

08 April 2016 | Sector Update

PROPERTY**Maintain NEUTRAL****Lower sales trend should continue in 2QCY16****KEY HIGHLIGHTS**

- **Property transaction value declined for the first time after 5 years of increase**
- **4QCY15 House Price Index (HPI) growth of 5.8%yoy is the lowest in 5.5 years**
- **Lackluster loan demand for property purchase so far**
- **Lower on-year sales trend should continue in 2QCY16**
- **Maintain NEUTRAL on the sector with SPSETIA (BUY; TP: RM3.70) as top pick**

Property transaction value declined for the first time after 5 years of increase. According to the latest preliminary Property Market Report released by National Property Information Centre (NAPIC), Malaysia property market transaction value declined by 8.0% to RM149.9b in the year 2015. We gather that this is the first decline in six years as the last decline noticed was in the year 2009 when transaction value declined 8.3%. The negative growth in transaction value is consistent with the decline in lower transaction volume which slipped 5.7% to 362,105 units in 2015.

4QCY15 House Price Index (HPI) growth of 5.8%yoy is the lowest in 5.5 years. HPI grew by 5.8%yoy to 227.5 in 4QCY2015. Note that this is significantly lower than the 5-year average growth of 9.6%. Among the key states, the slowest on-year growth was recorded in Johor (+5.6%yoy) and Penang (+5.8%yoy). Kuala Lumpur HPI growth was better at +6.4%yoy followed by Selangor's +6.2%yoy. We believe that the outlook for property price is better in Greater KL (Selangor and KL) due to the support from urbanization factor. On a quarterly sequential basis, HPI declined for the first time since 4Q2008.

Lackluster loan demand for property purchase so far. The latest Bank Negara statistics show that "Applied Loan for Purchase of Property" has declined 4%yoy in Feb-2016 to RM17.83b. Although the figure is a slight improvement from 12% drop in Jan-2015, it is still lower on-year. On a monthly basis, the data was 18% lower due to seasonally lesser property loan in February in view of festival celebration. In our view, consumer appetite on big ticket items such as property remains low due to high household debt coupled with elevated cost of living.

Lower on-year sales trend should continue in 2QCY16. The latest publication from Malaysian Institute of Economic Research (MIER) shows that Consumer Sentiment Index (CSI) is at all-time low of 63.8 as of 4Q2015. Some notable comments from MIER include "Jobs and incomes to deteriorate further" and "Consumers to watch their spending". Hence, we believe that consumer is likely to defer big item purchase in the near term.


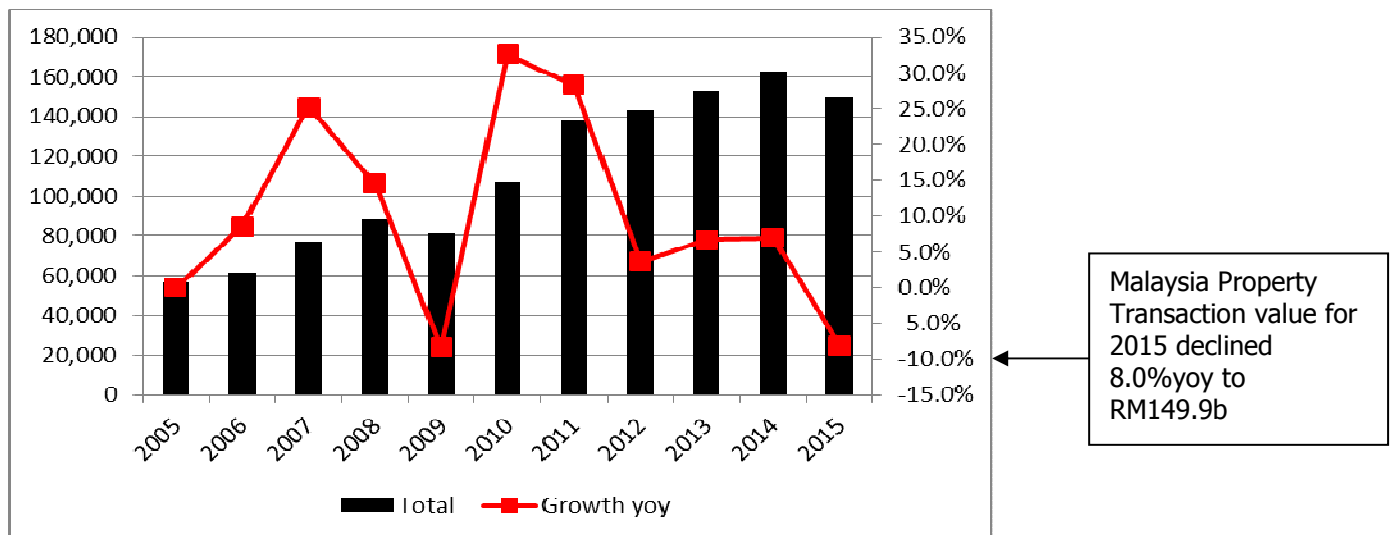
Maintain NEUTRAL with SPSETIA (BUY; TP: RM3.70) as our top pick. We like SPSETIA due to three reasons: i) the recent confirmation of Datuk Khor Chap Jen as its executive president and CEO should remove the leadership uncertainty, ii) its final dividend of 19.0 sen is likely to be approved in upcoming AGM, and iii) its net dividend yield of 5.8% is higher than peers' average of 4.8%. 

Table 1: Peers Comparison

Stock	FYE	Rec.	Price @ 7-Apr	Tgt Price (RM)	Core EPS (sen)		Core PE (sen)		Net Dvd Yield	
					16/17	17/18	16/17	17/18	15/16	16/17
E&O	Mar	NEUTRAL	1.64	1.60	2.70	7.83	60.8	20.9	1.5	1.9
MAHSING	Dec	NEUTRAL	1.45	1.44	16.29	17.30	8.9	8.4	4.2	4.4
SUNWAY	Dec	NEUTRAL	3.24	3.25	34.00	35.95	9.5	9.0	3.7	3.8
UEMS	Dec	NEUTRAL	1.11	1.11	9.42	10.32	11.8	10.8	2.3	2.6
UOADEV	Dec	NEUTRAL	2.27	2.02	23.22	26.61	9.8	8.5	6.6	6.6
GLOMAC	Apr	NEUTRAL	0.815	0.86	11.48	10.68	7.1	7.6	4.8	4.5
SPSETIA	Dec	BUY	3.2	3.70	28.12	31.01	11.4	10.3	5.7	6.3
ECOWLD	Oct	BUY	1.42	1.88	5.28	9.67	26.9	14.7	0.0	0.0

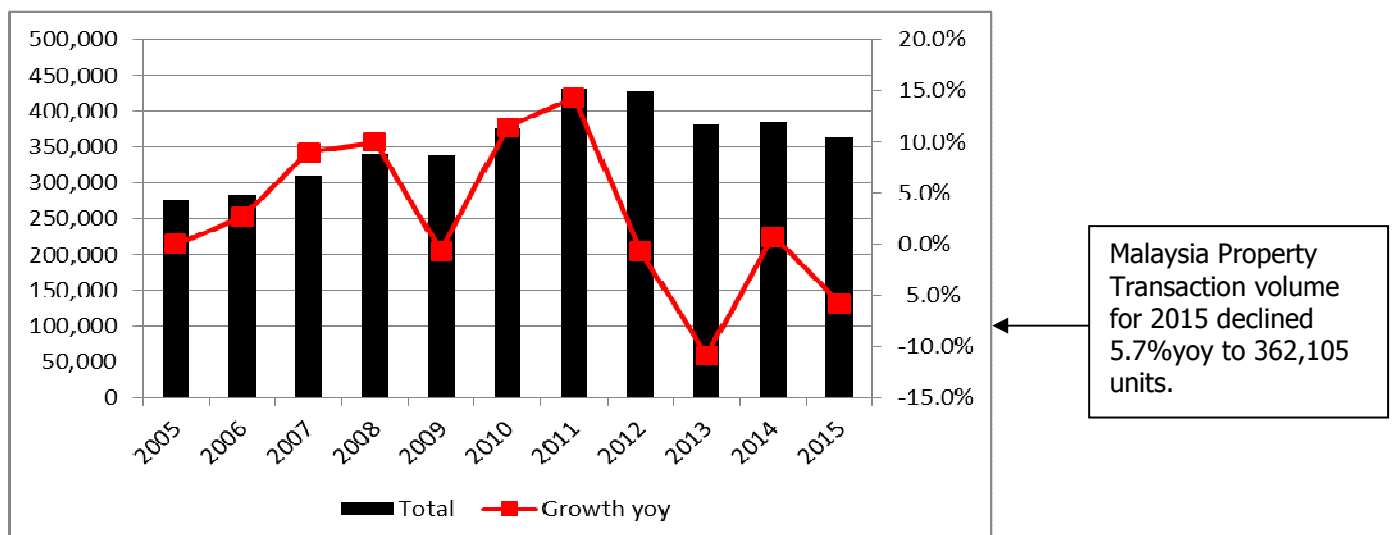
Source: MIDF Research Estimate

Chart 1: Transaction Value For Malaysia Property Market



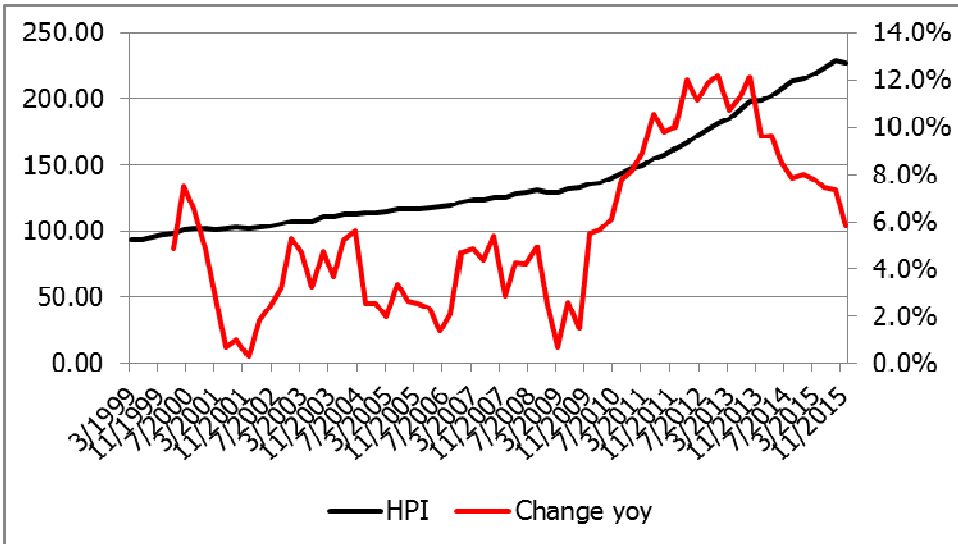
Source: Bank Negara, MIDF Research Compilation

Chart 2: Transaction Volume For Malaysia Property Market



Source: Bank Negara, MIDF Research Compilation

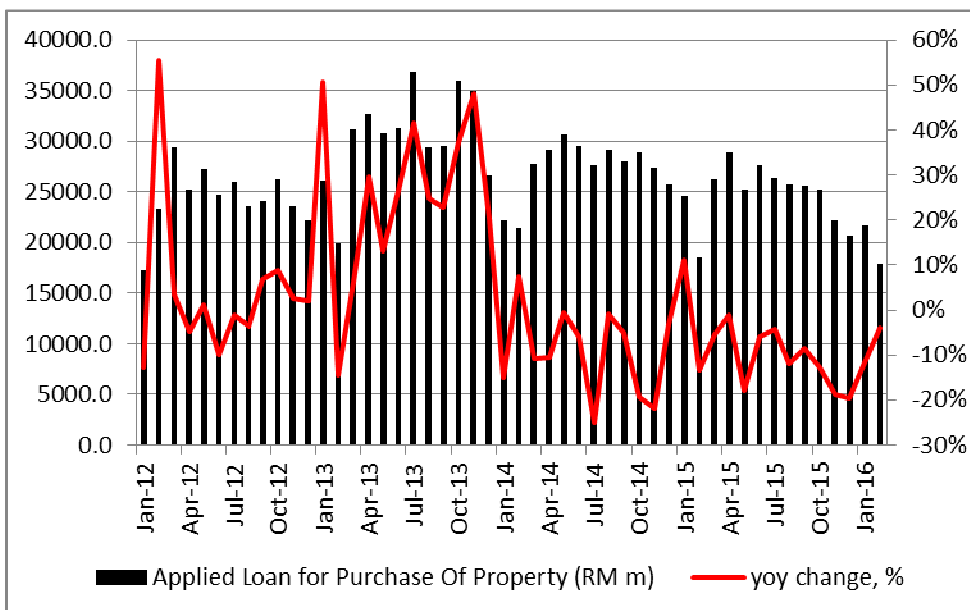
Chart 3: Malaysia House Price Index



HPI is still growing but has entered slower pace of growth.

Source: Bank Negara, MIDF Research Compilation

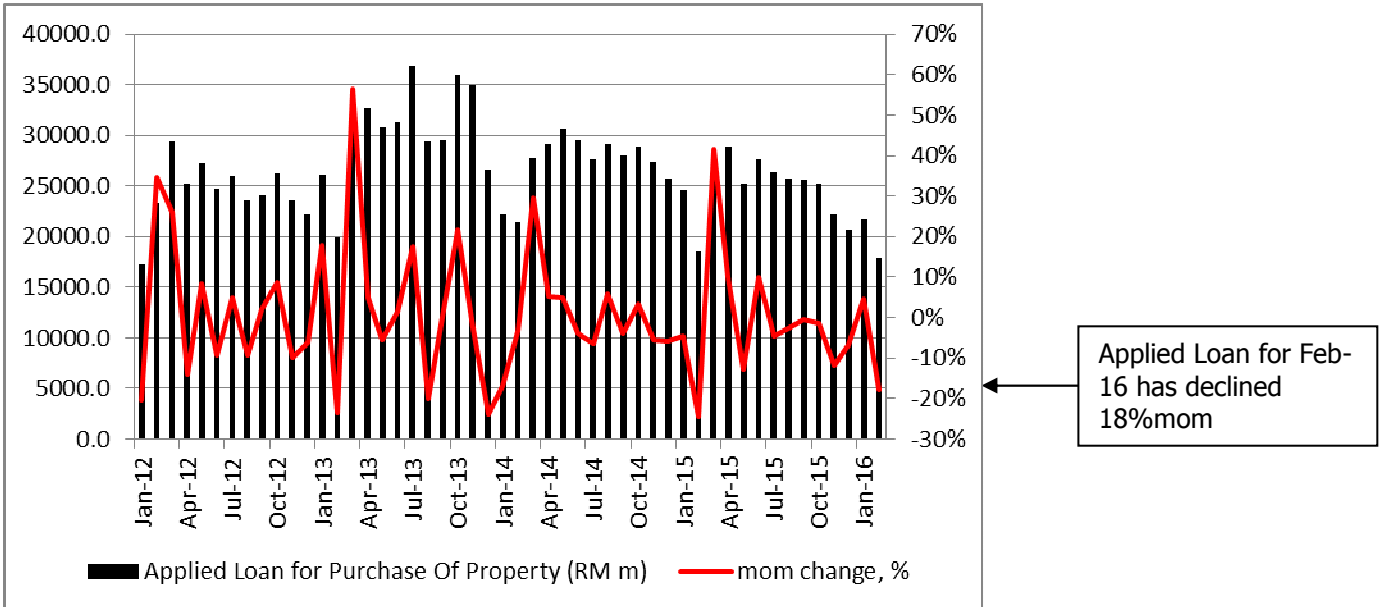
Chart 4: Total Loans Applied To Purchase Properties has declined yoy



Applied Loan for Feb-16 declined 4%yoy to RM17.83b

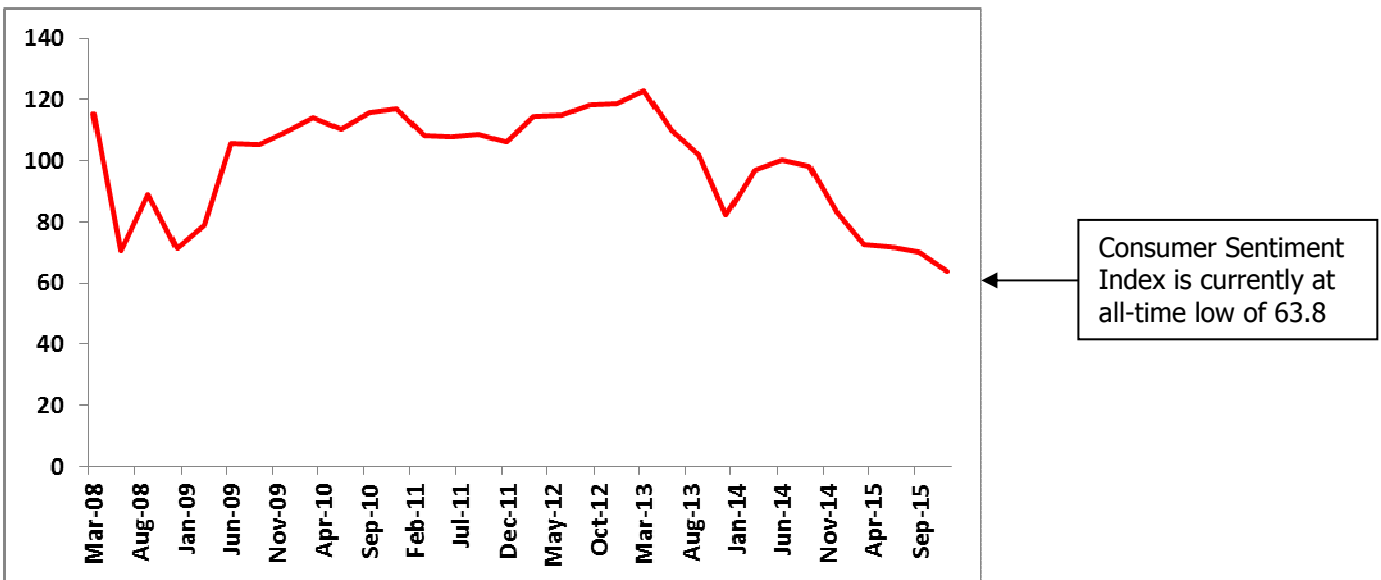
Source: Bank Negara, MIDF Research Compilation

Chart 5: Total Loans Applied To Purchase Properties has declined mom



Source: Bank Negara, MIDF Research

Chart 6: Consumer Sentiment Index



Source: Malaysian Institute of Economic Research, MIDF Research

Alan Lim, CFA
alan.lim@midf.com.my
 03-21738464

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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.