

14 March 2016 | Sector Update

PROPERTY**Maintain NEUTRAL*****Unsold Residential Units should rise in 2016*****KEY HIGHLIGHTS**

- **We generally agree with The Edge Financial Daily view that Unsold Residential Units should rise in 2016.**
- **Uninspiring loan demand for property purchase so far.**
- **Lower yoy sales trend should continue in 1HCY16.**
- **Maintain NEUTRAL with preferred BUY call on SPSETIA (BUY; TP: RM3.70).**

Unsold Residential Units to rise in 2016? According to *The Edge Financial Daily (TEFD)*, property developers are expected to see more unsold residential units in 2016 as launches over the past two years are expected to come on stream amid a slowdown in demand. It further explained that the local property market has seen some dampening since the introduction of cooling measures in 2014 to curb speculative activity, while the introduction of GST in April-2015 had significantly affected consumer sentiment.

We generally agree with TEFD. As it is, the latest numbers from National Property Information Centre (NAPIC) shows that the number of unsold (completed) units in Malaysia has increased by 16.3% yoy to 11,316 units in 2015 (from 9,733 units in 2014). Among the key states, the highest yoy growth was recorded in Penang (+36.5% yoy to 1,426 units) and Johor (+8.5% yoy to 2,483 units). Selangor increase rate was more moderate at +10.4% yoy to 1,193 units. The only good news is that Kuala Lumpur unsold units actually drop by 37.3% to 651 units. We believe that the data shows that the outlook for Klang Valley property market remains resilient due to urbanization theme.

Uninspiring loan demand for property purchase so far. The latest Bank Negara statistics show that "Applied Loan for Purchase of Property" has declined 12% yoy in Jan-2016 to RM21.69b. We gather that this is the twelfth consecutive month decline on a yoy basis since Feb-2015. We view the data negatively as the poor loan demand indicates consumer appetite on big ticket items such as property remained weak. This could be attributed to the escalating cost of living which income prospect remains flattish.

Lower yoy sales trend should continue in 1HCY16. The latest publication from Malaysian Institute of Economic Research (MIER) shows that Consumer Sentiment Index (CSI) is at all-time low of 63.8. Some notable comments from MIER include "Present finances worsen" and "Growing fears of higher prices" and we concur with this due to slower GDP growth seen and escalating cost of living. Hence, we believe that consumer is likely to defer big item purchase in the near term. As a result, we believe that the trend of lower new property sales yoy by developers is likely to continue at least in the 1HCY16.

Maintain NEUTRAL with preferred BUY call on SPSETIA (BUY; TP: RM3.70). We like SPSETIA as we think that the Company is transforming itself into a high dividend yield stock with 6.2% expected in FY16 (much higher than peers' average of 3.7%). SPSETIA also has strong balance sheet with net gearing at only 0.20x. Other BUYs in the sector are ECOWLD (TP: RM1.88) and GLOMAC (TP: RM1.08).



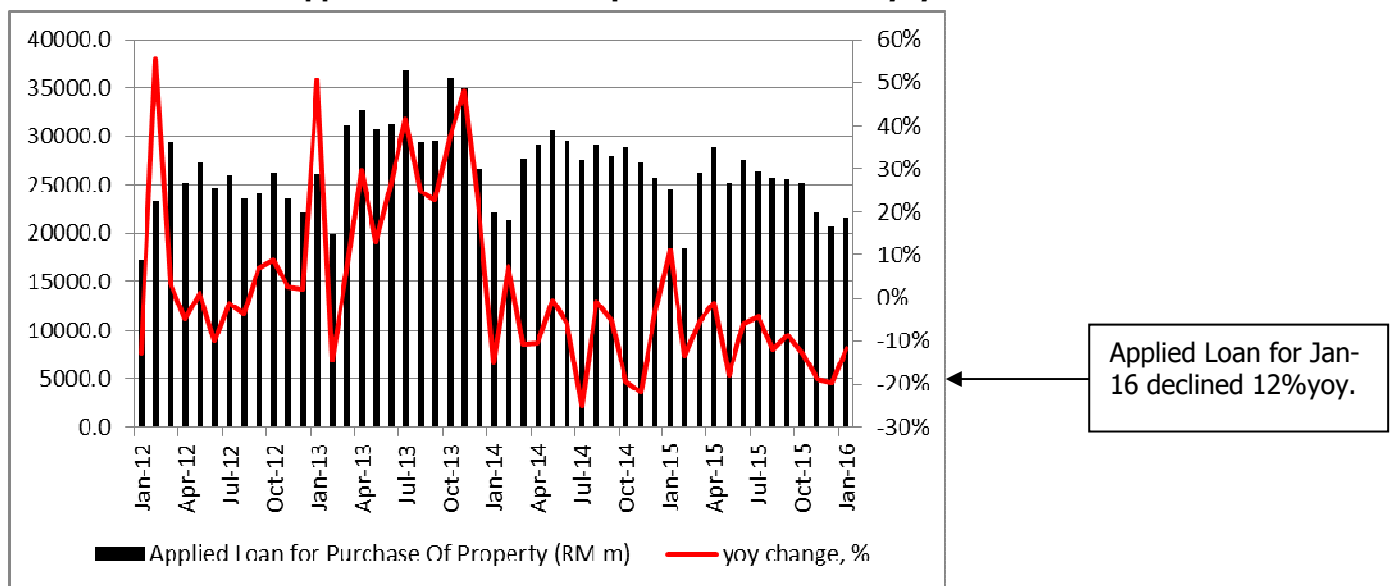
Alan Lim, CFA
alan.lim@midf.com.my
03-21738464

Table 1: Peer Comparison

Stock	FYE	Rec.	Price @ 11-Mar	Tgt Price (RM)	Core EPS (sen)		Core PE (sen)		Net Dvd Yield	
					15/16	16/17	15/16	16/17	15/16	16/17
E&O	Mar	NEUTRAL	1.46	1.60	8.13	2.70	18.0	54.1	1.7	2.1
MAHSING	Dec	NEUTRAL	1.32	1.44	16.29	17.30	8.1	7.6	4.6	4.8
SUNWAY	Dec	NEUTRAL	3.03	3.20	33.69	34.00	9.0	8.9	12.5	4.0
UEMS	Dec	NEUTRAL	1.05	1.11	9.42	10.32	11.1	10.2	2.5	2.7
UOADEV	Dec	NEUTRAL	2.10	2.02	27.21	23.22	7.7	9.0	7.1	7.1
GLOMAC	Apr	BUY	0.82	1.08	12.91	13.64	6.4	6.0	5.4	5.7
SPSETIA	Dec	BUY	2.97	3.70	28.12	31.01	10.6	9.6	6.2	6.8
ECOWLD	Oct	BUY	1.32	1.88	5.28	9.67	25.0	13.7	0.0	0.0

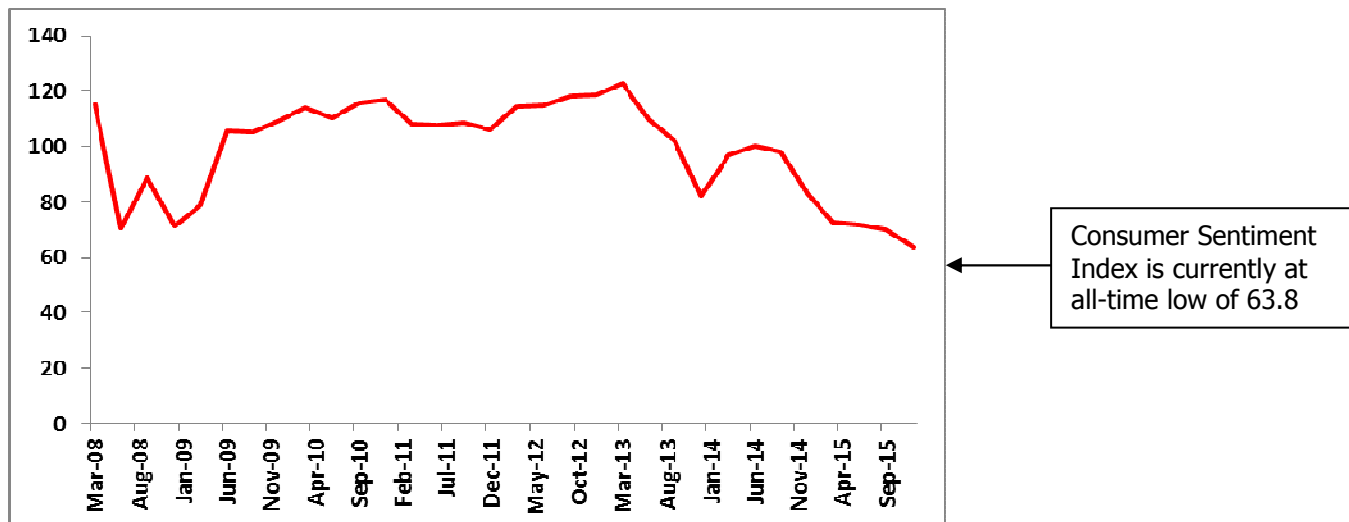
Source: MIDF Research Estimate

Chart 1: Total Loans Applied To Purchase Properties has declined yoy



Source: Bank Negara, MIDF Research Compilation

Chart 3: Consumer Sentiment Index



Source: Malaysian Institute of Economic Research, MIDF Research

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).
 (Bank Pelaburan)
 (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

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.