PROPERTY

***Maintain* NEUTRAL**

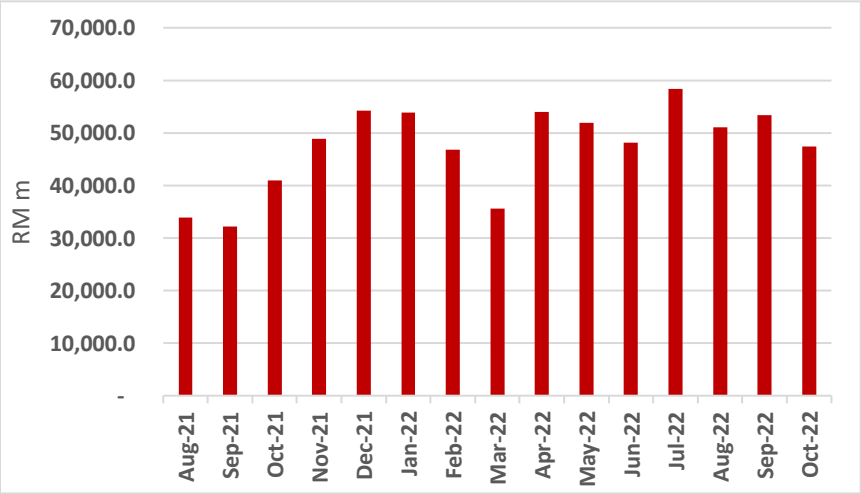
Subdued loan application

KEY INVESTMENT HIGHLIGHTS

- **Subdued loan application**
- **Flattish approved loan**
- **Easing residential property overhang in 3Q2022**
- **Maintain NEUTRAL on Property sector with our top picks are Mah Sing Group and Glomac Berhad**

Subdued loan application. According to data released by Bank Negara Malaysia (BNM), loan application for purchase of property fell by 7.3%mom to RM43.95b in October 2022. This is following a decline of 11%mom in September 2022. We think that the two consecutive declines in loan application could be due to OPR hike BNM in September which negatively impacted buying interest and affordability of buyers. On yearly basis, loan application eased by 10%yoy in October 2022 after the positive growth in the past three months, signaling demand for property is taking a breather. Looking ahead, we see that loan application to remain subdued as BNM hiked OPR by 25bps in November and may hike OPR further in 2023.

Figure 1: Monthly total applied loan



Source: BNM, MIDF Research

Flattish approved loan. Total loan approved for purchase of property eased marginally to RM20.5b (-1.0%mom) in October 2022 after a 11% decline in September 2022. Approved loan was flattish despite sharper drop in loan application as percentage of total approved loan over total applied loan was higher at 46.8% in October 2022 (September 2022: 43.8%). On yearly basis, loan approved was higher by 11%yoy mainly due to sharply lower percentage of total approved loan over total applied loan of 37.8% in October 2021.

COMPANY IN FOCUS

Mah Sing Group Berhad

Maintain **BUY** | Unchanged Target price: RM0.74
Price @ 12th Dec 2022: RM0.585

- Better earnings outlook due to pick up in progress billing of its ongoing projects.
- New sales outlook to remain positive with upcoming new launches in M Series.
- Demand for M Series affordable housing remains supported by genuine home buyers.

Share price chart



Glomac Berhad

Maintain **BUY** | Unchanged Target price: RM0.48
Price @ 12th Dec 2022: RM0.33

- Positive new sales outlook on the back of planned new launches with GDV of RM510m in 2HFY23.
- Its township projects which offer affordable price range properties are well received by home buyers.
- Valuation is undemanding, trading at steep discount of 78% to latest NTA of RM1.51 per share.

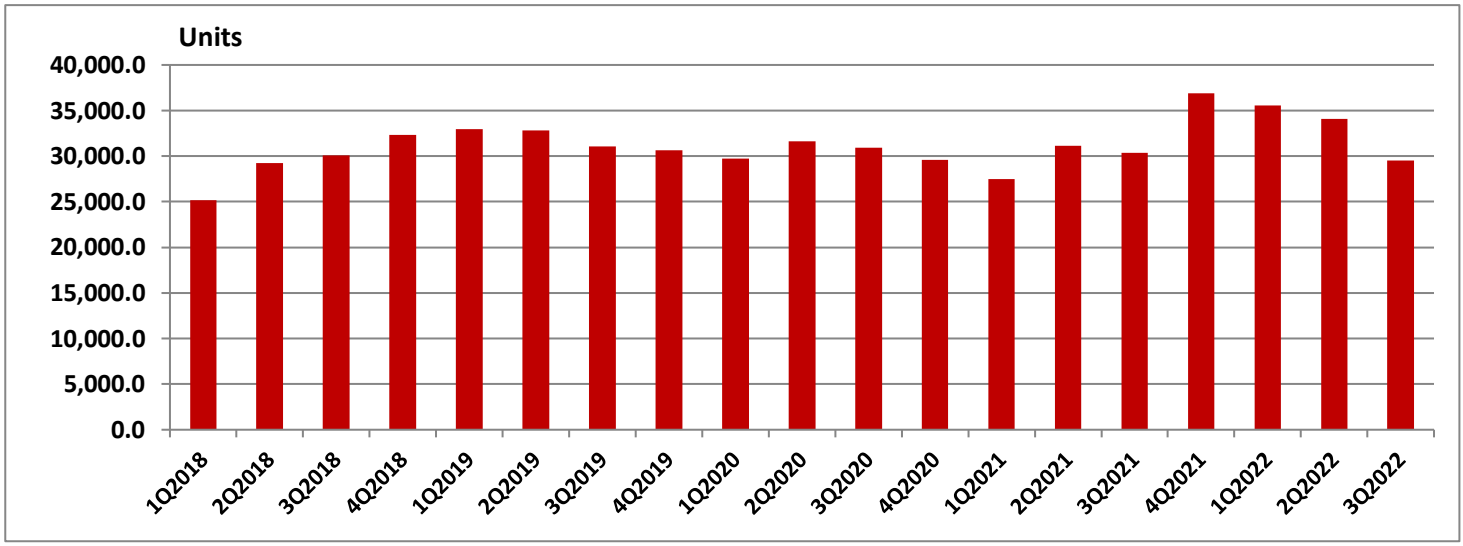
Share price chart



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Easing property overhang. According to data released by the National Property Information Centre (NAPIC), residential overhang units eased significantly from 34,092 units in 2Q2022 to 29,534 units in 3Q2022. The sharp drop in overhang units were led by Selangor (-14.9%qoq), Johor (-11%qoq) and Penang (-5%qoq). Note that Johor has the highest residential overhang of 5,348 units, followed by Penang (5,222 units) and Selangor (4,386 units). The decline in overhang units could be attributed to reopening of the economy. Besides, foreign buyers such as from Singapore returned to our local property market following reopening of international border in April 2022. In a nutshell, we see the lower property overhang units to be slight positive to property sector as overhang units fell below 30,000 units which is the lowest level since 2Q2021.

Figure 2: Residential overhang



Source: NAPIC, MIDF Research

Maintain Neutral on property sector. We see tepid outlook for loan application going forward as demand for property could partially drag by rising OPR. Nevertheless, the easing of property overhang is slight positive to the sector as further decline in property overhang going forward may ease concern of oversupply in residential market. Hence, we maintain our **Neutral** stance on property sector. On top picks for the sector, we favour companies with high exposure to affordable price range properties as projects in the mid-market and affordable segments continue to see resilient demand from home buyers. In this context, we like **Mah Sing Group (BUY, TP: RM0.74)** and **Glomac Berhad (BUY, TP: RM0.48)** due to their strategy of selling properties in affordable price range.

Figure 2: Peers comparison table

Stock	FYE	Rec.	Price @ 12-Dec-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	0.59	0.74	7.5	7.9	7.8	7.4	3.0	3.2	5.1%	5.4%
ECOWLD	Oct	BUY	0.650	0.80	7.1	9.4	9.1	6.9	4.0	4.0	6.2%	6.2%
IOIPG	June	BUY	1.09	1.29	13.0	13.3	8.4	8.2	4.0	1.0	3.7%	0.9%
GLOMAC	April	BUY	0.33	0.48	4.8	5.5	6.9	6.0	1.5	1.5	4.5%	4.5%
SPSETIA	Dec	BUY	0.665	0.84	5.9	7.4	11.3	9.0	0.7	1.0	1.1%	1.5%
UOADEV	Dec	NEUTRAL	1.62	1.65	11.8	11.3	13.7	14.3	10.0	10.0	6.2%	6.2%
UEMS	Dec	NEUTRAL	0.27	0.21	1.7	1.3	15.7	20.1	0.0	0.0	0.0%	0.0%
SUNWAY	Dec	NEUTRAL	1.66	1.63	9.0	9.0	18.4	18.4	3.0	3.5	1.8%	2.1%

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