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# LEGAL UPDATE

## Urban Renewal Bill 2025

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# Introduction

The **Urban Renewal Bill 2025**<sup>[1]</sup> introduces a legislative framework aimed at facilitating the systematic renewal of aging, unsafe, or under utilised urban properties throughout Peninsular Malaysia and the Federal Territory of Labuan. It seeks to provide a structured and consistent national approach to address urban decay, optimise land use, and improve living conditions in cities and towns.

The objective of the Bill is to support national urban development goals through a range of urban renewal strategies, namely: redevelopment, regeneration and revitalisation. These mechanisms are intended to enable more efficient planning, implementation, and management of urban renewal initiatives across federal and state jurisdictions.

The current status of the Bill is as follows:

- It was tabled for **first reading** in the Dewan Rakyat on 21 August 2025.
- The **second reading**, originally scheduled for 27 August 2025, has been postponed to allow for further stakeholder engagement and consultation.
- A **revised version** is expected to be retabled during an upcoming parliamentary session in October 2025.

**The Bill is part of broader efforts to enhance urban infrastructure and community resilience, particularly in areas with long-standing maintenance and safety issues.**



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[1] Urban Renewal Bill 2025



# Legislative Background



Urban renewal efforts in Malaysia have historically faced legal and procedural hurdles. A key constraint has been the **Strata Title Act 1985**<sup>[2]</sup>, which requires unanimous consent from all property owners before redevelopment can proceed. This requirement has often delayed or prevented the upgrading of aging buildings.

The **Urban Renewal Bill 2025** seeks to address these challenges by establishing a comprehensive federal legal framework. It introduces clearer guidelines, simplified procedures, and more flexible consent thresholds aimed at facilitating more efficient implementation of urban renewal projects across jurisdictions.

## **I. Administration of Urban Renewal Initiatives**

Under the **Urban Renewal Bill 2025**, urban renewal initiatives will be administered through two main committees at the federal and state levels. Each state will establish a State Executive Committee (SEC), while the Federal Government will establish a Federal Executive Committee (FEC). These committees are responsible for overseeing, coordinating, and implementing urban renewal projects within their respective jurisdictions. Their specific roles and functions are detailed in **Section 6**<sup>[3]</sup> and **Section 11**<sup>[4]</sup>.

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[3] Urban Renewal Bill, Section 6

[4] Urban Renewal Bill, Section 11

## **II. Consent Threshold**

The Bill introduces new consent threshold<sup>[5]</sup> to replace the unanimous consent requirement under previous laws:

- **Properties under 30 years old:** 80% owner consent required.
- **Properties over 30 years old:** 75% consent required.
- **Unsafe or abandoned buildings:** 51% consent required.

The **calculation of years** of a building shall be determined from the date of issuance of certificate of fitness for occupation or certificate of completion and compliance under the **Street, Drainage and Building Act 1974**, as the case may be.

These consent thresholds were initially designed to balance redevelopment efficiency with the protection of property rights. However, following recommendations from the Parliamentary Select Committee on Infrastructure, Transport and Communications during a special discussion on 21 August 2025, **Housing and Local Government Minister Nga Kor Ming** announced that the government will revise the thresholds.

Specifically, the consent threshold for all urban renewal projects will be standardised at **80%**<sup>[6]</sup>, regardless of the age or condition of the building. This revision reflects the government's commitment to stakeholder input and aims to ensure a fair balance between facilitating redevelopment and protecting the rights of the remaining 20% of property owners.

## **II. Compensation & Safeguards**

To protect the interests of affected property owners and occupants, **Section 24**<sup>[7]</sup> outlines several safeguards. Under this section, the Federal Executive Committee (FEC) must ensure that any interested person who agrees to participate in an urban renewal project:

- a. Receives an offer of benefit that is not less favourable than the benefit offered to them prior to the implementation of the urban renewal project;

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[7] Urban Renewal Bill, Section 24(a),(b),and (c)

- a. Is given the option to remain in the urban renewal area, unless they choose otherwise; and
- b. Is kept informed of the progress of the project upon request.

While these provisions are intended to uphold fairness and transparency, some stakeholders have noted that subsection (a) could benefit from clearer language. The current phrasing “*an offer of benefit of not less favourable than the offer of benefit to which he was offered before*” may create uncertainty regarding:

- What constitutes a “benefit” (e.g. compensation, relocation rights, or unit replacement);
- What the comparative baseline for the “prior benefit” is; and
- Whether there are defined processes to review or challenge the sufficiency of an offer.

## **II. Responsibility for Securing Consent on Appointed Developer**

The Bill appears to assign the responsibility for securing the required consent threshold primarily to the appointed qualified developer, with no express role for state authorities in this aspect of the process.

Additionally, under **Section 21(4)[8]**, once the 80% consent threshold is met, the remaining non-consenting landowners may be subject to compulsory acquisition. As currently drafted, the Bill does not provide detailed procedural safeguards or specific protections for these non-consenting owners.

From a procedural fairness perspective, it may be beneficial to ensure that equivalent safeguards and offers of benefit are extended to all affected landowners, not just those who consent. This would help maintain equitable treatment and minimise the risk of disproportionate impacts on minority owners within renewal zones.

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[7] Urban Renewal Bill, Section 24(a),(b),and (c)



## CONCLUSION

The **Urban Renewal Bill 2025** represents a major step forward in Malaysia's approach to managing urban transformation. It outlines a framework for urban transformation aimed at enhancing public safety and modernizing deteriorating urban areas.

While addressing the challenges of ageing buildings, outdated infrastructure, and inefficient land use is urgent, it is equally important to **implement measures that protect the rights and interests of all stakeholders involved.**

*The views expressed herein are those of the author and do not necessarily reflect the views of the firm. Should you have any legal queries, corporate or otherwise, please feel free to reach out to the firm for further assistance.*





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