

12 December 2017 | Sector Update

**PROPERTY**  
*Stable outlook*

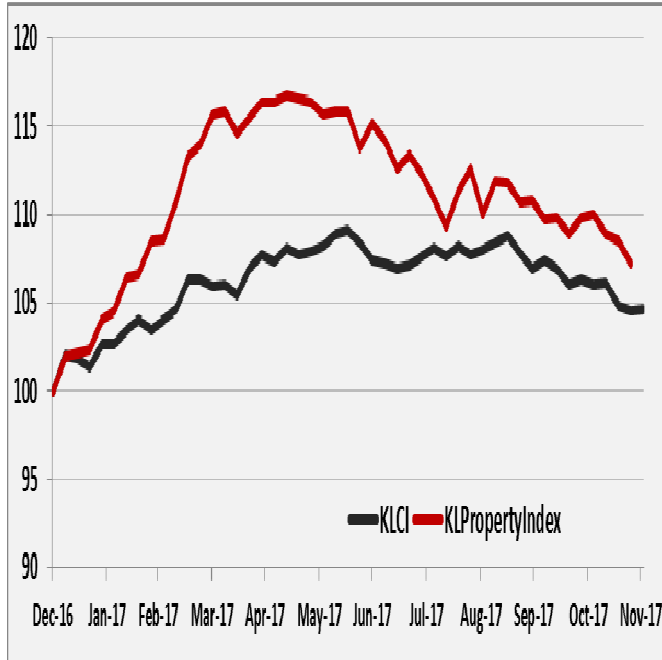
**Maintain POSITIVE**

**KEY HIGHLIGHTS**

- **Kuala Lumpur Property Index (KLPRP) outperformed KLCI**
- **Expect better property sales in 4Q2017**
- **Improving loan statistic implies better demand for house**
- **2Q2017 House Price Index growth at 6.8%**
- **Maintain Positive on the sector with top three picks - S P Setia, UOA Development and Mah Sing**

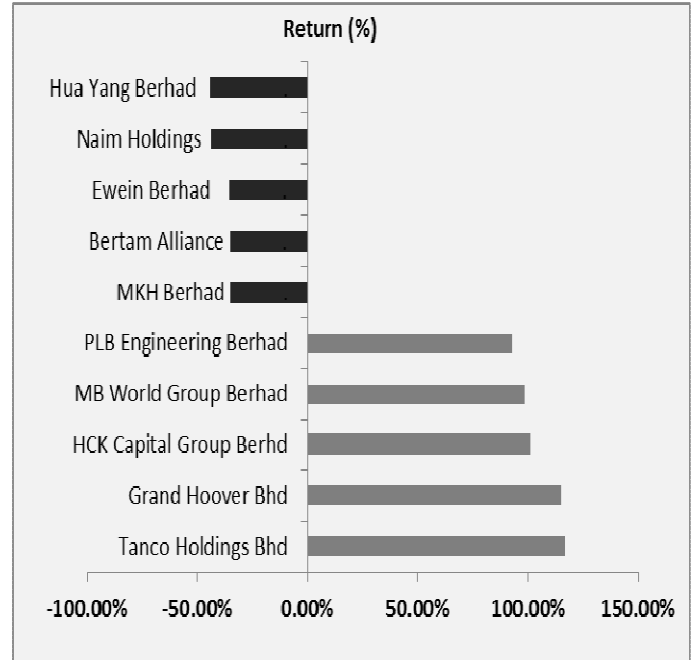
**Kuala Lumpur Property Index (KLPRP) outperformed KLCI.** KLPRP Index recorded gain of 7.9% in 11M2017, outperforming KLCI's gain of 4.6%. Gains in KLPRP Index were mainly led by gains in heavyweight members namely S P Setia (+14.2%), Eco World Development (+9.7%), UOA Development (+9.5%) and IGB Corp (+26.3%). Meanwhile, gains in KLPRP Index were also underpinned by gains in small and mid-caps property stocks (refer to Figure 2).

**Figure 1: Performance of KLPRP and KLCI**



Source: Bloomberg, MIDF Research

**Figure 2: KLPRP (five best performing & five worst performing stocks)**

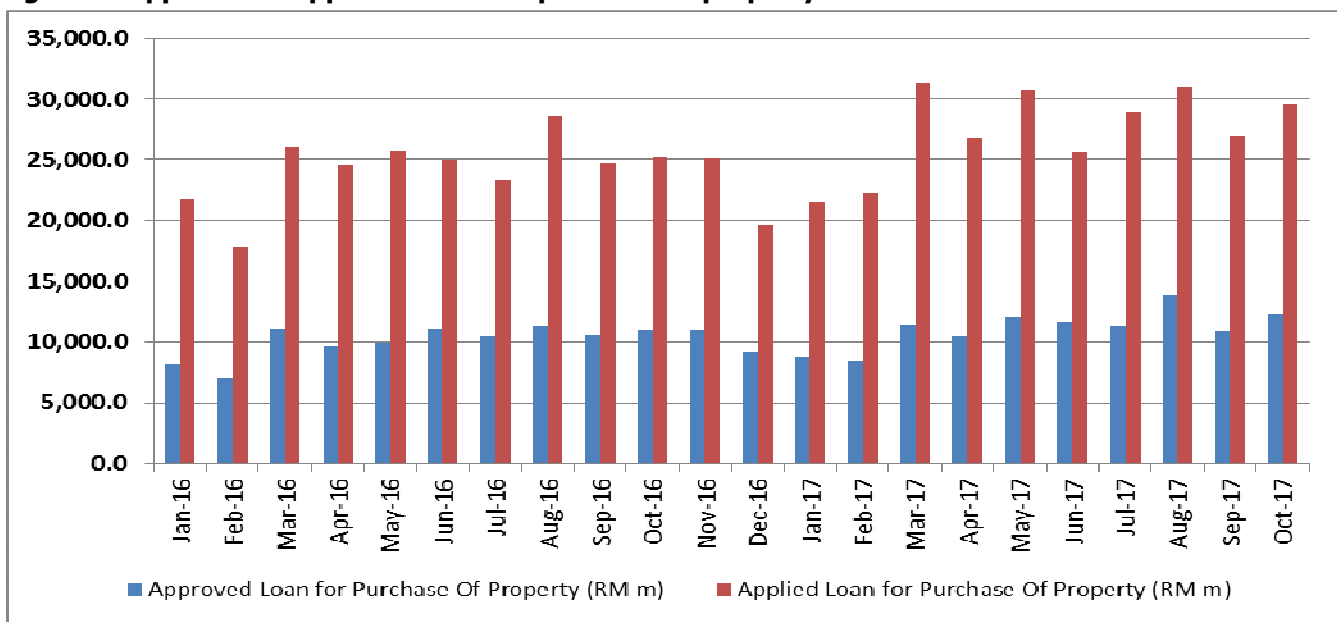


Source: Bloomberg, MIDF Research

**Expect better property sales in 4Q2017.** For the recently concluded earnings reporting season, most of the property companies under our coverage reported in-line earnings with earnings growth of property companies was largely positive. On new property sales front, Sunway Berhad and UOA Development reported lower than expected sales due to change in property launch plan. Looking forward, we expect Mah Sing, UEM Sunrise and Sunway Berhad to register better sequential property sales in 4Q2017 as sales from recently launched projects should contribute to higher property sales in 4Q2017.

**Improving loan statistic implies better demand for house.** Latest bank loan statistic from Bank Negara shows that total applied loan for purchase of property in October increased 17.6%yoy to RM29.6b while cumulative total applied loan in 10M2017 grew 13%yoy to RM275b. Total applied loan recorded uninterrupted positive growth since February 2017, indicating stronger buying interest from property buyers comparing to last year. Meanwhile, total approved loan for purchase of property recorded tenth consecutive y-o-y growth, bringing cumulative 10M2017 total approved loan higher by 11%yoy to RM111b. In our view, the higher approved loan disbursed into the market is a good leading indicator that property sales of the sector as a whole should improve comparing to last year.

**Figure 3: Applied and approved loan for purchase of property**

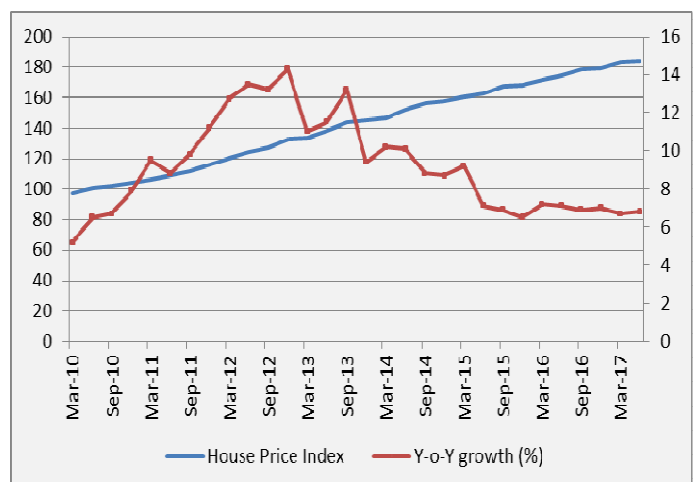


Source: Bank Negara, MIDF Research


**2Q2017 House Price Index growth at 6.8%.**

House Price Index (HPI) of 186.3 in 2Q2017 recorded stable growth rate of 6.8%, similar to growth rate of 6.7% in 1Q2017. Among the key states, Selangor sees the highest growth in property prices (+8.4%yoy), followed by Negeri Sembilan (+7.6%yoy), Kuala Lumpur (+6.7%yoy) and Johor (+6.7%yoy). It shows that outlook for property price growth in Greater KL (KL and Selangor) remains positive. Meanwhile, preliminary reading of HPI for 3Q2017 is at 187.6, representing growth rate of 5.1%. The positive growth rate, albeit decelerating, shows that house price growth in Malaysia remains in positive territory.

**Figure 4: Malaysia House Price Index**



Source: NAPIC, MIDF Research

**Maintain POSITIVE on property sector.** We maintain our positive stance on property sector due to positive leading indicator from loan statistic and stable House Price Index outlook. Our top three picks for the sector are 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) while property sales prospect will continue to be underpinned by launches of urban-based affordable priced properties. 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. Besides, balance sheet of Mah Sing is strong at net cash position, giving Mah Sing financial muscles for more land banking opportunities. 

**Table 1: Peers Comparison**

Stock	FYE	Rec.	Price @ 11-Dec-2017	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	1.41	2.37	2.64	6.44	53.4	21.9	2.00	2.54	1.4	1.8
MAHSING	Dec	BUY	1.47	1.68	15.67	16.54	9.4	8.9	5.80	6.12	3.9	4.2
SUNWAY	Dec	NEUTRAL	1.63	1.75	11.20	12.20	14.6	13.4	5.16	5.60	3.2	3.4
UEMS	Dec	BUY	1.01	1.24	7.19	5.15	14.0	19.6	1.57	1.44	1.6	1.4
UOADEV	Dec	BUY	2.40	2.80	26.20	28.40	9.2	8.5	15.00	15.00	6.3	6.3
MAGNA	Dec	BUY	1.28	1.59	2.16	5.12	3.0	5.3	0.90	2.11	0.7	1.6
SPSETIA	Dec	BUY	3.41	4.13	27.55	27.01	12.4	12.6	18.59	19.00	5.5	5.6
ECOWLD	Oct	NEUTRAL	1.45	1.70	3.84	6.83	37.8	21.2	0.00	0.00	0.0	0.0
IOIPG	Jun	BUY	1.90	2.41	20.91	15.83	9.1	12.0	6.00	6.00	3.2	3.2

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 <i>rise</i> 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 <i>fall</i> 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.