PROPERTY

***Maintain* NEUTRAL**

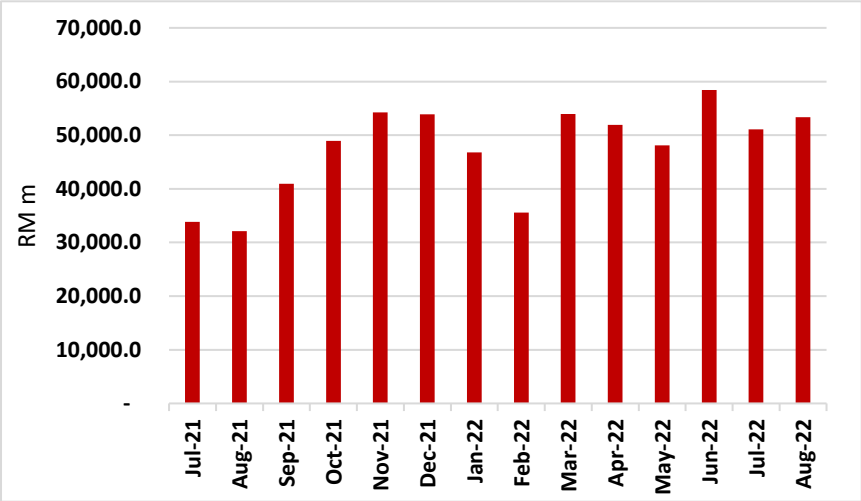
Higher loan application

KEY INVESTMENT HIGHLIGHTS

- **Loan application recovered in August 2022**
- **Uptick in loan approval**
- **Residential overhang units eased in 2QCY22**
- **Maintain NEUTRAL on Property sector**

Loan application recovered in August 2022. According to data released by Bank Negara Malaysia, total loan applied for purchase of property increased to RM53.4b (+4.5%mom) in August 2022 after a decline of -12.5% in July 2022. Loan applications data remains stable in August 2022, indicating demand for property was unfazed by the OPR hike as demand was supported by reopening of economy. On yearly basis, loan application for purchase of property in August 2022 surged by +66.1%yoy due to low base in August 2021 which was dragged by lockdown in Malaysia.

Figure 1: Monthly total applied loan



Source: BNM, MIDF Research

Uptick in loan approval. Total loan approved for purchase of property increased marginally to RM23.3b (+2.4%mom) in August 2022, reversing the decline of -9%mom in July 2022. The uptick in loan approval was mainly due to higher property loan application in August. That cushioned the lower percentage of total approved loan over total applied loan of 43.6% in August 2022 against 44.5% in July 2022. On yearly basis, total loan approved for purchase of property in August 2022 surged by +93%yoy, attributed to low base in August 2021 and improved percentage of total approved loan over total applied loan of 43.6% in August 2022 against 37.5% in August 2021. Overall, the higher approved loan is in line with our expectation of marginal recovery in new property sales for property developers.

COMPANY IN FOCUS

Mah Sing Group Berhad

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

Price @ 11th Oct 2022: RM0.495

- 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



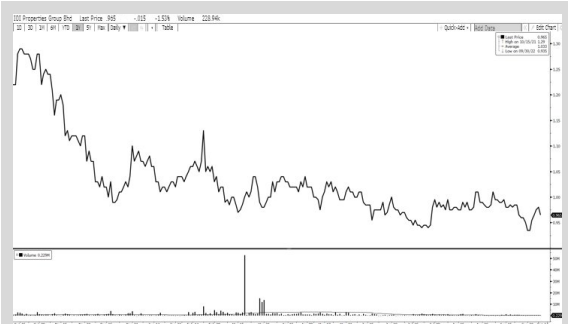
IOI Properties Group Berhad

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

Price @ 11th Oct 2022: RM0.965

- 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 74% to latest NTA of RM3.71 per share.

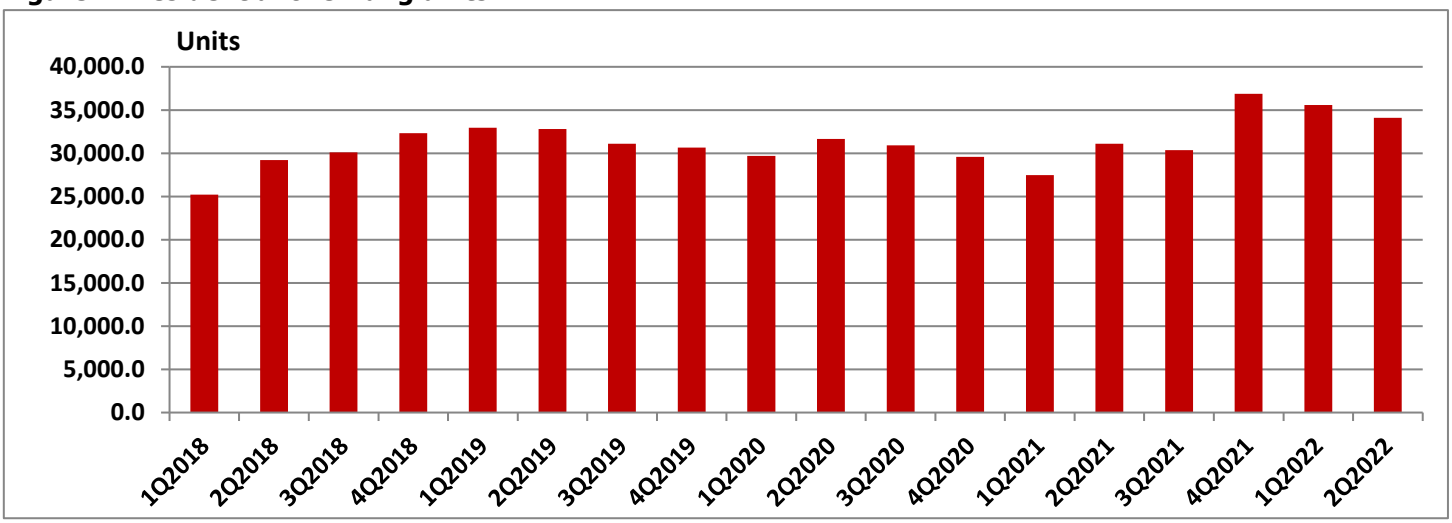
Share price chart



Analyst(s)
JESSICA Low Jze Tieng
Jessica.low@midf.com.my
03 -2173 8391

Residential overhang units eased in 2QCY22. According to data released by National Property Information Centre (NAPIC), residential overhang units eased to 34,092 units in 2QCY22 from 35,592 units in 1QCY22. The decline in residential overhang units in 2QCY22 could be attributed to reopening of the economy. Note that residential overhang units increased to above 35k units in 4QCY21 due to disruption to economic activity from several lockdowns in Malaysia. Johor has the highest number of residential overhang units of 6,040, followed by Penang (5,508 units), and Selangor (5,156 units). While we see residential overhang is showing sign of easing, we see that property market may still partly drag by the lingering high overhang issues as residential overhang units remain high in 2QCY22, staying above 30,000 units.

Figure 2: Residential overhang units



Source: NAPIC, MIDF Research

Maintain NEUTRAL on property sector. We see loan for purchase of property in August 2022 to be in line with our expectation of marginal recovery for the sector. Nevertheless, we maintain our **NEUTRAL** call on property sector as residential overhang remains elevated in 2QCY22. Our top pick for the sector is **Mah Sing (BUY, TP: RM0.74)** as we see better earnings outlook for Mah Sing due to higher progress billing of its projects in Klang Valley while new sales outlook will be supported by its quick turnaournd strategy. Meanwhile, we also like **IOI Properties Group (BUY, TP: RM1.29)** as earnings outlook is expected to support by earnings recovery of investment properties division and leisure & hospitality segments.

Figure 3: Peers comparison table

Stock	FYE	Rec.	Price @ 11-Oct-2022	Target Price (RM)	Core EPS (sen)		Core PER (x)		Net DPS (sen)		Net Dvd Yield	
					FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F
MAHSING	Dec	BUY	0.495	0.74	7.5	7.9	6.6	6.3	3.0	3.2	6.1%	6.4%
ECOWLD	Oct	BUY	0.580	0.80	7.1	9.4	8.2	6.2	4.0	4.0	6.9%	6.9%
IOIPG	June	BUY	0.97	1.29	13.0	13.3	7.4	7.3	4.0	1.0	4.1%	1.0%
GLOMAC	April	BUY	0.28	0.48	4.8	5.5	5.9	5.1	1.5	1.5	5.4%	5.4%
SPSETIA	Dec	BUY	0.550	1.04	7.0	8.2	7.8	6.7	0.7	1.0	1.3%	1.8%
UOADEV	Dec	NEUTRAL	1.64	1.62	8.5	10.6	19.3	15.5	10.0	10.0	6.1%	6.1%
UEMS	Dec	NEUTRAL	0.25	0.30	1.1	1.1	21.5	23.3	0.0	0.0	0.0%	0.0%
SUNWAY	Dec	NEUTRAL	1.56	1.63	9.0	9.0	17.3	17.3	3.0	3.5	1.9%	2.2%

Source: MIDF Research

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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