PROPERTY

***Maintain* NEUTRAL**

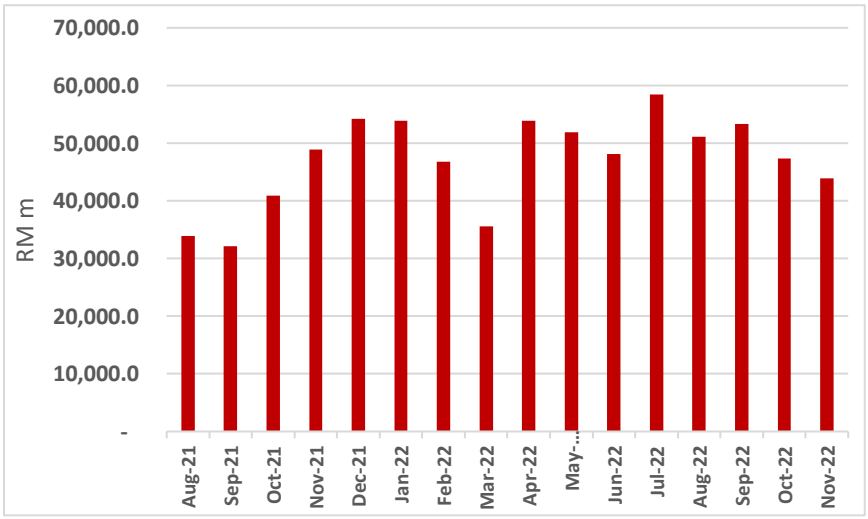
Declining trend in loan application

KEY INVESTMENT HIGHLIGHTS

- **Declining trend in loan application**
- **Weaker approved loan in tandem with lower loan application**
- **KL Property Index underperformed KLCI in 2022**
- **Maintain NEUTRAL on Property sector**
- **Our top picks are Mah Sing Group and Glomac Berhad**

Declining trend in loan application. According to data released by Bank Negara Malaysia (BNM), loan application for purchase of property declined for third consecutive months on monthly basis. Total loan application fell by -2.9%mom in November 2022. This is following declines of -11.1% and -7.3% in September and October 2022. We think that the weak loan application was due to hike in OPR by BNM in September and November by 25bps. The weaker demand in November 2022 could also attributed to the wait and see approach of buyers due to GE15 of Malaysia in November. On yearly basis, loan application fell by -21.3% in November 2022 after falling by -10%yoy in October 2022, as demand for property is normalizing from strong demand in last year as a result of the economy reopening.

Figure 1: Monthly total applied loan



Source: BNM, MIDF Research

Weaker approved loan. Total loan approved for purchase of property declined by -12.6%mom in November 2022 after a marginal drop of 0.4% in October 2022. The decline in approved loan was mainly due to lower loan application and lower percentage of total approved loan over total applied loan of 42.3% in November 2022 (October 2022: 47%). On yearly basis, loan approved recorded decline of -15.2%yoy in November 2022 after recording positive growth in the past few months. We see that further decline in approved loan going forward may signal challenging new sales outlook for property developers.

COMPANY IN FOCUS

Mah Sing Group Berhad

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

Price @ 11th Jan 2023: RM0.575

- 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 @ 11th Jan 2023: RM0.31

- Positive new sales outlook as RM510m planned launches for 2HFY23 intact.
- Its township projects which offer affordable price range properties are well received by home buyers.
- Valuation is undemanding, trading at steep discount of 79% to latest NTA of RM1.51 per share.

Share price chart



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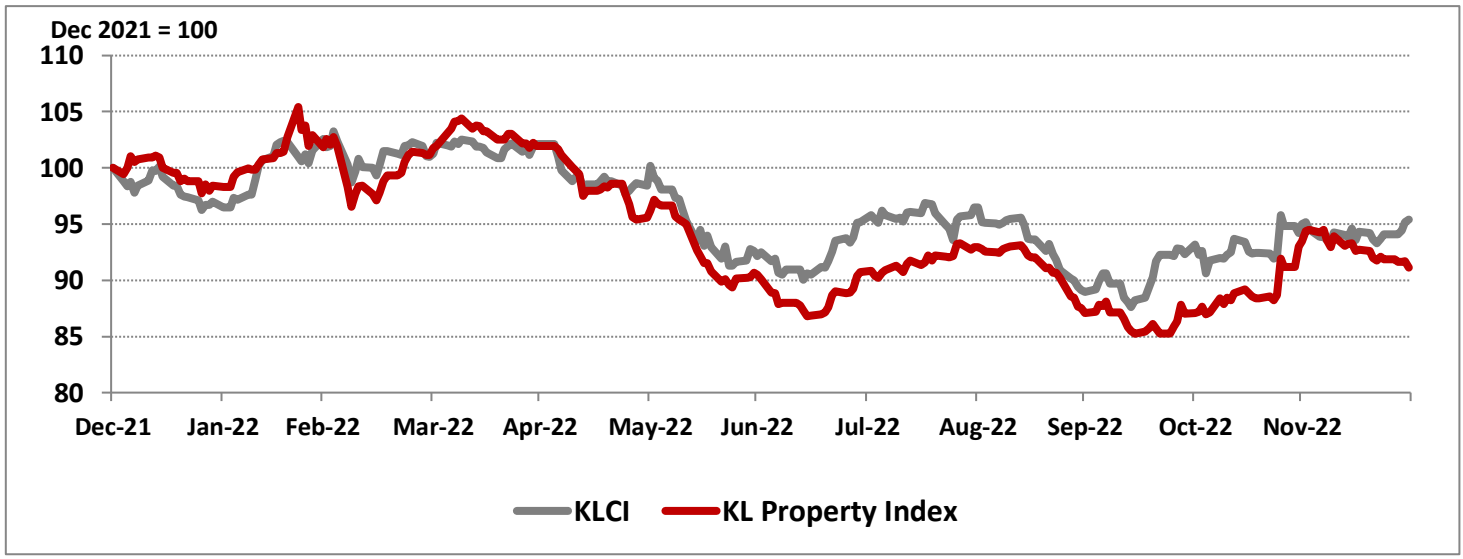
KL Property Index underperformed KLCI. Performance of KL Property Index was lackluster in 2022 by registering a decline of -8.9%, in tandem with broader weaker market whereby KLCI fell by -4.6% in 2022. KL Property Index underperformed KLCI due to the high beta nature of property stocks amid rising risk of inflation and economic uncertainties. Performance of KL Property Index was better in 1HCY22 due to reopening of Malaysia economy. Subsequently, property counters succumbed to sell-off in 2HCY22 due to rising interest rates by Bank Negara Malaysia and Federal Reserve. The top three worst performing property companies in 2022 were Country Heights Holdings Berhad (-78.3%), Yong Tai Berhad (-66.7%) and S P Setia Berhad (-52.9%).

Figure 2: Performance of KL Property Index against KLCI (Base: Dec 2021)



Source: NAPIC, MIDF Research

Maintain Neutral on property sector. Despite the weakness in share price of property companies in CY22, we think that there are limited catalysts to spur the sector in the near-term. Property sales outlook is expected to be subdued judging from the weaker loan application while demand for property could further drag by potential OPR hike in 2023. Hence, we are maintaining our **Neutral** stance on property sector. On our top picks for the sector, we continue to favour companies with high exposure to affordable price range properties due to resilient demand for projects in the mid-market and affordable segments. In this context, we like **Mah Sing Group (BUY, TP: RM0.74)** and **Glomac Berhad (BUY, TP: RM0.48)** as they have high exposure to mid-market and affordable homes segments which underpin new sales outlook.

Figure 2: Peers comparison table

Stock	FYE	Rec.	Price @ 11-Jan-2023	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	0.575	0.74	7.5	7.9	7.7	7.3	3.0	3.2	5.2%	5.5%
ECOWLD	Oct	BUY	0.64	0.87	7.9	10.1	8.1	6.3	5.0	5.0	7.8%	7.8%
IOIPG	June	BUY	1.12	1.29	13.0	13.3	8.6	8.4	4.0	1.0	3.6%	0.9%
GLOMAC	April	BUY	0.31	0.48	4.8	5.5	6.5	5.6	1.5	1.5	4.8%	4.8%
SPSETIA	Dec	BUY	0.61	0.84	5.9	7.4	10.4	8.3	0.7	1.0	1.1%	1.6%
UOADEV	Dec	NEUTRAL	1.64	1.65	11.8	11.3	13.9	14.5	10.0	10.0	6.1%	6.1%
UEMS	Dec	NEUTRAL	0.245	0.21	1.7	1.3	14.5	18.6	0.0	0.0	0.0%	0.0%
SUNWAY	Dec	NEUTRAL	1.65	1.63	9.0	9.0	18.3	18.3	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