

09 September 2016 | Sector Update

PROPERTY

Maintain NEUTRAL

Developers to provide loans to homebuyers

KEY HIGHLIGHTS

- **Property developers can obtain license to provide loans to buyers**
- **Neutral on the news**
- **Maintain Neutral view on the sector**
- **UOADEV (BUY; TP: RM2.68) is our top pick**

Property developers can obtain license to provide loans to buyers. According to media news quoting Urban Wellbeing, Housing, and Local Government Minister Tan Sri Noh Omar, eligible housing developers can now obtain licences to provide homebuyers with up to 100% of house financing. We gather that the interest rate will be capped at 12% (for loans with collaterals) and 18% (loans without collateral) while loan repayment periods could be between 10 to 20 years. The initiative is aimed to overcome difficulties faced by buyers in securing bank loans.

Neutral on the news. On the positive side, the new rules are expected to increase property developers sales slightly and hence may reduce the number of unsold units in the market. Having said that, we believe that property developer will be very selective in applying the new scheme to their products as the cash flow from repayment periods exceeding 10 years is slower than the current period of between 3 to 5 years.

Maintain Neutral view on the sector. The latest Bank Negara statistics show that "Approved Loan for Purchase of Property" in July 2016 dropped -13%yoy to RM10.5b, a continuous 18-month decline since February 2015. On a monthly sequential basis, approved loan in July was also lower at -6%qoq. The decline in approved loan was mainly due to lower applied loan amount. On a year-to-date cumulative basis, total approved loan for 7M2016 was at RM67.5b (-22%yoy). Therefore, we maintain our NEUTRAL view on the sector as we continue to see limited sales growth prospect for property developers in 2016.

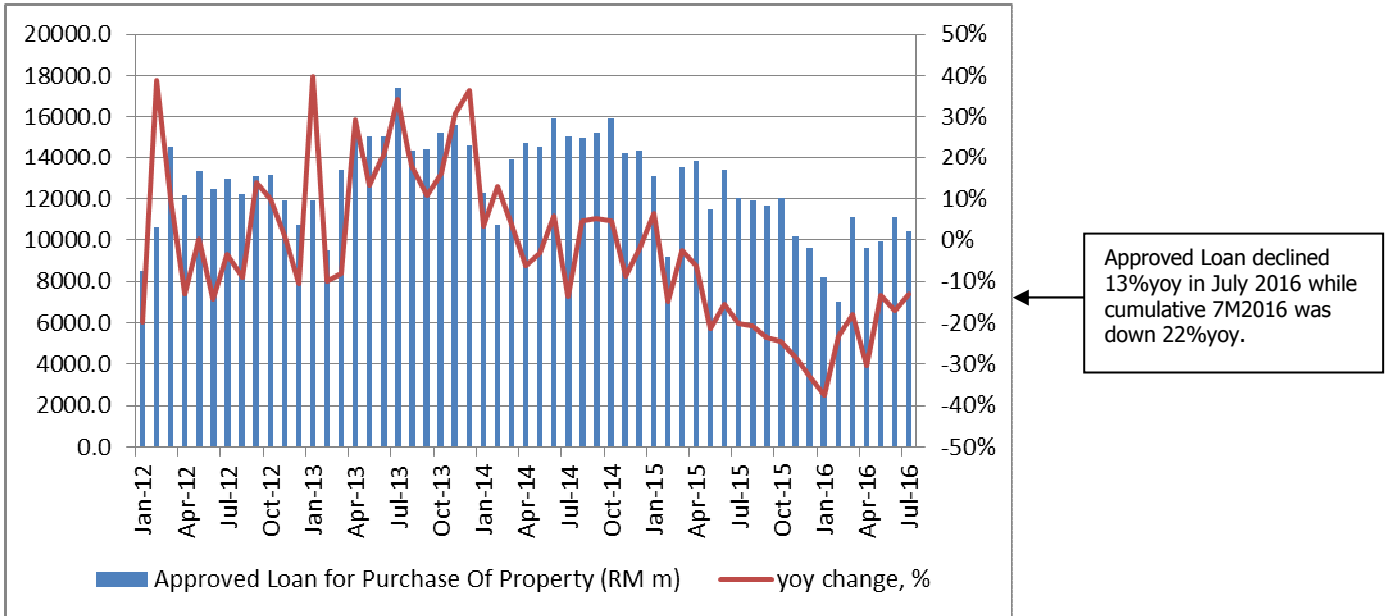
UOADEV (BUY; TP: RM2.68) is our top pick. We like UOADEV for its attractive dividend yield of 5.8% which should make UOADEV a favoured stock amid the current yield-seeking environment. Besides, property sales of UOADEV are poised to make a strong comeback in FY16 after recording weak performance in FY15. Also, its strong balance sheet with net cash position of RM734m would enable it to better withstand the prevailing downturn in property market.

Table 1: Peers Comparison

Stock	FYE	Rec.	Price @ 8-Sept	Tgt Price (RM)	Core EPS (sen)		Core PE (sen)		Net Dvd Yield	
					16/17	17/18	16/17	17/18	16/17	17/18
E&O	Mar	NEUTRAL	1.71	1.60	7.83	9.92	21.8	17.2	1.5	1.8
MAHSING	Dec	NEUTRAL	1.60	1.68	16.29	17.30	9.8	9.3	3.8	4.0
SUNWAY	Dec	NEUTRAL	3.12	3.07	29.93	32.56	10.4	9.6	3.5	3.5
UEMS	Dec	NEUTRAL	1.10	1.03	2.63	3.74	41.7	29.4	0.7	1.0
UOADEV	Dec	BUY	2.57	2.68	26.76	28.30	9.6	9.1	5.8	5.8
GLOMAC	Apr	NEUTRAL	0.775	0.79	10.51	8.39	7.4	9.2	4.6	3.6
SPSETIA	Dec	NEUTRAL	3.43	3.38	25.02	27.09	13.7	12.7	4.9	5.3
ECOWLD	Oct	BUY	1.34	1.68	4.97	7.73	27.0	17.3	0.0	0.0
IOIPG	June	NEUTRAL	2.58	2.65	18.97	19.34	13.6	13.3	3.1	3.1

Source: MIDF Research Estimate

Chart 1: Approved loan remains weaker against last year



Source: Bank Negara, MIDF Research Compilation

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.