PROPERTY

***Maintain* NEUTRAL**

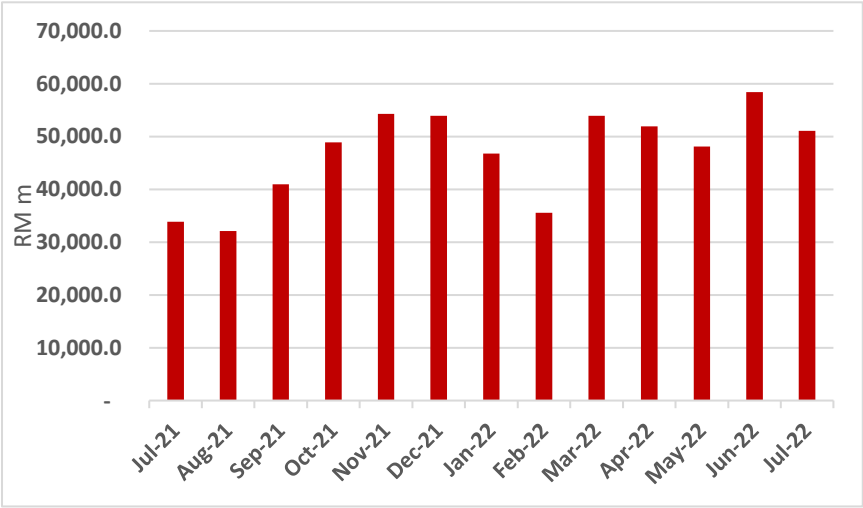
Loan application took a breather

KEY INVESTMENT HIGHLIGHTS

- **Property loan application took a breather in July 2022**
- **Lower approved loan in line with lower loan application**
- **Mixed earnings in 2QCY22**
- **Maintain NEUTRAL on Property sector**

Property loan application took a breather in July 2022. According to data released by Bank Negara Malaysia, total loan applied for purchase of property eased to RM51.1b (-12.5%mom) in July 2022 after surging by 21.4%mom in June 2022. Loan application took a breather in July from strong figures in June which we see demand normalized from pent-up demand and higher liquidity from one-off EPF withdrawal. On yearly basis, loan application for purchase of property in July 2022 was higher (+50.9%yoy), indicating better buying sentiment on property post reopening of economic activities.

Figure 1: Monthly total applied loan



Source: BNM, MIDF Research

Lower approved loan in line with lower loan application. Total loan approved for purchase of property declined to RM22.7b (-9%mom) in July 2022 after increasing by +20.1%mom in June 2022. The lower approved loan was mainly due to the lower loan application. On yearly basis, total loan approved for purchase of property in July 2022 jumped by +74.2%yoy, indicating better new sales outlook for property developers. The higher approved loan was also helped by higher percentage of total approved loan over total applied loan of 44.5% in July 2022 against 38.5% in July 2021.

COMPANY IN FOCUS

Mah Sing Group Berhad

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

Price @ 7th Sept 2022: RM0.635

- 1HFY22 new sales of RM1b well on track to meet management new sales target of RM2b.
- Higher earnings in 1HFY22 driven by higher property sales and higher progress billing.
- 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 @ 7th Sept 2022: RM1.01

- FY21 saw higher sale of properties in Malaysia and higher contribution from project in China.
- Property investment division improved due to income from IOI Mall, Xiamen and higher rental income from its shopping malls in Malaysia.
- Valuation is undemanding, trading at steep discount of 73% to latest NTA of RM3.71 per share.

Share price chart



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Mixed earnings in 2QCY22. For the recently concluded 2QCY22 earnings reporting season, three property companies which are UOA Development, Mah Sing Group and S P Setia reported earnings that came in within expectations. Meanwhile, three property companies which are Sunway Berhad, IOI Properties Group and UEM Sunrise reported higher than expected earnings. Earnings of Sunway Berhad was lifted by the stronger contribution from property investment division while earnings of IOI Properties Group were helped by lower than expected expenses. Similarly, UEM Sunrise reported earnings that beat expectations due to earnings contribution from land sales. Looking forward, we expect earnings in 2HCY22 to remain on recovery track due to higher progress billing and earnings recognition from higher property sales following reopening of economic activity. Meanwhile, property companies maintained their new sales target as new sales in 1HCY22 were generally in line with expectations.

Maintain NEUTRAL on property sector. We see loan application data in July 2022 is neutral to property sector as property loan application took a breather after the strong increase in June 2022. Hence, we are maintaining our **NEUTRAL** call on property sector. Our top pick for the sector is **Mah Sing (BUY, TP: RM0.74)** as earnings outlook remains stable due to progress billing of its projects in Klang Valley. New sales outlook is also bright as new sales in 1HFY22 is well on track to hit new sales target of RM2b. Meanwhile, we also like **IOI Properties Group (BUY, TP: RM1.29)** as earnings outlook is expected to support by investment properties division and turnaround of leisure & hospitality segments.

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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