

20 April 2015 | Sector Update

## PROPERTY

Maintain NEUTRAL

### *Potential Trend Reversal In 4QCY14 Transaction Value*

#### KEY HIGHLIGHTS


- 2014 property transaction value +7.0%yoy; volume +0.8%yoy.
- But transaction value tumbled -14.2%yoy and volume declined -4.5%yoy in 4QCY2014.
- Severe decline in 4QCY2014 was caused by 15.9% decline in loan applied to purchase property.
- Demand for property is expected to remain slow in 2015.
- Maintain NEUTRAL with SUNWAY as our top pick.

**2014 property transaction value +7.0%yoy; volume +0.8%yoy.** According to the latest preliminary Property Market Report released by National Property Information Centre (NAPIC), Malaysia property market transaction value increased by 7.0% to RM163.0b in the year 2014. Nevertheless volume was flat as it inched up only 0.8% to 384,060 transactions. We are not surprised by the data as the 7.0%yoy increase in transaction value was in line with House Price Index which has increased by a similar 7.0%yoy to 213.1 as of end-2014.

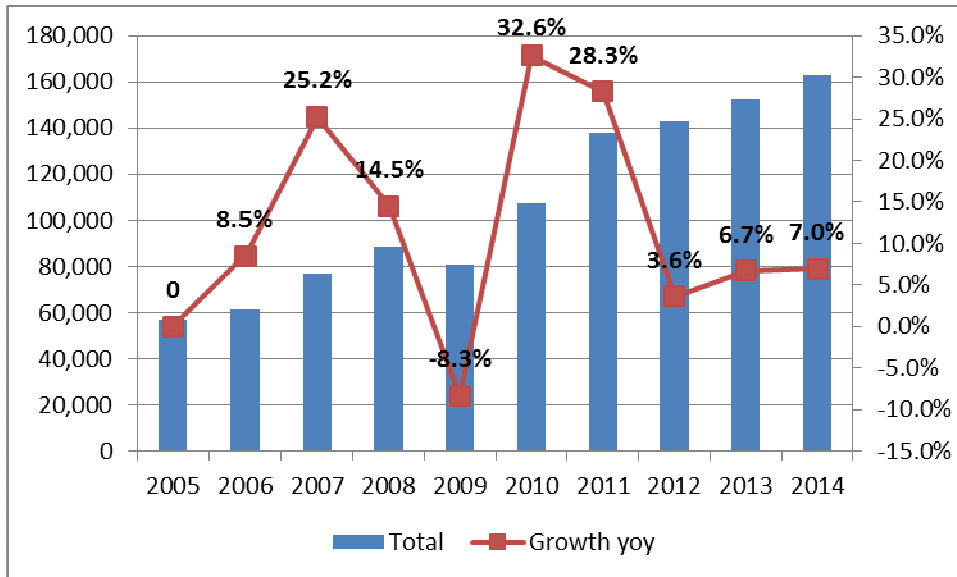
**Transaction value tumbled -14.2%yoy and volume declined -4.5%yoy in 4QCY2014.** Despite the on-year increase in both value and volume for full year 2014, the 4Q2014 transaction value actually declined -14.2%yoy to RM38.6b while its volume declined -4.5%yoy to 94,523 transactions. This is potentially a trend reversal against its performances in the first 9 months of 2014 (9M2014). Note that 9M2014 value increased by 15.8% to RM124.4b while volume improved by 2.6% to 289,537 transactions.

**Severe decline in 4QCY2014 was caused by 15.9% decline in loan applied to purchase property.** We believe that the main reason for the decline in 4QCY2014 transaction value was attributable to the weakening demand for property and not so much due to stringent bank-related policies. Based on Bank Negara statistics, we gather that "Loan Applied for Purchase of Property" has declined 15.9% to RM82.0b in 4QCY2014 against 4QCY2013 level of RM97.5b. However, "Loan Approved for Purchase of Property" has declined by only 2.0% to RM44.6b against 4QCY2013 level of RM45.5b. On the Approval Rate measured by "Approved Loan/Applied Loan", 4QCY2014 approval rate actually increased to 54.3% (against 46.7% in 4QCY2013 and 53.5% in 3QCY2014).

**Demand for property is expected to remain slow in 2015.** While the banks are expected to remain stringent insofar as its approval of property financing, we reckon that the demand for property as measured by "Loan Applied for Purchase of Property" is a more important gauge of the property sector. In view of potentially weaker consumer sentiment post-GST implementation in April 2015, we believe that new property sales are likely to be lower this year against 2014. From our channel checks, most of the developers have guided for "flattish" growth in new property sales this year. We expect new property sales in 2015 to slow down by between 5% and 10%.

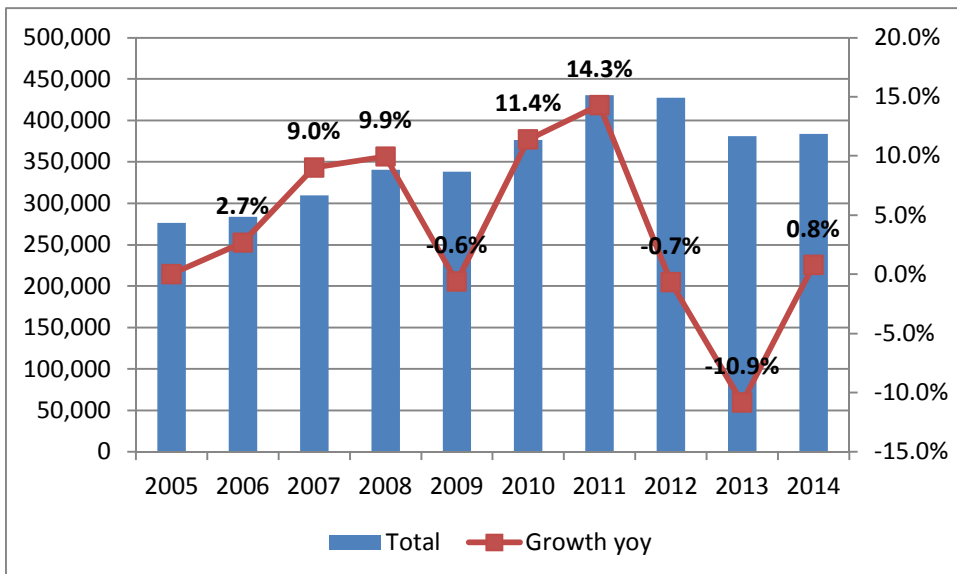
**Remain NEUTRAL on the sector.** Our Top Pick is Sunway (TRADING BUY; TP: RM3.97). We continue to like SUNWAY due to the potential listing of Sunway Construction Group (SCG) in June 2015 hence the unlocking of SCG's value hitherto hidden under the holding company structure. Moreover, SUNWAY shareholders stand to gain from the free distribution of SCG shares. We are NEUTRAL on SPSETIA (TP: RM3.33), MAHSING (TP: RM2.18), UEMS (TP: RM1.35), UOADEV (TP: RM2.05), E&O (TP: RM2.05) and GLOMAC (TP: RM1.06). 

**Chart 1: Transaction Value For Malaysia Property Market In The Past 10 Years**



Source: NAPIC, MIDF Research Compilation

**Chart 2: Transaction Volume For Malaysia Property Market In The Past 10 Years**



Source: NAPIC, MIDF Research Compilation

Chart 3: Trend Reversal Seen In 4Q2014

Quarter	Transaction Value, Year 2013 (RM m)	Transaction Value, Year 2014 (RM m)	Change, %
1Q	33152	40405	21.9%
2Q	35636	41625	16.8%
3Q	38590	42331	9.7%
<b>First 9 Months</b>	<b>107378</b>	<b>124361</b>	<b>15.8%</b>
<b>4Q</b>	<b>44994</b>	<b>38613</b>	<b>-14.2%</b>

Quarter	Transaction Volume, Year 2013	Transaction Volume, Year 2014	Change, %
1Q	92574	92905	0.4%
2Q	94590	100498	6.2%
3Q	94961	96134	1.2%
<b>First 9 Months</b>	<b>282125</b>	<b>289537</b>	<b>2.6%</b>
<b>4Q</b>	<b>99005</b>	<b>94523</b>	<b>-4.5%</b>

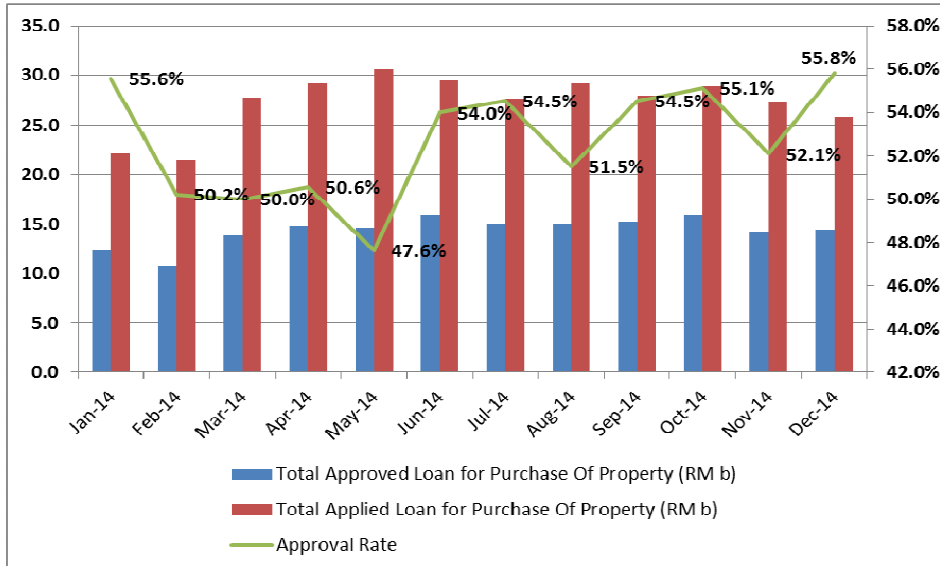
Source: NAPIC, MIDF Research Compilation

Chart 4: Approval Rate For Loan To Purchase Property In The Past 10 Years



Source: NAPIC, MIDF Research Compilation

**Chart 5: Approval Rate For Loan To Purchase Property In 2014**



Source: NAPIC, MIDF Research Compilation

**Chart 6: Peer Comparison**

Stock	FYE	Rec.	Price @ 17-Mar	Target Price (RM)	Core EPS (sen)		EPS (% chg)		Core PE (sen)		Net DPS		Net Dvd Yield	
					FY15	FY16	FY15	FY16	FY15	FY16	FY15	FY16	FY 15	FY1 6
E&O	Mar	NEUTRAL	2.16	2.05	8.96	10.85	-16.3	21.0	24.1	19.9	2.51	3.04	1.2	1.4
MAHSING	Dec	NEUTRAL	2.07	2.18	21.54	23.35	19.5	10.5	9.6	8.9	7.97	8.64	3.8	4.2
SUNWAY	Dec	TRDG BUY	3.74	3.97	32.28	34.17	2.9	5.8	11.6	10.9	11.30	11.96	3.0	3.2
UEMS	Dec	NEUTRAL	1.37	1.35	9.70	10.32	1.4	6.3	14.1	13.3	3.15	3.31	2.3	2.4
UOADEV	Dec	NEUTRAL	2.15	2.05	22.42	28.45	11.8	26.9	9.6	7.6	13.05	13.98	6.1	6.5
GLOMAC	Apr	NEUTRAL	0.96	1.06	7.55	11.60	-55.8	53.6	12.7	8.3	3.52	3.83	3.7	4.0
SPSETIA	Oct	NEUTRAL	3.49	3.33	22.48	26.96	23.6	20.0	15.5	12.9	13.49	16.18	3.9	4.6

Source: MIDF Research Estimate

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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.