PROPERTY

***Maintain* NEUTRAL**

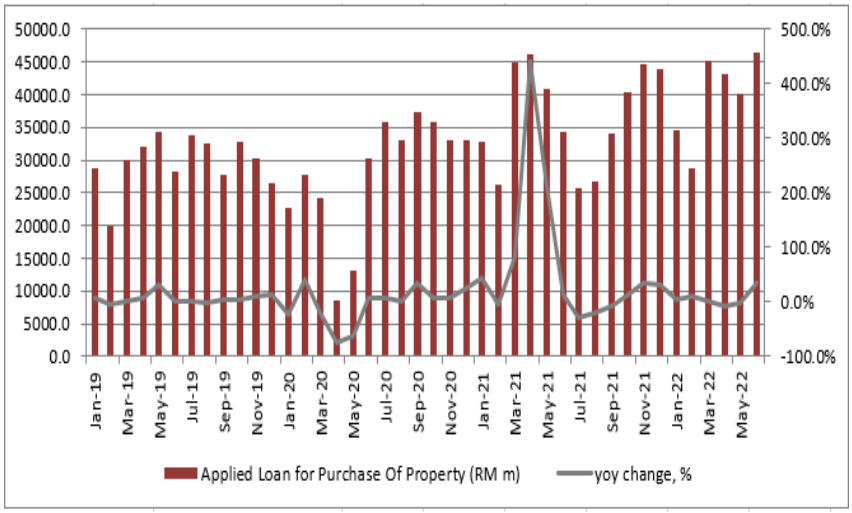
Strong loan application

KEY INVESTMENT HIGHLIGHTS

- **Property loan application surged in June**
- **Strong approved loan in June**
- **Interest rate hike is slight negative to the sector**
- **Maintain NEUTRAL on Property sector**

Property loan application surged in June. According to data released by Bank Negara Malaysia, total loan applied for purchase of property jumped by +35.4%yoy and +15.8%mom to RM46.5b in June 2022. Property loan application growth returned to positive territory in June after two consecutive declines in April and May. Note that total loan application value in June 2022 is at multi-year high which we think could be due to better buying sentiment and pent-up demand post reopening of economic activities. Besides, we think that the higher liquidity from EPF withdrawal in April 2022 may have helped support buying interest on properties. Cumulatively, total loan applied for purchase of property was higher at RM238.3b (+5.8%yoy)

Figure 1: Monthly total applied loan



Source: BNM, MIDF Research

Strong approved loan in June. Total loan approved for purchase of property increased by +45.3%yoy and +20.9%mom to RM18.97b in June 2022, in line with surge in loan application. That brought cumulative total approved loan to RM93.9b (+18.9%yoy) in 1HCY22, indicating better property sales outlook for property developers. Meanwhile, percentage of total approved loan over total applied loan in for purchase of property improved marginally to 40.8% in June from 39% in May, suggesting bank requirements for property loan application remains stringent.

COMPANY IN FOCUS

Mah Sing Group Berhad

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

Price @ 2nd Aug 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 @ 2nd Aug 2022: RM0.99

- 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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Interest rate hike is slight negative to the sector. Bank Negara Malaysia raised its overnight policy rate (OPR) by 25 basis points to 2.25% on 6th July 2022. The hike in OPR is slight negative to property sector as that would increase house instalment of property buyers marginally and reduce affordability of property buyers. We estimate housing loan instalment for loan of RM500k to increase by ~3% for every 25 basis points increase in OPR. Nevertheless, the slight negative from interest rate hike is expected to be partly cushioned by Government incentives to support buying interest. Government announced recently i-MILIKI program which offers a 100% stamp duty exemption for first-time homeowners who purchase properties priced RM500k and below. Overall, we see the normalization of interest rate with expectation of further OPR hike could drag slightly on property demand going forward.

Maintain NEUTRAL on property sector. While the strong property loan application in June 2022 is positive to the sector, we see that the hike in interest rate and expectation of further interest rate hike are slight negative to the sector. 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 remain positive on Mah Sing as we see its new property sales outlook would underpin by its quick turnaround strategy on affordable home segment. We also like IOI Properties Group due to its undemanding valuation of trading at 73% to its NTA per share of RM3.60. Earnings outlook of IOI Properties Group is expected to underpin by higher contribution from property investment and leisure & hospitality divisions.

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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