PROPERTY

***Maintain* NEUTRAL**

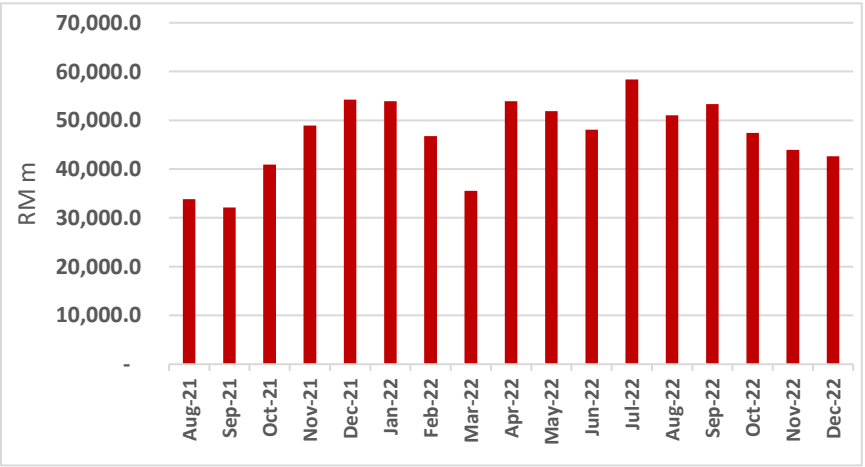
Continued decline in loan application

KEY INVESTMENT HIGHLIGHTS

- **Loan application continued to decline**
- **Marginally lower approved loan**
- **OPR hike took a breather**
- **Maintain NEUTRAL on Property sector**
- **Top picks for the sector are Mah Sing Group and Glomac Berhad**

Loan application continues to decline. According to data released by Bank Negara Malaysia (BNM), loan application for purchase of property continued to decline for fourth consecutive months in December 2022. Total loan application eased by -6.5%mom in December 2022 following decline of -3% in November 2022. We see that the continued decline in loan application could be due to OPR hikes in September and November which reduce buying interest as a result of higher monthly instalment. Besides, the lack of incentives for purchase of property for house buyers kept buying interest muted. On yearly basis, loan application tumbled -26%yoy in December 2022 following steep decline of -21%yoy in November 2022 as buying interest on property continues to normalize from surge in demand post reopening of economy.

Figure 1: Monthly total applied loan



Source: BNM, MIDF Research

Marginally lower approved loan. Total loan approved for purchase of property eased slightly by -1%mom in December 2022 after decline of -12%mom in November 2022. The decline in approved loan was mainly due to lower loan application which cushioned by higher percentage of total approved loan over total applied loan of 45% in December 2022 (November 2022: 42.5%). On yearly basis, approved loan dropped by -18.8%yoy in December 2022 following decline of -15%yoy in November 2022. We see that the double-digit decline for two consecutive months does not bode well for new sales outlook for property developers.

COMPANY IN FOCUS

Mah Sing Group Berhad

Maintain **BUY** | Unchanged Target price: RM0.75

Price @ 14th Feb 2023: RM0.60

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

Share price chart



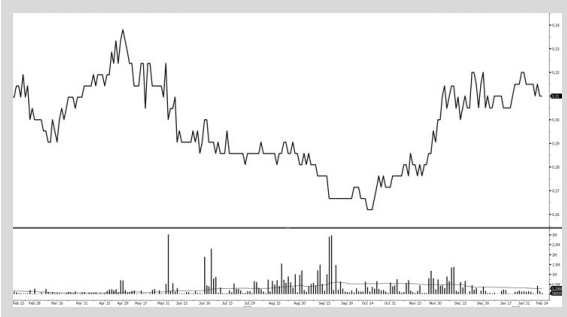
Glomac Berhad

Maintain **BUY** | Unchanged Target price: RM0.48

Price @ 14th Feb 2023: RM0.315

- Positive new sales outlook for FY23
- 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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OPR hike took a breather. Bank Negara Malaysia paused OPR hike in January 2023 by keeping OPR unchanged. The pause in OPR hike provided short-term relief to property sector as the four consecutive OPR hikes by a total of 100bps in 2022 hurt affordability of property buyers. We see that the pause in OPR hike to be short term positive to property sector as property buyers are still digesting the several OPR hikes in 2022. The euphoria of temporary pause of OPR hike lifted KL Property Index by 2.3% for the period 19 January 2023 to date. Looking ahead, we see that buying interest on property may recover slightly following the pause in OPR hike.

Maintain NEUTRAL on property sector. While the continuous decline in loan application is slight negative to the sector, the pause in OPR hike may support recovery of buying interest going forward. Hence, we maintain our **NEUTRAL** stance on property sector. On top picks for the sector, we remain favour companies which focus on affordable price range properties as the segment continue to see resilient demand from first time home buyers. In this context, we like **Mah Sing Group (BUY, TP: RM0.75)** and **Glomac Berhad (BUY, TP: RM0.48)** due to their high exposure to mid-market and affordable homes segments.

Figure 2: Peers comparison table

Stock	FYE	Rec.	Price @ 14-Feb-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	0.60	0.75	7.5	7.9	8.0	7.6	3.0	3.2	5.0%	5.3%
ECOWLD	Oct	BUY	0.675	0.87	7.9	10.1	8.6	6.7	5.0	5.0	7.4%	7.4%
IOIPG	June	BUY	1.11	1.29	13.0	13.3	8.5	8.3	4.0	1.0	3.6%	0.9%
GLOMAC	April	BUY	0.315	0.48	4.8	5.5	6.6	5.7	1.5	1.5	4.8%	4.8%
SPSETIA	Dec	BUY	0.625	0.84	5.9	7.4	10.6	8.5	0.7	1.0	1.1%	1.6%
UOADEV	Dec	NEUTRAL	1.66	1.65	11.8	11.3	14.1	14.7	10.0	10.0	6.0%	6.0%
UEMS	Dec	NEUTRAL	0.255	0.21	1.7	1.3	15.1	19.3	0.0	0.0	0.0%	0.0%
SUNWAY	Dec	NEUTRAL	1.61	1.63	9.0	9.0	17.9	17.9	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