PROPERTY

***Maintain* NEUTRAL**

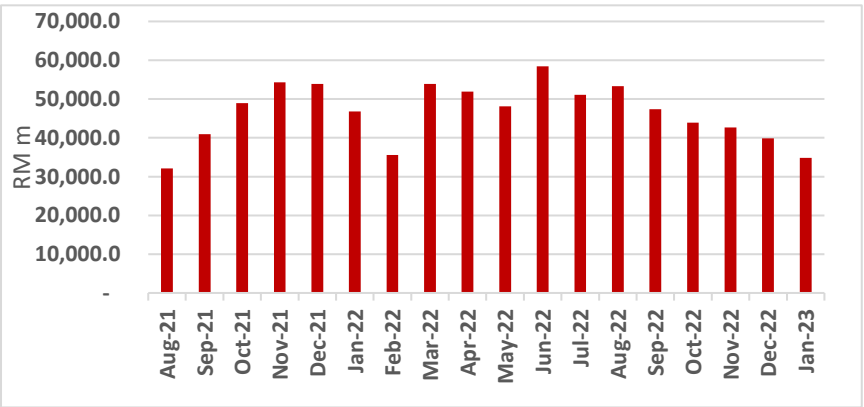
Weak loan application

KEY INVESTMENT HIGHLIGHTS

- **Loan application falls for fifth consecutive month**
- **Approved loan at lowest level in a year**
- **Another pause in rate hike a relief to the sector**
- **Residential overhang declined in 2022**
- **Maintain NEUTRAL on Property sector**

Loan application falls for fifth consecutive month. According to data released by Bank Negara Malaysia (BNM), loan application for purchase of property started CY23 on a weaker note, falling by -12.6%mom and -25.6%yoy in January 2023. Loan application declined on monthly basis for fifth consecutive month in January 2023, which could be due to the lagged effect of several interest rate hikes in 2022 that resulted in higher monthly instalment for housing loan and subsequently dampened buying interest. On yearly basis, loan application was subdued, falling by double digit for fourth consecutive month. Loan application for purchase of property was subdued as buying interest normalized from pent-up demand that was observed in middle of last year.

Figure 1: Monthly total applied loan



Source: BNM, MIDF Research

Approved loan at lowest level in a year. Total loan approved for purchase of property declined for fifth consecutive month in January 2023. The approved loan figure fell to lowest level in a year, easing by -18.2%mom in January 2023 after a marginal drop of -0.8%mom in December 2022. The downtrend in approved loan was in line with lower loan application. Meanwhile, the monthly decline could also attribute to the lower percentage of total approved loan over total applied loan of 42% in January 2023 (December 2022: 45%). On yearly basis, approved loan dropped by double-digit for third consecutive months after recording decline of -16.3%yoy in January 2023. We see that the downtrend in approved loan may signal challenging new sales outlook for property developers in the near-term.

COMPANY IN FOCUS

Mah Sing Group Berhad

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

Price @ 15th March 2023: RM0.60

- Better earnings outlook in FY23 on the back of higher progress billing of its ongoing projects.
- New sales outlook remains positive as management set higher new sales target of RM2.2b for FY23.
- 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 @ 15th March 2023: RM0.305

- 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 80% to latest NTA of RM1.51 per share.

Share price chart



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Another pause in rate hike a relief to the sector. BNM maintained OPR unchanged at 2.75% on 9th March 2023 after paused rate hike in January 2023. The second pause in rate hike this year is positive to property sector as it provides short-term relief to the sector. We see that the four rate hikes by 100bps in 2022 dampened buying interest on property as that lifted monthly instalment for housing loan. We estimate that 100bps hike in OPR raised monthly instalment by around 12% for RM500k house loan. With pause in rate hike, we think that buying interest on property should recover marginally in the near-term.

Residential overhang declined in 2022. According to data released by National Property Information Centre (NAPIC), residential overhang of Malaysia eased in 2022. Residential overhang declined to 27,746 units in 2022 from 36,863 units in 2021. Recall that residential overhang swelled to 36,863 units in 2021 from 29,565 units in 2020 due to Covid-19 pandemic. The decline in residential overhang in 2022 could be attributed to higher buying interest following reopening of economy. Johor has the highest residential overhang units of 6,089 followed by Selangor (6,095 units) and Penang (5,493 units). The decline in residential overhang is positive to property sector as that eases concern of oversupply situation of residential properties in Malaysia.

Maintain NEUTRAL on property sector. We see limited catalyst to property sector due to the subdued property loan application which signal challenging new sales outlook for property sector. Nevertheless, the pause in OPR hike should support the recovery of buying interest marginally. Hence, we maintain **NEUTRAL** on property sector. We see that properties in the mid-market and affordable segment will continue to see resilient buying interest from property buyers as buyers look for properties that they could afford amid normalizing interest rate environment. Hence, we continue to favour companies which focus on affordable price range namely **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 @ 15-March-2023	Target Price (RM)	Core EPS (sen)		Core PER (x)		Net DPS (sen)		Net Dvd Yield	
					FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F
MAHSING	Dec	BUY	0.60	0.75	8.5	9.7	7.1	6.2	3.4	3.9	5.7%	6.5%
ECOWLD	Oct	BUY	0.665	0.87	10.1	10.5	6.6	6.4	5.0	5.0	7.5%	7.5%
IOIPG	June	BUY	1.11	1.29	13.3	13.6	8.3	8.2	4.0	4.0	3.6%	3.6%
GLOMAC	April	BUY	0.305	0.48	5.5	5.8	5.5	5.3	1.5	1.5	4.9%	4.9%
SPSETIA	Dec	BUY	0.605	0.84	7.7	8.3	7.8	7.3	1.6	1.7	2.6%	2.7%
UOADEV	Dec	NEUTRAL	1.61	1.65	8.7	8.9	18.5	18.1	10.0	10.0	6.2%	6.2%
UEMS	Dec	NEUTRAL	0.245	0.25	1.3	1.5	18.6	16.6	0.5	0.5	2.0%	2.0%
SUNWAY	Dec	NEUTRAL	1.59	1.64	10.2	10.5	15.6	15.1	5.5	5.5	3.5%	3.5%

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