PROPERTY

***Maintain* NEUTRAL**

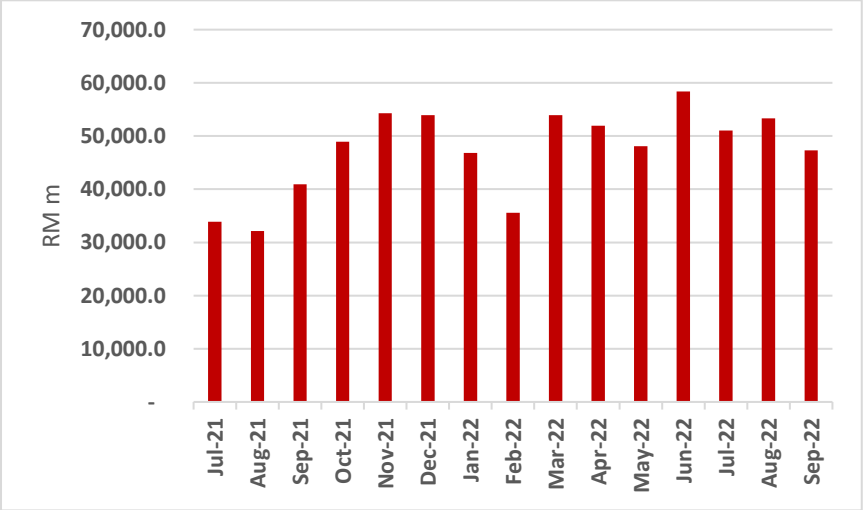
Weaker loan application outlook

KEY INVESTMENT HIGHLIGHTS

- **Loan application eased in September 2022**
- **Weaker approved loan**
- **OPR hikes dents affordability of buyers**
- **Maintain NEUTRAL on Property sector**

Loan application eased in September 2022. According to data released by Bank Negara Malaysia, total loan applied for purchase of property declined to RM47.3b (-11.3%mom) in September 2022 after growing by +4.5%mom in August 2022. We see that the easing of loan application could be due weaker demand for property following OPR hike in September. Note that Bank Negara Malaysia hiked OPR by 25bps on 8th September 2022. On yearly basis, loan application for purchase of property in September 2022 was higher by +15.6%yoy due to reopening of economy.

Figure 1: Monthly total applied loan



Source: BNM, MIDF Research

Weaker approved loan. Total loan approved for purchase of property declined to RM20.7b (-11.6%mom) in September 2022 after a marginal growth in August 2022. The lower approved loan was mainly due to lower loan application in September 2022 while percentage of total approved loan over total applied loan was little-changed at 43.7% in September 2022. On yearly basis, loan approved was higher by +25.3%yoy mainly due to higher applied loan following reopening of economy. The higher approved loan was in line with our expectation of marginal recovery in demand for property.

COMPANY IN FOCUS

Mah Sing Group Berhad

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

Price @ 10th Nov 2022: RM0.50

- 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 sales outlook supported by its strategy of selling products within affordable price range.

Share price chart



IOI Properties Group Berhad

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

Price @ 10th Nov 2022: RM1.02

- 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



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

OPR hikes dents affordability of buyers. Bank Negara Malaysia hiked OPR by 25 basis points to 2.75% on 3rd November 2022, marking the 4th OPR hike in 2022 which bring total OPR hike to 100 basis points in 2022. We see that the several OPR hikes in 2022 is negative to property sector as it will hurt affordability of home buyers due to higher house instalments. We estimate monthly instalment to increase by 13% (assuming a 30 years house loan of RM500k). The increase is quite significant in our view and we expect that to impact demand for property negatively as some property buyers with lower income may not eligible for housing loan. In a nutshell, we expect the normalization of interest rate to drag demand for property.

Maintain NEUTRAL on property sector. We see the latest loan statistic for purchase of property to be unexciting to property sector due to subdued loan application and approved loan. Besides, we see weaker loan application outlook due to several OPR hikes that would hurt buying interest going forward. Hence, we maintain our **NEUTRAL** call on property sector. Our top pick for the sector is **Mah Sing (BUY, TP: RM0.74)** as we see new sales outlook for Mah Sing would remain supported by its strategy of selling products within affordable price range. Besides, new sales of Mah Sing is well on track to hit its new sales target of RM2b. We also like **IOI Properties Group (BUY, TP: RM1.29)** due to positive earnings outlook for investment properties and leisure & hospitality segments which supported by reopening of economy. Valuation of IOI Properties is also undemanding, trading at 73% to latest NTA of RM3.71 per share.

Figure 2: Peers comparison table

Stock	FYE	Rec.	Price @ 10-Nov-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	0.50	0.74	7.5	7.9	6.7	6.3	3.0	3.2	6.0%	6.3%
ECOWLD	Oct	BUY	0.605	0.80	7.1	9.4	8.5	6.4	4.0	4.0	6.6%	6.6%
IOIPG	June	BUY	1.02	1.29	13.0	13.3	7.8	7.7	4.0	1.0	3.9%	1.0%
GLOMAC	April	BUY	0.30	0.48	4.8	5.5	6.2	5.4	1.5	1.5	5.1%	5.1%
SPSETIA	Dec	BUY	0.525	1.04	7.0	8.2	7.5	6.4	0.7	1.0	1.3%	1.9%
UOADEV	Dec	NEUTRAL	1.59	1.62	8.5	10.6	18.7	15.0	10.0	10.0	6.3%	6.3%
UEMS	Dec	NEUTRAL	0.21	0.30	1.1	1.1	18.4	20.0	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

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077(23878 – X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related companies and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loess, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such companies mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

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