PROPERTY

Maintain NEUTRAL

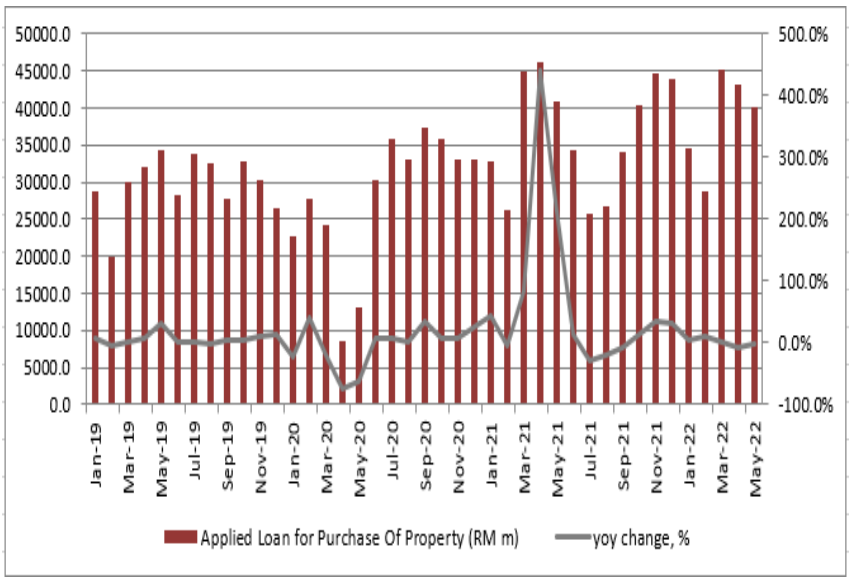
Flattish loan application

KEY INVESTMENT HIGHLIGHTS

- **Property loan application in May declined on yearly basis**
- **Higher approved loan**
- **Weak performance of KL Property Index**
- **Maintain NEUTRAL on Property sector**

Flattish property loan application in May. According to data released by Bank Negara Malaysia, total loan applied for purchase of property in May 2022 declined to RM40.2b (-1.7%yoy). Loan application in May 2022 was tepid following decline of -6.3%yoy in April 2022. Recall that property loan application took a breather in April 2022 after it fell for the first time in seven months. Cumulatively, total loan applied for purchase of property was little-changed at RM191.8b (+0.4%yoy) in 5MCY22, indicating buying interest was lukewarm despite reopening of economic activities.

Figure 1: Monthly total applied loan



Source: BNM, MIDF Research

Higher approved loan. Total loan approved for purchase of property was higher at RM15.7b (+6.9%yoy) in May 2022 despite lower loan application mainly due to higher percentage of total approved loan over total applied loan of 39% in May 2022 against 35.8% in May 2021. Cumulatively, 5MCY22 total approved loan grew to RM74.9b (+13.7%yoy) which indicates better property sales outlook for developers. Nevertheless, we think that stringent bank requirement remains a challenge for property companies considering that percentage of total approved loan over total applied loan in for purchase of property remains below 40% in May 2022.

COMPANY IN FOCUS

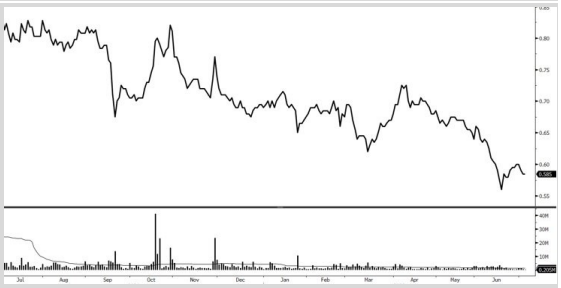
Mah Sing Group Berhad

Maintain **BUY** | Unchanged Target price: RM0.74

Price @ 5th July 2022: RM0.59

- 1QFY22 new sales of RM450m in line with management new sales target of RM2b for FY22.
- Positive earnings outlook mainly driven by property development division.
- New property sales are expected to support by its strategy of quick turnaround.

Share price chart



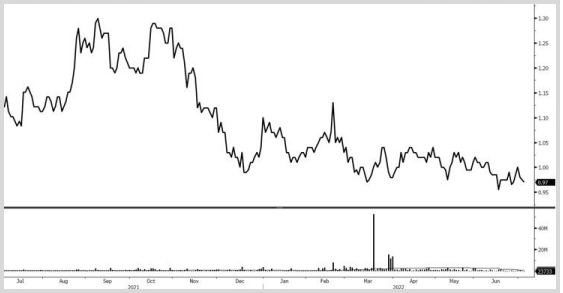
IOI Properties Group Berhad

Maintain **BUY** | Unchanged Target price: RM1.29

Price @ 5th July 2022: RM0.975

- Stabled earning in 9MFY22, contributed by property development and property investment division.
- Hospitality and investment property division are expected to benefit from the reopening of economy and reopening of national borders of Malaysia.
- Valuation is undemanding, trading at steep discount of 73% to latest NTA of RM3.60 per share.

Share price chart



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Weak performance of KL Property Index. KL Property Index (KLPRP) underperformed KLCI in 1H22 after recording decline of -9.5% against KLCI's decline of -7.9%. The weak performance of KLPRP could be attributed to the lack of catalyst to support buying interest on property in 2022 as House Ownership Campaign ended in 31st December 2021. Looking ahead, we think that buying interest on property could be slight dented by the inflationary pressure as buyers turn cautious on making buying decision on big ticket item. Besides, the rising raw material costs is also expected to hurt margin of property companies going forward as property companies may not able to fully pass on the rising raw material costs to buyers.

Maintain NEUTRAL on property sector. Despite loan application for property was little-changed in the first five month of 2022, we see tepid new sales outlook for property companies as consumer sentiment may turns weak due to rising inflationary pressure. Hence, we maintain our Neutral view on property sector. Our **BUY** calls for the sector are **Mah Sing (BUY, TP: RM0.74) and IOI Properties Group (BUY, TP: RM1.29)**. We like Mah Sing for its strategy of focusing on affordable home segment which should support new sales. We also positive on IOI Properties Group as we expect earnings recovery from property investment and leisure & hospitality divisions following reopening of economy.

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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.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology