; discrepancies were reconciled by consensus to minimize transcription errors and reporting of selected results (Page et al., 2021).

Quality Appraisal and Risk-of-Bias Assessment

Methodological quality and risk-of-bias were appraised using a hybrid rubric that integrates the Critical Appraisal Skills Programme (CASP) for qualitative and mixed-methods studies and AMSTAR 2 for review-type evidence (Shea et al., 2017; CASP, 2018). The rubric assessed:

1. clarity of objectives, i) methodological transparency/rigour, ii) data validity and reliability, iv) relevance to the Malaysian residential market, and v) robustness and coherence of findings.
2. Each criterion was graded on a 0–2 scale (not met/partially met/fully met). Studies scoring $\geq 70\%$ progressed to synthesis; lower-scoring studies were excluded or used only for contextual triangulation. The quality process enhances internal validity and interpretive trustworthiness (Shea et al., 2017; CASP, 2018).

Synthesis Approach

Given the diversity in study designs, operational definitions and outcomes, meta-analysis is not appropriate. We use thematic synthesis and critical realist aggregation to integrate market, affordability, speculative, and governance dimensions across time and space. First-stage findings were openly coded, then iteratively grouped into axial themes representing the structural drivers and mechanisms underlying the overhang. A cross-case matrix was used to examine convergence/divergence across regions and periods. This approach goes beyond narrative description towards an explanatory synthesis and theoretical positioning, in line with management review standards (Sauer & Seuring, 2023).

Sensitivity and Robustness Checks

This study conducted sensitivity analyses by (i) repeating the synthesis excluding low-quality boundary studies (70–75%), and (ii) comparing patterns by period (pre-2010, 2010–2019, 2020–2025) and typology (high-rise vs. landed; luxury vs. affordable). The findings proved to be substantially stable, indicating that the conclusions were not a selection artifact or period bias.

Limitations of the Method

This review is limited to English-language sources and may be under-representative of non-English local planning documents. While Google Scholar broadens coverage, it also increases noise; this is managed through strict eligibility and quality thresholds. We do not register protocols (e.g., PROSPERO), which is rare but not unprecedented for basic market SLRs; To reduce potential bias, we documented a priori criteria and followed PRISMA closely (Page et al., 2021).

FINDINGS

The issue of unsold residential properties in Malaysia is still present and complex, influenced by interrelated market, social, and policy factors, according to the results of a thorough literature review conducted between 2000 and 2025.

Five main themes emerge from the combined 25 years of research: market dynamics marked by supply-demand disparities, challenges with affordability, speculative behaviour, inadequacies in governance and policy, and the social and spatial consequences of unsold homes.

Market Dynamics and Supply-Demand Imbalance

The Malaysian residential real estate market has experienced several cyclical booms and busts between 2000 and 2025, primarily due to changes in the macroeconomic environment, urbanisation patterns, demographic shifts, and a shifting lending environment. In the early 2000s, rapid economic expansion and the deregulation of home finance led to an unprecedented increase in construction activity. In cities like Kuala Lumpur, Penang, Johor Bahru, and Selangor, developers are focusing on building luxury residential developments, such as condominiums, serviced apartments, and gated communities, driven by positive projections and investor confidence. Rich residents, international investors, and expatriates, particularly from Singapore, China, and the Middle East, are encouraged to take advantage of these improvements (Ebekoziën et al., 2022).

Nevertheless, there is little indication of genuine market demand in this supply-driven growth. The real estate market is thereby growing increasingly divorced from the actual purchasing power of the typical Malaysian household. According to NAPIC (2024), the number of unsold constructed residential units increased more than sixfold, from 4,400 in 2000 to 27,746 in 2024. By 2023, the total value of these unsold homes will have risen significantly to over RM18 billion. In Kuala Lumpur and Johor, where luxury constructions outpace absorption rates, the issue of overstock is especially noticeable. This data highlights persistent structural injustices. Despite the modest increase in actual income in the M40 and B40 pay groups, developers are nevertheless producing increasingly pricey homes.

The tendency of urbanisation in Malaysia exacerbates this disparity. More than 78% of Malaysians will live in cities by 2025, with significant migration to Penang and the Klang Valley (Department of Statistics Malaysia, 2024). Even though the demand for housing is typically rising due to urbanisation, there is still a substantial gap in affordability between location, price, and income. The acceptance of affordable housing developments is hampered by the fact that they are frequently situated in outlying areas, distant from centres of employment and public transport. At the same time, urban developments continue to be under-occupied because of rising expenses that are out of reach for those with median incomes (Aris et al., 2020). The market equilibrium is further upset by this spatial disparity since accessible housing may not be in line with demand for its kind or location.

This problem has been made worse by the fallout from the Global Financial Crisis (2008-2012). Developers are launching new homes more quickly because of government stimulus plans and affordable lending rates. However, a significant overstock has been revealed by the cooling measures implemented by Bank Negara Malaysia to reduce speculative lending, such as stricter loan-to-value ratios and property gains tax (RPGT) assessments. During the COVID-19 pandemic (2020-2022), this problem worsened as consumer purchasing power declined and supply chain disruptions raised building prices. Even as demand shifts to smaller, more affordable housing options, the effects of prior overdevelopment persist, resulting in an excess of unsold high-value flats, even while new project launches have temporarily stopped.

In the housing market, market imbalances indicate asymmetry in information and speculative emotion. Instead of using thorough, data-driven forecasting models, developers occasionally base production decisions on current sales figures or investor opinions. According to research by Rahman and Zainuddin (2023), market optimism rather than demographic realities typically influences feasibility assessments for residential developments. As a result, while policymakers lack comprehensive real-time data systems to track changing supply-demand dynamics, inventors frequently overestimate the market's ability to accept new technologies. Because of this structural fragility, resources are not allocated well, immobilising capital and land in vacant premises. Related sectors are likewise impacted by this disparity.

NPLs pose a significant risk to the banking and financial industry as a result of the real estate market's stagnation. The growing inventory of unsold homes has been accompanied by a steady rise in mortgage-related non-performing loans, according to Bank Negara Malaysia (2023), highlighting the financial risks of excessive borrowing in a skewed market. Additionally, delayed sales and stagnating capital have resulted in lower profit margins for Real Estate Investment Trusts (REITs) and construction-related companies (Hassan, 2023).

The Malaysian housing market exhibits a continuous structural imbalance between 2000 and 2025, with an excess of luxury homes and a shortage of affordable dwellings. This circumstance demonstrates the drawbacks

of conventional market-driven development strategies that put speculative profits ahead of socioeconomic unity. Evidence clearly shows that disparities between supply and demand will continue to disrupt the real estate industry in the absence of data-driven urban governance, uniform policy frameworks, and regulations that prioritise affordability. Therefore, this ongoing, unresolved problem is a market indication as well as a sign of more serious structural inefficiencies inside Malaysia's framework for residential property development.

Affordability Constraints and Socioeconomic Disparities

From 2000 to 2025, Malaysian unsold residential properties were significantly influenced by affordability. Despite strong economic growth and increasing urbanisation, property prices have increased at a rate that is far faster than the growth in household income. In cities like Kuala Lumpur, Penang, and Johor Bahru, the ratio of house prices to median income continuously surpasses 5.0, indicating that the Malaysian housing market is extremely unaffordable for most households, according to statistics from Bank Negara Malaysia (2022). This trend disproportionately affects the low-income B40 group, which has difficulty accessing formal housing financing even though they are eligible for subsidised programs, and the middle-income M40 group, which is the main group of potential homebuyers for mass-market residential properties (Chung, 2024).

According to research, this issue has gotten worse as M40 households' incomes have decreased. Income growth has lagged behind property price inflation over the past 20 years, especially for high-rise buildings and urban developments targeted at the premium market (Ismail et al., 2025). For this reason, even households with stable jobs have trouble getting to finance for median-priced homes. Rising living costs like electricity, transportation, and education make affordability issues worse by reducing available funds for real estate purchases. One of the main causes of the unsold housing problem's continued existence is spatial imbalance. Initiatives for affordable housing are often located in suburban or peri-urban areas with limited access to public transit, jobs, healthcare, and education (Ishak et al., 2024b). Even though, these buildings are intended to meet demand, their locations often turn off potential buyers, especially young professionals and families who want to be close to the city's employment centres. On the other hand, high prices keep luxury constructions in desirable areas underoccupied, which leads to urban polarisation in housing accessibility.

The goal of government programs like the My First Home Scheme, rent-to-own programs, and the Home Ownership Campaign (HOC) is to increase demand and reduce affordability issues (Chung, 2024). By increasing transactions in the designated segments, this effort has provided temporary relief, although its impacts have often been fleeting. Scholars argue that these strategies fall short in addressing basic structural issues, such as a discrepancy between supply categories and actual demand, a lack of a coherent planning framework, and insufficient targeting of middle-class buyers (Ishak et al., 2024a). Furthermore, social inequality and affordability problems are closely related. A shortage of reasonably priced housing and the buildup of unsold luxury apartments in the city centre worsen social division. While M40 and B40 households are forced to move to more affluent neighbourhoods or stay in the rental market, wealthy households continue to have access to upscale residential apartments. This discrepancy illustrates the complex effects of housing unaffordability that go beyond simple economic measures, impacting not only homeownership but also social cohesion, urban mobility, and quality of life (Lee et al., 2023).

Affordability constraints are both a cause and an effect of rising residential real estate prices, according to cumulative data from 2000 to 2025. Unsold inventory is increased by persistent price discrepancy, slow wage growth, and an uneven distribution of housing stock, while oversupply undermines market confidence and drives up real estate costs in some regions. To ensure that housing supply matches actual demand and that residential development promotes equitable and sustainable urban growth, addressing this issue requires an all-encompassing strategy that incorporates income-sensitive housing policies, strategic land-use planning, and financial accessibility initiatives.

Speculative Investment and Developer Practices

The literature has repeatedly identified developer behaviour and speculative investment as important factors contributing to unsold residential developments in Malaysia between 2000 and 2025. Motivated by higher profit margins and market prestige, developers often prefer high-end and luxury projects over affordable housing,

especially in large centres like Kuala Lumpur, Johor Bahru, and Penang. According to studies by Rahman and Zainuddin (2023) and Lee et al. (2023), rather than being informed by solid, data-driven demand projections, speculative activities are typically driven by short-term sales expectations, investor emotion, and market optimism. This approach leads to the overproduction of expensive goods that are unsold, especially during market shifts or economic downturns. The Malaysian real estate market grew significantly between 2000 and 2010 thanks to strong domestic and foreign investment. Developers are starting large apartment and condominium complexes by taking advantage of tax credit regulations and low interest rates, usually in anticipation of steady demand from affluent buyers. Although these innovations were first well absorbed, excess supply gradually accumulated as market saturation took place. Research carried out after 2010 reveals an increasing problem of unsold homes as developers continue to build upscale units based on speculative estimates of significant profits while failing to appropriately address the purchase power of the M40 and B40 income groups (Ebekozién et al., 2022).

Speculative tendencies were increased during the pre-pandemic period (2015–2019). As regional economic hubs like Johor's Iskandar Malaysia have grown, developers have been drawn to build a number of high-rise residential buildings aimed more at investors than end users. A sizable portion of these businesses rely on foreign funding and speculation, creating a market where unsold units could sit unsold for years. This exacerbates the issue of unsold homes by delaying genuine occupancy and absorption by end users despite increased construction activity. The COVID-19 pandemic (2020–2022) revealed speculative development's shortcomings. Sales of previously released units have been hampered by lockdowns, decreased purchasing power, and supply chain disruptions. There is a sizable inventory of unoccupied properties as a result of the lingering effects of prior overproduction, even though new project launches have been temporarily halted. Even if the market is steadily stabilising, post-pandemic study shows that developer behaviour is still influenced by unsold units, leading to more cautious but profit-driven production strategies (Lee et al., 2023).

Price strategy and marketing tactics are closely related to speculative activities. In order to profit from future market gains, developers frequently set prices for units over the affordability threshold of median-income households. Despite a need for smaller, more affordable homes, marketing techniques sometimes give preference to foreign investors or buyers over local customers, resulting in unsold inventories (Chung, 2024). Additionally, pre-sales strategies aim to secure initial finance but may inadvertently prevent true market absorption, creating the appearance of tremendous demand while surpassing the market's actual purchasing power.

Research indicates that legislative gaps and inadequate regulatory oversight contribute to developers' speculative tendencies. The Home Ownership Campaign (HOC) and rent-to-own programs are two examples of the government's efforts to boost sales, however they are primarily temporary and reactive. The basic problems of excessive speculative production, such as insufficient feasibility assessments, enforcement of building restrictions that are out of step with low demand, and a lack of ongoing market movement monitoring, are ignored (Ebekozién et al., 2022; Rahman & Zainuddin, 2023). In conclusion, the ongoing issue of unsold residential properties in Malaysia is significantly made worse by speculative investment and developer activity. Developers worsen structural inefficiencies that have increased over the previous 20 years by focussing on luxury projects aimed at investors while neglecting to link manufacturing with the actual needs of end users. In order to align market interests, lower the number of unsold homes, and advance an inclusive and sustainable housing market, this challenge calls for a combination of data-driven market planning, a more robust regulatory framework, and incentives for the building of affordable housing.

Governance and Policy Effectiveness

The frequency and size of unsold residential properties in Malaysia between 2000 and 2025 are directly impacted by the effectiveness of housing governance and policy. Studies consistently show that even though the government has implemented several policy measures to increase demand and reduce unsold inventory, their long-term effectiveness has been hampered by haphazard implementation, poor coordination, and limited data-driven planning (Ebekozién et al., 2022; Omar & Tan, 2022). The National Housing Policy 2000–2010 was a comprehensive policy framework that the government adopted between 2000 and 2010 with the goal of increasing home ownership rates through infrastructure support and financial incentives. Despite these steps, the government's strategy is primarily supply-driven, giving the quantity of new homes constructed precedence over

market demand or affordability criteria. As a result, the number of luxury homes increased throughout this time, but there was still a shortage of affordable accommodation, especially in the city centre. This disparity highlights the flaws in strategies that prioritise production targets without a coherent planning framework and causes unsold inventory to accumulate (Ishak et al., 2024a).

The Home Ownership Campaign (HOC) and other programs under the National Housing Policy 2018-2025 were initiated by the government in response to the increase in unsold properties in 2011. By offering stamp duty exemptions, lowering property values for particular groups, and offering flexible financing options, this initiative aims to increase home ownership. Short-term sales performance is improved by this program; however, studies show that the effects are temporary and localised. Because incentives targeted at the income groups most affected by affordability difficulties are ineffective, a large percentage of luxury houses remain unsold (Chung, 2024; Aris et al., 2020).

A dispersion of agencies is another factor contributing to governance problems. The division of policy duties among federal, state, and local governments results in uneven application of planning regulations, hold-ups in approvals, and fragmented development plans. According to researchers, the cycle of oversupply is sustained because development approvals frequently rely on developers' feasibility studies, which lack significant confirmation of actual market demand (Ebekoziem et al., 2022). The government's capacity to keep an eye on unsold inventories and respond appropriately to new trends in unsold properties is hampered by the lack of a centralised, real-time database for real estate. The literature emphasises how governance interventions are reactive. Instead of using a proactive, evidence-driven planning process, certain policies were implemented in response to growing backlog numbers. Local stimulus initiatives were driven by the rise in unsold units in Johor and Selangor after 2015; nevertheless, they were unable to address structural problems such price misalignment and speculative investment or reduce overproduction in nearby areas (Ishak et al., 2024a). This emphasises how important it is to integrate policies holistically, including affordability criteria, market analysis, and spatial planning to inform growth choices.

In addition, the techniques for long-term observation and assessment are insufficient. Several studies indicate that there are insufficient long-term analyses to examine the long-term effects of housing policy on reducing housing overhang. Policy initiatives offer only temporary benefits in the absence of ongoing feedback and adjustments, and persistent structural non-compliance is ineffective (Ismail et al., 2025). A disjointed institutional structure, reactive implementation strategies, and a lack of data-driven planning all compromise the effectiveness of governance and policy activities in the Malaysian housing sector. The existence of unsold residential properties underscores the need for coherent and evidence-driven governance, even though programs like HOC and the national housing strategy offer temporary solutions. Fostering a sustainable and equitable real estate market requires strengthening regulatory oversight, applying predictive analytics, and matching housing supply with actual demand.

Socioeconomic and Spatial Implications

The existence of unsold residential properties in Malaysia between 2000 and 2025 has significant spatial and economic ramifications that affect social justice, urban growth, and economic stability. Studies regularly show that unsold homes are a structural issue that affects the availability, use, and distribution of housing across the country rather than being a market anomaly (Lee et al., 2023; Hassan, 2023). Socioeconomically speaking, unsold properties have limited the chances of home ownership for those in the M40 and B40 income ranges and increased inequality. Cheap apartments are usually found in suburban regions with limited access to healthcare, education, and employment, while luxury residential buildings are common in large metropolitan centres but are often under-occupied due to exorbitant pricing (Ishak et al., 2024b). This spatial disparity exacerbates social inequality, so that wealthy households have access to modern urban amenities while middle- and low-income households are confined to less accessible areas, often requiring longer commutes and higher transportation costs. As a result, unsold areas worsen urban polarisation, which affects social mobility, community cohesion, and quality of life.

It's also important to consider the economic and financial effects of unsold homes. Developers face capital immobilisation in unsold units, which reduces liquidity and restricts their capacity to start new projects. This

then affects industries associated to construction, including labour, building materials, and real estate services. Rising mortgage defaults among buyers and investors associated with a stagnating real estate market are making financial institutions more vulnerable to non-performing loans (Hassan, 2023; Rahman & Zainuddin, 2023). Long-term overhang can indirectly impede economic growth at the macroeconomic level by undermining investor confidence, deterring foreign investment, and reducing real estate transaction volumes.

Unsold dwellings result in inefficient land use and the growth of "ghost neighbourhoods," especially in high-density urban developments like Johor Bahru, Kuala Lumpur, and Selangor, according to spatial and urban planning theory. Social and environmental problems like wasted infrastructure, underutilised public facilities, and a diminished sense of urban liveliness are brought on by vacant buildings and unoccupied developments (Aris et al., 2020). Municipalities, which are in charge of overseeing utilities, security, and maintenance for mostly vacant properties, sometimes face higher maintenance costs in these areas. The goals of sustainable urban development as outlined in the Malaysian National Housing Policy (2018–2025) and the United Nations Sustainable Development Goals (SDG 11), which place a high priority on inclusive, safe, resilient, and sustainable cities, are jeopardised by these inefficiencies.

In addition, unsold homes have long-lasting social consequences. Young families may be discouraged from settling in major cities by an overabundance of upscale housing and a lack of affordable options, which could have an impact on local community development, labour mobility, and demographic trends. Urban areas with excess unsold housing often have lower social cohesiveness because vacant houses impede neighbourhood engagement, local business expansion, and neighbourhood vitality (Ishak et al., 2024b). According to the study's findings, unsold residential properties in Malaysia are a complex problem with interconnected social, economic, and spatial repercussions. In addition to impeding urban growth and increasing inequality, it has direct and indirect costs for residents, developers, and financial institutions. To ensure fair access, efficient land use, and sustainable urban growth, addressing these consequences requires an all-encompassing approach that incorporates data-driven urban planning, affordability-centric housing policy, and regulatory oversight. The following is a summary of the key findings:

Table 1.2 Summary of Key Findings

Themes	Key Findings	Implications
Market Dynamics	Overproduction of upscale and premium goods; imbalance between supply and demand	persistent excess and inefficient use of resources
Affordability	Price increases outpace income growth, and M40 and B40 demographics have limited access.	Urban inequality and a decline in homeownership
Speculative Practices	Initiatives focused on investors and pre-sale strategies	Variations in the market and unsold inventory
Policy & Governance	Uneven execution and adaptable tactics	limited long-term impact on overhang
Socioeconomic & Spatial Impacts	Abandoned communities, urban inequality, and loans with performance hazards.	Obstacles to urban sustainability and social cohesion

According to SLR, there is a structural and complicated surplus of unsold residential properties in Malaysia, which is impacted by market inefficiencies, differences in affordability, speculative developer behaviour, and governance limitations. The development of a sustainable and inclusive housing market is consistently impeded by persistent structural disparities between supply and genuine demand, notwithstanding governmental interventions. Cohesive, data-driven governance, affordability-focused policies, and creative urban planning are all necessary to address the unsold home problem and produce equitable and sustainable housing outcomes.

Conceptual Framework for Understanding Residential Property Overhang

A synthesis of findings across the reviewed literature reveals that unsold residential properties in Malaysia are shaped by a complex constellation of interdependent structural drivers operating simultaneously across market, socioeconomic, behavioral, and governance domains.

To provide conceptual clarity and to strengthen the theoretical contributions of this study, a conceptual framework was developed to describe the dynamic interactions between these drivers and their collective influence on the persistence of unsold properties. This framework positions the phenomenon of unsold properties not as an isolated market anomaly but as the result of systemic interactions embedded in Malaysia's evolving housing ecosystem.

The core of this framework is the proposition that unsold residential properties emerge when market production cycles and regulatory structures fail to align with the affordability thresholds and behavioral tendencies of actual end-users.

Four main domains support this relationship. First, Market Dynamics reflects an imbalance between housing supply and effective demand, which is often amplified by price distortions and overly optimistic projections of future market absorption.

Studies show that developers often target higher margin segments despite the uncertain wage growth among most Malaysian households, resulting in a structural mismatch between what is supplied and what households can realistically afford (Ismail et al., 2025; Ishak et al., 2024a).

Second, the Responsible Capacity Constraint acts as a critical limiting mechanism that shapes effective demand. Income instability, rising cost of living pressures, and tightening financing conditions are constraining the purchasing power of buyers, especially in the M40 and B40 income groups.

The literature consistently shows that despite abundant housing supply, affordability barriers are responsible for creating demand segmentation that results in a large proportion of newly completed units not being absorbed (Chung, 2024; Hassan, 2023).

Third, Speculative Behavior, including investor-driven purchases, speculative pricing, and developers' reliance on pre-sales to secure initial project financing, distorts real market signals. These practices artificially increase perceived demand during the early stages of development, resulting in overproduction when investor interest declines or macroeconomic conditions change (Aris et al., 2020; Rahman & Zainuddin, 2023).

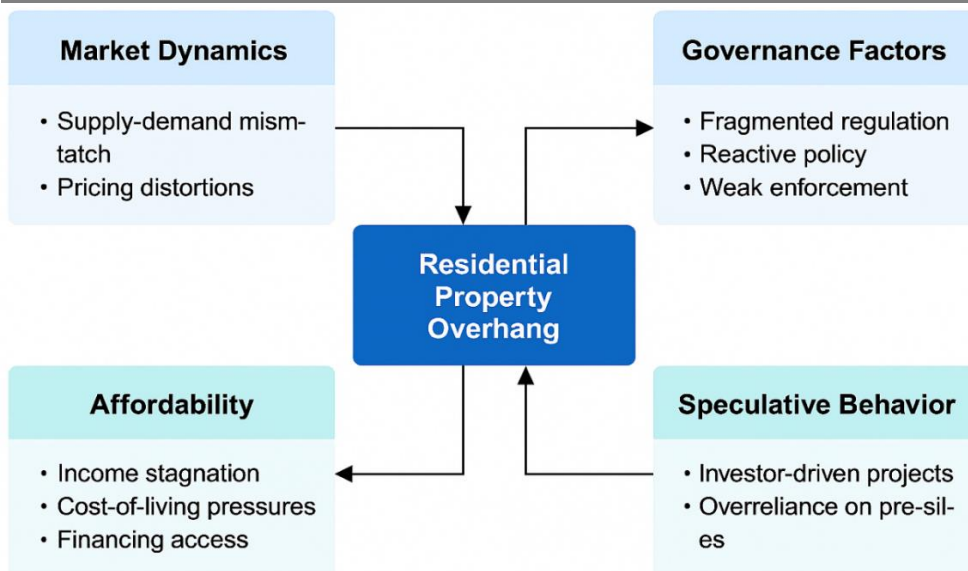
Fourth, Governance Factors represent a cross-cutting domain that shapes and moderates the other three drivers. Fragmented regulatory oversight, reactive policy interventions, and inconsistent implementation between federal, state, and local authorities weaken the feedback loops necessary for supply-demand coordination.

The absence of a centralized and real-time housing data system further limits the capacity of policymakers to anticipate risks and enforce the alignment of development with actual market needs (Ebekozen et al., 2022; Omar & Tan, 2022).

Overall, these four domains form a reinforcing cycle where governance gaps allow speculative practices to flourish, speculative activities exacerbate market distortions, and market distortions exacerbate affordability constraints, ultimately contributing to the accumulation of unsold units.

This integrated conceptualization underlines that residential neglect in Malaysia is not a symptom of isolated failure, but a cumulative manifestation of interconnected systemic weaknesses.

Figure 2 presents a visual model of these structural drivers and their relationships. By articulating the pathways through which these drivers interact, this framework advances theoretical understanding of the abandonment phenomenon and provides a foundation for empirical testing and future policy design.



Conceptual Framework of Residential Property Overhang in Malaysia

Figure 2: Conceptual Framework of Residential Property Overhang in Malaysia

DISCUSSION AND POLICY IMPLICATIONS

The results of a thorough analysis of the literature from 2000 to 2025 show the several aspects of Malaysian residential real estate that contribute to unsold properties, including market, social, speculative, and governance concerns. Unsold goods are a sign of enduring structural imbalances, mismatched incentives, and regulatory flaws when analysed from the perspectives of supply-demand theory and urban governance frameworks. The persistent gap between housing supply and genuine demand highlights the drawbacks of depending only on market-driven mechanisms. Developers' emphasis on luxury and speculative projects, along with the subdued demand from M40 and B40 households, align with the concept of market failure, which maintains that the free market is unable to allocate resources effectively to satisfy societal expectations (Ishak et al., 2024a). The longevity of discounted equities amid cyclical economic expansion is proof that disorganized supply-side measures can worsen inefficiency. The overdevelopment of luxury apartments and the underproduction of affordable housing demonstrate how the market cannot resolve the conflict between profitability and inclusion on its own.

Limitations on the ability to purchase a property exacerbate this problem. Persistent increases in median housing costs relative to household income, which restrict effective demand, are a prime example of housing inequality. This is in line with international research that demonstrates how housing markets in quickly developing countries frequently fall short of meeting the needs of middle-class and lower-class populations when house affordability variables are excluded from the planning framework (Chung, 2024). Additionally, by requiring low- and middle-income households to live in outlying areas, where they face social isolation, restricted access to services, and lengthy commutes, differences in the locations of affordable housing create additional impediments (Ishak et al., 2024b).

Another important driver is developers' speculative actions. Behavioral economic theory, in particular, overconfidence and group behavior in investment choices, is consistent with the overproduction of luxury flats motivated by investor opinion rather than real demand (Aris et al., 2020). Pre-sales and marketing tactics targeted at foreign investors create the appearance of demand while increasing supply, which leads to market inefficiencies and extended unsold inventory. From a governance perspective, the problem of unsold properties is made worse by the fragmented and reactive nature of housing policy. While programs like the National Housing Policy and the Home Ownership Campaign (HOC) offer short-term relief, their effectiveness is limited by a lack of real-time data on market absorption and poor coordination between federal, state, and local authorities (Ebekozi et al., 2022). A gap in policy implementation is indicated by the absence of evidence-based proactive planning, which allows unresolved structural problems to persist after many interventions.

Critical Synthesis of Structural Drivers

The synthesis of findings suggests that Malaysia's unsold residential property does not stem from a lack of isolated sectors but emerges from a configuration of reinforcing structural distortions. The four main drivers, market dynamics, affordability constraints, speculative behavior, and lack of governance operate in an interconnected rather than linear manner, creating a persistent cycle of imbalance that maintains unsold housing units.

Speculative supply behavior plays a significant role in amplifying market distortions. Developers' reliance on optimistic pre-sales, investor sentiment, and expectations of capital appreciation creates artificial demand signals, encouraging the continued production of high-value units that do not reflect the true purchasing power of Malaysian households. This speculative orientation not only undermines the accuracy of feasibility assessments but also drives chronic oversupply in segments already characterized by low absorption rates, especially high-rise and luxury properties (Aris et al., 2020; Rahman & Zainuddin, 2023).

Simultaneously, capacity constraints significantly affect effective demand. Unpredictable wage growth, rising living expenses, and increasingly tight financing conditions are restricting the ability of many households to enter the property market, particularly in urban centers where speculative construction is most pronounced. As a result, while supply increases in the premium market, demand continues to weaken among the primary buyer segment, contributing to the continued accumulation of unsold units (Chung, 2024; Ismail et al., 2025).

These challenges are exacerbated by governance deficiencies, including fragmented planning systems, reactive and short-term policy interventions, and the lack of a centralized real-time housing database. Such limitations reduce the government's capacity to anticipate risks of oversupply or guide development according to empirical demand indicators. As a result, speculative trends and price-to-income imbalances have largely gone unchecked, reinforcing structural inefficiencies in the housing system (Ebekozi et al., 2022; Omar & Tan, 2022).

Adding to these issues is the persistence of spatial inequalities, which shape and are shaped by broader structural dynamics. Market-driven projects tend to cluster high-value developments in core urban areas, where many units remain underoccupied, while affordable housing is pushed to peripheral locations with limited access to transportation, amenities and jobs. This spatially branched development pattern deepens socioeconomic gaps and restricts long-term demand in both market segments (Ishak et al., 2024b; Hassan, 2023).

Overall, these interconnected dynamics suggest that unsold housing in Malaysia is not simply a cyclical market fluctuation, but a systemic market-governance failure rooted in overlapping institutional, behavioral and distributional distortions. Understanding the unsold state as an emerging outcome of this broader ecosystem underscores the need for structural, evidence-driven, and theoretically informed interventions rather than incremental or short-term corrective measures.

Policy Implications

A comprehensive and multi-dimensional strategy is needed to address Malaysia's unsold residential property problem, one that integrates market realities, community needs, and governance mechanisms. The persistence of the unsold property problem reflects deeper structural issues, speculative development, affordability pressures, and fragmented policy implementation rather than simply market volatility. A key priority is the application of data-driven urban planning through the creation of a centralized, real-time property database that includes unsold units, price trends, demographic changes, and absorption rates. Such a system would allow policymakers and developers to detect imbalances earlier, anticipate demand trajectories, and plan supply more accurately. When supported by predictive analytics, this approach can better align new housing production with actual market needs, limiting speculative oversupply and preventing the accumulation of unsold inventory.

A policy framework that is capability-focused is also crucial. Given that most real home buyers come from households with medium (M40) and low (B40) incomes, housing policy should give priority to this demographic by encouraging developers to offer units that are both strategically located and affordable. The usefulness and allure of affordable housing can be increased by connecting residences to public transportation systems,

educational facilities, medical facilities, and other social amenities. Additionally, inclusive zoning regulations can promote social justice, ensure a balanced range of urban dwelling types, and lessen the spatial isolation between luxury and inexpensive buildings.

Another essential component is strengthening regulatory oversight and increasing governance cooperation. Increased cooperation between the federal, state, and local governments might ensure that construction licenses are based on feasibility assessments driven by demand rather than pure speculation. An overabundance of luxury apartments can be avoided by implementing regulatory measures intended to mitigate overproduction, such as controlling pre-sale procedures, restricting foreign ownership, and controlling speculative investment activity. While discouraging speculative development of unsold properties, complementary market-driven incentives and disincentives, such as higher property gains taxes on unsold luxury units and tax incentives or grants for affordable housing, can encourage developers to create housing that satisfies community needs. Lease-to-own programs and long-term rental plans can maximize the utilization of vacant properties, improve market liquidity, and offer reasonably priced options to households that are not ready to buy.

In the end, community participation and sustainability should be given top priority in housing initiatives. In order to improve social cohesion, urban vibrancy, and long-term resilience, development must maximize land use, prevent the emergence of "ghost neighborhoods," and encourage mixed-income communities. Residential neighborhoods can be made much more livable by incorporating environmental sustainability features like green areas, energy-efficient architecture, and easily accessible public transportation. This cohesive approach creates a comprehensive framework for addressing the excess of residential real estate while striking a balance between social inclusion, market efficiency, and urban sustainability. Malaysia may reduce unsold properties, promote fair housing access, and create resilient, inclusive, and functional urban environments that serve all societal segments by putting this comprehensive strategy into action.

Theoretical Contributions

Significant contributions to housing market theory and the broader field of urban governance are made by this methodical literature review. The importance of supply and demand in creating equilibrium price and quantity is traditionally emphasized by housing market theory. However, the Malaysian example shows that even in seemingly healthy markets, long-lasting unsold residential units can occur. The complex interaction of market dynamics, speculative investment behavior, and governance flaws is what causes this phenomenon. Developers focus on luxury real estate, driven more by investor sentiment than by real demand, which leads to overproduction, and legal and regulatory frameworks often fail to address this structural imbalance. This study supports the theoretical claim that market efficiency alone is insufficient to achieve equitable housing outcomes, especially in rapidly changing metropolitan economies with spatial constraints and income disparity.

This study highlights the need to address affordability and accessibility in housing design by examining unsold dwellings from a spatial and socioeconomic perspective. Despite the availability, affordable housing in outlying areas, far from major employment centers and amenities, may go unused. By showing that successful housing policy requires a multidimensional approach incorporating financial, spatial, and social dimensions to ensure inclusion and equity, this insight contributes to the present body of literature on urban government. The situation in Malaysia serves as an example of how structural flaws, such as disjointed planning authorities, reactive policy initiatives, and insufficient data-driven monitoring, exacerbate market inefficiencies and impede sustainable urban expansion.

Practical Contributions

For Malaysian buyers of residential real estate, the study's findings provide important, useful guidance, particularly in a market where unsold homes have a big influence. Emphasizing overproduction trends, speculative pricing, and geographical variations in housing supply might help buyers make better decisions. Buyers can evaluate investment risk, prevent overspending, and spot possibilities for negotiations or successful purchases in under-occupied buildings by being aware of the real estate markets with unsold properties, which are usually luxury apartments in major cities. Second, the emphasis on affordability and accessibility highlights how crucial it is to consider both cost and location. Buyers, particularly those in the M40 and B40 income

categories, might benefit from advice on projects that are linked to community amenities, transportation networks, and necessary services. This guarantees that purchases fulfil ownership objectives while also improving quality of life.

The findings of this study can help purchasers prioritize properties in strategically planned or mixed-income neighbourhoods, which are more likely to hold their value and avoid issues with abandoned neighbourhood's or underutilized amenities. Third, buyers can effectively leverage policy benefits by understanding governmental interventions and regulatory frameworks, such as the Home Ownership Campaign (HOC), rent-to-own programs, or tax incentives. Financial stress can be reduced and access to suitable housing improved by being aware of eligibility requirements, program delays, and incentives. Additionally, buyers might be cautious when purchasing pre-sale apartments or properties that are primarily marketed at investors if they are aware of legislative shortcomings, such as insufficient supervision over speculative construction. Buyers can assess the risks associated with price volatility, construction delays, or depreciation of unsold houses by linking housing choices to market trends and long-term sustainability. This makes it possible for them to make choices that are in line with the overall objectives of urban development and that are both economically sound and socially and environmentally responsible. In the complex Malaysian residential real estate market, this study gives consumers a strategic framework for choosing sustainable, risk-averse, and well-informed housing.

The results of this study highlight strategies to reduce unsold residential units while promoting sustainable and fair urban development, offering developers and policymakers useful insights. By understanding the elements and trends that contribute to unsold properties, such as speculative investments, luxury oversupply, and affordability gaps, developers can improve market-responsive and data-driven project design. Developers can reduce unsold inventory, improve capital allocation, and reduce financial risks associated with prolonged vacancies by aligning domestic production with actual demand trends. This means giving low- and middle-income housing priority, integrating social infrastructure with development, and applying predictive analytics to improve the precision of pricing strategy and absorption rate projections.

Considering policy initiatives and speculative practices can benefit developers. Developers can tailor their investment plans to comply with governance standards while maximizing social and financial returns by having a thorough understanding of regulatory structures, including pre-sale restrictions, foreign ownership limits, and government incentives. Moreover, the implementation of sustainable design principles and mixed-use development can enhance the marketability of units, diminish vacancy rates, and augment long-term value for investors and end-users. This study emphasizes how policymakers must implement coordinated, evidence-based governance to reduce the excess housing supply. Centralizing property data, monitoring supply-demand equilibrium, and actively managing speculative development are all necessary for the successful implementation of policies. In order to ensure that housing supply and location meet the needs of middle-class and lower-class households, policies that prioritize affordability, geographic accessibility, and urban sustainability must be developed. Long-term rental schemes, inclusionary zoning, and tax benefits for the construction of affordable housing are examples of incentives that can encourage equitable growth while reducing the overabundance of luxury flats.

Additionally, this information could be used by politicians to create targeted policies in areas where housing undersales are a problem. They can promote equitable urban development, prevent the creation of abandoned regions, and maximize resource allocation by combining social, economic, and spatial data. The National Housing Policy and Malaysia's Sustainable Development Goals, particularly SDG 11 on sustainable cities and communities, are linked to housing developments that are cohesive, sustainable, and coordinated by federal, state, and municipal agencies. These useful contributions enable policymakers to implement proactive, evidence-based strategies to address housing backlogs, enhance urban resilience, and promote an inclusive and sustainable housing market in Malaysia, while also empowering developers to adopt market-aligned and socially responsible

CONCLUSION

This extensive review of the literature emphasizes how market dynamics, socioeconomic disparities, developer practices, and governance constraints all contribute to Malaysia's ongoing and complicated unsold residential

property problem. The Malaysian housing market has continuously shown an imbalance between supply and demand between 2000 and 2025, with an abundance of luxury homes and a shortage of reasonably priced houses for middle-class and lower-class people. This problem has been made worse by speculative investments, pre-sale tactics, and disjointed policy implementation. At the same time, affordability limitations and urbanization pressures have limited end-user absorption, resulting in persistent amounts of unsold real estate in large cities. Unsold houses have wide-ranging effects on the economy, society, and geography.

Financially, unsold apartments limit developers' capital, increase their susceptibility to non-performing loans, and reduce market liquidity; socially, they exacerbate housing inequality and limit the M40 and B40 groups' access to homeownership. Unsold housing areas undermine cohesiveness and sustainable urban development by causing inefficient land use, urban sprawl, and disorderly neighbourhoods. These results highlight the fact that unsold housing is a systemic issue that requires aggressive and coordinated management, rather than just being a temporary market anomaly. By showing that persistent unsold housing areas are caused by a combination of market forces, speculative activity, and governance shortcomings, this study theoretically advances the literature on housing and urban market governance and emphasizes that market efficiency by itself is insufficient to address housing inequality. This report provides guidance to multiple stakeholders.

While developers can employ data-driven and demand-oriented tactics to optimize supply and reduce financial risk, buyers are more informed about market risks, investment opportunities, and regulatory incentives. It is recommended that policymakers establish evidence-based, affordable, and sustainable housing policies, supported by regulatory oversight and integrated governance. In the end, a thorough and multidimensional strategy that integrates social equality, market responsiveness, and good governance is required to address Malaysia's unsold housing problem. Together, data-driven planning, affordability-focused policies, market incentives, regulatory oversight, and sustainable urban design offer ways to reduce unsold inventory, improve urban resilience, and create inclusive, practical, and sustainable living spaces.

In line with national and international sustainability goals, such as SDG 11, Malaysia can move closer to a housing market that is both efficient and equitable thanks to the insights this study provides, which serve as a foundation for future research and policy development.

Summary of Structural Drivers

To reinforce the key insights of this study, a summary diagram will be included to illustrate the five core structural drivers that support the continued unsold residential property market in Malaysia. These include mismatched supply-demand dynamics, affordability gaps, speculative developer practices, fragmented governance structures, and spatial inequality. Overall, these drivers form an interconnected system in which market forces, institutional arrangements, and socio-spatial dynamics reinforce each other. This figure visually synthesizes these structural determinants and highlights how they collectively contribute to the cyclical strengthening of unsold housing stock (Aris et al., 2020; Ishak et al., 2024a; Omar & Tan, 2022).

This visual mapping not only serves as an integrative summary of SLR findings but also as a conceptual anchor for future theoretical and empirical work. It emphasizes that the phenomenon of unsold homes emerges from systemic interactions across multiple levels of the housing ecosystem, markets, behavior, governance, and space rather than from individual factors operating in isolation.

Future Research Directions

Future studies on abandoned residential properties in Malaysia should prioritize approaches that enhance early detection, strengthen institutional alignment, and deepen understanding of behavioral and spatial dynamics within the housing system. Developing predictive analytics capable of identifying abandonment risks before project approval will be invaluable, as machine learning tools linked to market absorption trends can help prevent speculative overproduction (Ismail et al., 2025).

Further investigation into multilevel governance is also needed, particularly to understand how federal, state, and local authorities coordinate or fail to coordinate housing policy. Such work can explain why interventions

often produce uneven outcomes and how institutional fragmentation contributes to persistent mismatches in supply and demand (Ebekozién et al., 2022). Longitudinal studies will also strengthen evidence on the impact of policy, providing a clearer view of how regulatory changes shape market behavior, affordability, and housing distribution over time.

Additionally, studying the behavioral factors that influence developer decisions may reveal why speculative construction continues despite weakening end-user demand. Insights from behavioral economics, such as herd behavior or over-optimism, can help explain this inconsistency and inform more effective regulatory mechanisms (Rahman & Zainuddin, 2023).

Finally, more research is needed to understand the socio-spatial consequences of under-occupied development. Studies focusing on “ghost neighborhoods” can explain how prolonged vacancy affects community cohesion, local services, and residents’ lived experiences, offering a more holistic understanding of the social impact of blight (Hassan, 2023; Ishak et al., 2024b).

Together, these directions can support the development of more integrated, evidence-based and equitable housing policies that can increase market stability and promote sustainable urban development. Ultimately, Malaysia can move closer to an efficient and equitable housing market as a result of the insights provided by this study, which serve as a foundation for future research and policy development.

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