midf RESEARCH

21 December 2017 | Sector Update

PROPERTY

***Maintain* POSITIVE**

No increase in stamp duty for luxury property

KEY HIGHLIGHTS

- **Stamp duty for luxury property stays at 3%**
- **The new is positive to the sector**
- **Neutral to slight positive impact to property developers**
- **Maintain Positive on the sector with top three picks - S P Setia, UOA Development and Mah Sing**

Stamp duty for luxury property stays at 3%. According to news report, Finance Ministry announced that stamp duty rate for properties worth more than RM1m stays at 3%. Recall that government proposed to increase stamp duty on instruments of transfer of real estate worth more than RM1.0m from 3% to 4% effective 1-Jan-2018 during Budget 2017. The ministry said the rates would remain at 1% for properties worth RM100,000, 2% for those worth between RM100,001 and RM500,000, and 3% for those worth RM500,001 and above.

The news is positive to the sector. We view the unchanged stamp duty for luxury property at 3% to be positive to property sector as previously we had expected the hike in stamp duty to affect sales of high end house from 2018 onwards. This news came following freeze in approvals for luxury property developments from Nov 1, as government aims to clear existing supply of high end property.

Neutral to slightly positive impact to property developers. While most of the projects by developers under our coverage are priced below RM1m, we reckon that property developers with exposure to projects price above RM1.0m per unit such as E&O (The Mews project), UEM Sunrise (Solaris Parq), S P Setia and EcoWorld to benefit from the unchanged stamp duty.

Maintain POSITIVE on the sector. We maintain our positive view on the sector with our top three picks for the sector intact: S P Setia, UOA Development and Mah Sing. We like SPSETIA (BUY; TP: RM4.13) for: i) its plan to achieve FBMKLCI status by 2018, ii) attractive price for I&P deal and iii) good dividend yield. We like UOA Development (BUY; TP: RM2.80) for its attractive dividend yield of 6.3% and healthy balance sheet (at net cash position). For Mah Sing (BUY; TP: RM1.68), its company's strategy in targeting mass-market projects in Klang Valley should support its sales outlook in view of good demand for affordable houses.

Table 1: Peers Comparison

Stock	FYE	Rec.	Price	Tgt Price (RM)	Core EPS (sen)		Core PE (sen)		Net DPS		Net Dvd Yield	
					FY17F	FY18F	FY17F	FY18F	FY17F	FY18F	FY17F	FY18F
E&O	Mar	BUY	1.43	2.37	2.64	6.44	54.2	22.2	2.00	2.54	1.4	1.8
MAHSING	Dec	BUY	1.51	1.68	15.67	16.54	9.6	9.1	5.80	6.12	3.8	4.1
SUNWAY	Dec	NEUTRAL	1.69	1.75	11.20	12.20	15.1	13.9	5.16	5.60	3.1	3.3
UEMS	Dec	BUY	1.05	1.26	7.19	5.15	14.6	20.4	1.57	1.44	1.5	1.4
UOADEV	Dec	BUY	2.39	2.80	26.20	28.40	9.1	8.4	15.00	15.00	6.3	6.3
MAGNA	Dec	BUY	1.27	1.59	2.16	5.12	3.0	5.3	0.90	2.11	0.7	1.7
SPSETIA	Dec	BUY	3.31	4.13	27.55	27.01	12.0	12.3	18.59	19.00	5.6	5.7
ECOWLD	Oct	NEUTRAL	1.40	1.60	3.91	6.45	35.8	21.7	0.00	0.00	0.0	0.0
IOIPG	Jun	BUY	1.80	2.41	20.91	15.83	8.6	11.4	6.00	6.00	3.3	3.3

Source: MIDF Research Estimate

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% 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.