PROPERTY

***Maintain* NEUTRAL**

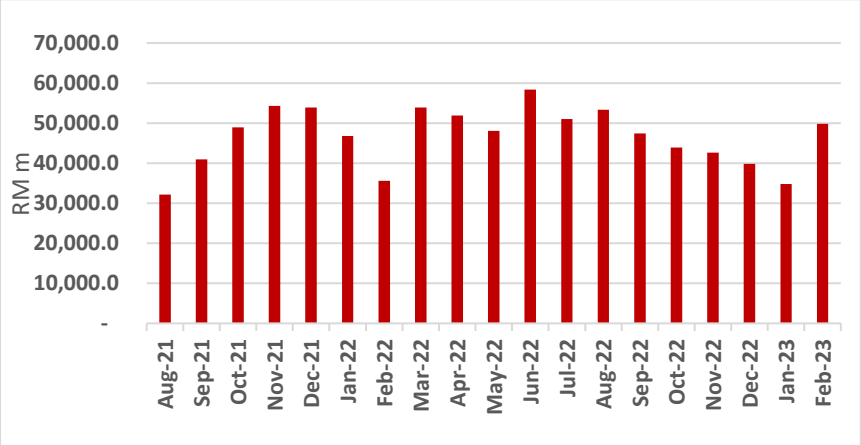
Strong rebound in loan application

KEY INVESTMENT HIGHLIGHTS

- **Strong rebound in loan application**
- **Approved loan recovered**
- **Gains in KL Property Index led by small to mid-cap developers**
- **Transaction volume spurred by pent-up demand**
- **Maintain NEUTRAL on Property sector**

Strong rebound in loan application. According to data released by Bank Negara Malaysia (BNM), loan application for purchase of property rebounded by +26.6%mom in February 2023 after five consecutive decline in the previous months. Loan application reversed downtrend in February 2023 and jumped to the highest level in six month which we think could be due to recovery in buying interest following pause in OPR hike in January. On yearly basis, loan application jumped by +40%yoy as buying interest recovered from the subdued demand in the past few months.

Figure 1: Monthly total applied loan



Source: BNM, MIDF Research

Approved loan recovered. Total loan approved for purchase of property increased by +26.6%mom in February 2023 to the highest level in four months. Total loan approved recovered from five consecutive decline in the previous months, supported mainly by higher loan application. However, the increase was partly negated by lower percentage of total approved loan over total applied loan of 37.5% in February 2023 (January 2023: 42%). On yearly basis, approved loan surged by +31.8%yoy after three consecutive decline in November 2022 to January 2023. We think that the higher approved loan may signal that negative impact of OPR hikes in 2022 is over and sales outlook for developers should improve going forward.

COMPANY IN FOCUS

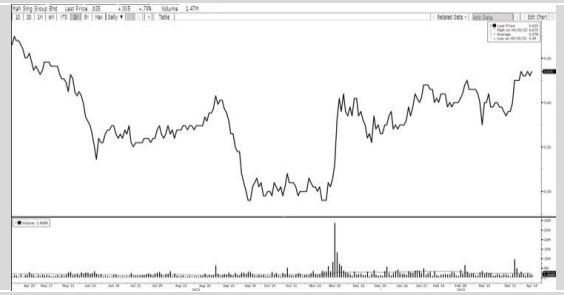
Mah Sing Group Berhad

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

Price @ 14th April 2023: RM0.635

- 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



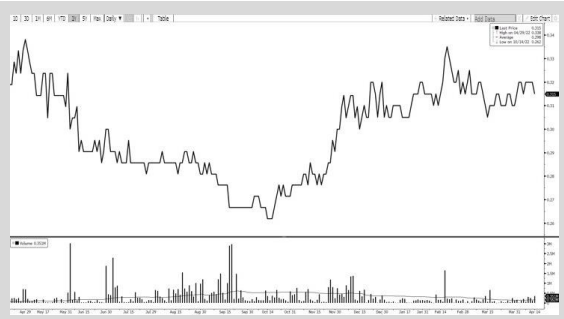
Glomac Berhad

Maintain **BUY** | Unchanged Target price: RM0.43

Price @ 14th April 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 RM1.52 per share.

Share price chart



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

Gains in KL Property Index led by small to mid-cap developers. KL Property Index recorded positive return of +7.3% in 1QCY23, outperformed KLCI losses of -4.9% in 1QCY23. The positive performance of KL Property Index was mainly stimulated by pause in OPR hikes in 2023 which provided short-term relief to the sector as unchanged OPR bodes well for application for housing loan. The gains in KL Property Index were mainly led by small to mid-cap property developers. Top five performers of KL Property Index in 1QCY23 were Ewein Berhad (+79.7%), Iskandar Waterfront City Berhad (+55.6%), MCT Berhad (+45.8%), Sapura Resources Berhad (+44.1%) and Tanco Holdings (+35.8%).

Transaction volume spurred by pent-up demand. According to data released by National Property Information Centre (NAPIC), transaction volume of properties jumped by +29.5%yoy to 389,107 transactions in 2022. The spike in transaction volume was mainly supported by pent-up demand following reopening of Malaysia's borders in 2022. Note that transaction volume was subdued in 2020 and 2021 due to Covid-19 lockdown which restricted transaction of properties by foreign buyers. Residential transaction is the biggest contributor to transaction volume at 62.5%, followed by agriculture transaction at 21.1% and commercial transaction at 8.4%.

Maintain NEUTRAL on property sector. The loan application and loan approved data in February 2023 were a slight positive to the sector and we see that further recovery in loan data would signal recovery in buying interest. Meanwhile, we maintain **NEUTRAL** but with a positive bias on property sector. We remain positive on developers that target properties in the mid-market and affordable segment as buying interest is strong amid normalizing interest rate environment. Our top picks for the sector are **Mah Sing Group (BUY, TP: RM0.75)** and **Glomac Berhad (BUY, TP: RM0.43)** due to their high exposure to mid-market and affordable homes segments.

Figure 2: Peers comparison table

Stock	FYE	Rec.	Price @ 14-April-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	0.635	0.75	8.5	9.7	7.5	6.5	3.4	3.9	5.4%	6.1%
ECOWLD	Oct	BUY	0.765	0.87	10.1	10.5	7.6	7.3	5.0	5.0	6.5%	6.5%
IOIPG	June	BUY	1.18	1.29	13.3	13.6	8.9	8.7	4.0	4.0	3.4%	3.4%
GLOMAC	April	BUY	0.315	0.43	3.5	4.8	9.0	6.6	1.5	1.5	4.8%	4.8%
SPSETIA	Dec	BUY	0.60	0.84	7.7	8.3	7.8	7.2	1.6	1.7	2.7%	2.8%
UOADEV	Dec	NEUTRAL	1.67	1.65	8.7	8.9	19.2	18.8	10.0	10.0	6.0%	6.0%
SUNWAY	Dec	NEUTRAL	1.57	1.64	10.2	10.5	15.4	15.0	5.5	5.5	3.5%	3.5%

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