PROPERTY

***Maintain* NEUTRAL**

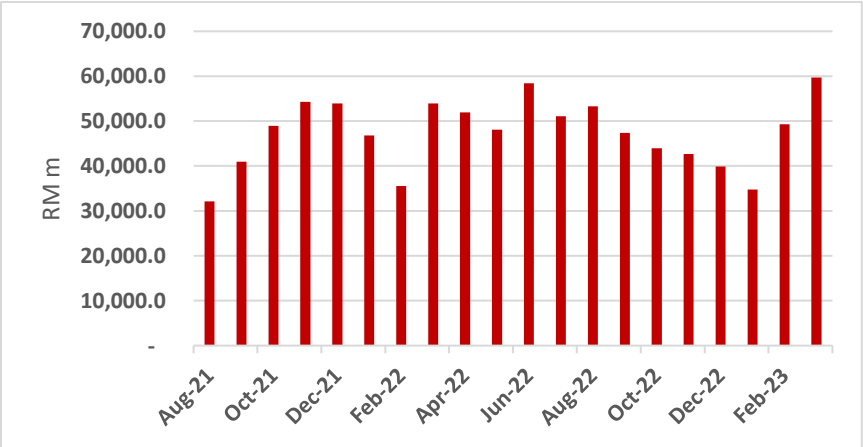
Robust loan application

KEY INVESTMENT HIGHLIGHTS

- **Robust loan application in March 2023**
- **Higher approved loan indicates better new sales outlook**
- **OPR hike in May 2023 is short-term negative to the sector**
- **Maintain NEUTRAL with positive bias on Property sector**
- **Top picks for the sector are Mah Sing Group (BUY, TP: RM0.75) and Glomac Berhad (BUY, TP: RM0.43)**

Robust loan application. According to data released by Bank Negara Malaysia (BNM), loan application for purchase of property remained robust in March 2023, growing by +21%mom after double-digit growth in February 2023. Loan application in March 2023 jumped to the highest level in more than two years as buying interest on properties improved following pause in OPR hike in January and March. On yearly basis, loan application in March 2023 increased by +10.8%yoy following a growth of +39%yoy in February 2023. Cumulatively, loan application in 1QCY23 was stronger by +5.5%yoy as buying interest on properties was stronger following reopening of economy and country borders.

Figure 1: Monthly total applied loan



Source: BNM, MIDF Research

Higher approved loan indicates better new sales outlook. Total loan approved for purchase of property climbed by +37.3%mom in March 2023 following an increase of +27.5%yoy in February 2023. Approved loan in March 2023 increased to the highest level in more than two years, spurred by higher loan application and higher percentage of total approved loan over total applied loan of 43.2% in March 2023 (February 2023: 38%). On yearly basis, approved loan continued to grow in March 2023 by +18.3%yoy after an increase of +32.7%yoy in February 2023. Cumulatively, 1Q2023 approved loan is higher by +10.9%yoy which we think that indicates better new sales outlook for property developers.

COMPANY IN FOCUS

Mah Sing Group Berhad

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

Price @ 16th May 2023: RM0.59

- 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 @ 16th May 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 RM1.52 per share.

Share price chart



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OPR hike in May 2023 is short-term negative to the sector. Bank Negara Malaysia increased OPR by 25basis points to 3% on 3rd May 2023. As OPR normalized to pre-pandemic level of 3%, our economist expects that OPR of 3% to remain unchanged for the rest of 2023. OPR hike in May 2023 is slight negative to property sector as higher interest rate is expected to lower buying interest on properties as a result of higher housing loan instalment. We estimate that every 25bps increase in interest rate to increase monthly instalment slight by RM60-RM70 for house loan of RM500k. Nevertheless, we think that the negative impact is short-term as OPR is expected to remain unchanged till the end of 2023. In short, we may see a knee-jerk reaction to loan application in the coming months however the impact should be short-lived.

Maintain NEUTRAL on property sector. The robust loan application and loan approved data in March 2023 are positive to the sector as it signals recovery in buying interest from several OPR hikes in 2022. Nevertheless, the robust loan application may take a breather in the coming months due to OPR hike in May 2023. In a nutshell, we maintain **NEUTRAL** but with positive bias on property sector. On top picks for the sector, we still favour developers that focus on building projects in the mid-market and affordable segment as demand for affordable home particularly priced below RM500k remains resilient, supported by first-time home buyers. 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 @ 16-May-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	0.59	0.75	8.5	9.7	6.9	6.1	3.4	3.9	5.8%	6.6%
ECOWLD	Oct	BUY	0.74	0.87	10.1	10.5	7.3	7.1	5.0	5.0	6.8%	6.8%
IOIPG	June	BUY	1.15	1.29	13.3	13.6	8.6	8.5	4.0	4.0	3.5%	3.5%
GLOMAC	April	BUY	0.305	0.43	3.5	4.8	8.7	6.4	1.5	1.5	4.9%	4.9%
SPSETIA	Dec	BUY	0.535	0.84	7.7	8.3	6.9	6.4	1.6	1.7	3.0%	3.1%
UOADEV	Dec	NEUTRAL	1.74	1.65	8.7	8.9	20.0	19.6	10.0	10.0	5.7%	5.7%
SUNWAY	Dec	NEUTRAL	1.56	1.66	10.2	10.5	15.3	14.9	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