PROPERTY

***Maintain* POSITIVE**

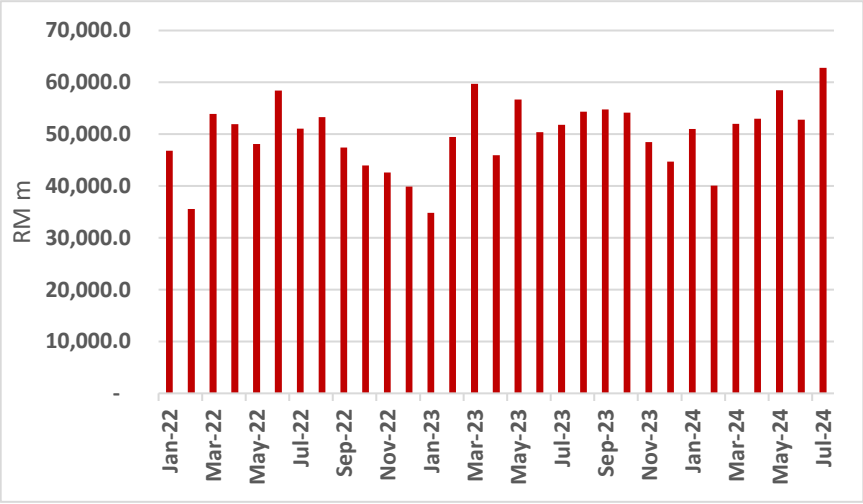
Strong Loan Application

KEY INVESTMENT HIGHLIGHTS

- **Loan applications recorded double digit growth**
- **Decent growth in loan approved**
- **Commendable earnings growth in 2QCY24**
- **Property overhang declined in 2QCY24**
- **Maintain POSITIVE on property sector**
- **Top picks for the sector are Mah Sing Group (BUY, TP: RM1.97) and Matrix Concepts (BUY, TP: RM2.22)**

Loan applications recorded double digit growth. According to data released by Bank Negara Malaysia (BNM), total loan application for purchase of property jumped to RM62.8b (+18.9%mom) in July 2024 from RM52.8b in June 2024. The loan application data in July 2024 is at its highest level since 2021. On yearly basis, loan application recorded sharp increase of +21.2%yoy in July 2024 after growing by +4.8%yoy in June 2024 and +3.1%yoy in May 2024. That brought total loan application in 7MCY24 higher at RM370.1b (+6.1%yoy). The solid growth in loan application indicates that stronger buying interest on property which is in line with the better sentiment on property market in Malaysia.

Figure 1: Monthly total applied loan



Source: BNM, MIDF Research

Decent growth in loan approved. Approved loan for purchase of property jumped to RM29.6b (+27%mom) in July 2024 from RM23.3b in June 2024, in tandem with the higher loan application. The higher loan application is also helped by a higher percentage of total approved loan over total applied loan of 47.2% in July 2024 against 44.2% in June 2024. On yearly basis, approved loan in July 2024 was higher (+28.4%yoy), bringing 7MCY24 total loan approved higher at RM163.9b (+7.7%yoy). The higher approved loan is positive to property developers as higher approved loan underpins the growth of new sales of property developers in CY24.

COMPANY IN FOCUS

Mah Sing Group Berhad

Maintain **BUY** | Unchanged Target price: RM1.97

Price @ 17th Sept 2024: RM1.67

- New sales of RM1.66b in 8MFY24 on track to meet management's new sales target of RM2.5b for FY24.
- Diversification into data centre to increase recurring income.
- New sales prospect will be supported by strong buying interest on affordable residential projects.

Share price chart



Matrix Concepts Holdings Berhad

Maintain **BUY** | Unchanged Target price: RM2.22

Price @ 17th Sept 2024: RM1.91

- Positive earnings growth expected in FY25 due to resilient contribution from its property projects in Bandar Sri Sendayan township.
- New property sales of RM321.4m in 1QFY25 on track to meet new sales target of RM1.39b for FY25.
- Attractive dividend yield of 5.5% based on dividend payout estimate of 10.6sen in FY25.

Share price chart



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Commendable earnings growth in 2QCY24. For the recently concluded earnings reporting season, four out of six property companies that released earnings reported earnings that came in within expectation. S P Setia reported strong earnings that beat expectations in 2QCY24 due to land sales gain. On the other hand, earnings of IOI Properties Group came in below expectations due to weaker contribution from China and higher depreciation charges. Meanwhile, most of the property companies recorded earnings growth in 1HCY24 due to stable progress billing of property projects. On the other hand, new property sales of property companies in 2QCY24 were largely on track to meet management's new sales targets as new sales momentum remains stable with stronger buying interest in property. Looking forward, we expect earnings of property developers to be higher as progress billing on the improved new sales should support earnings growth. Meanwhile, new sales momentum should remain strong in 2HCY24 due to improved buying sentiment on property.

Figure 2: Earnings summary of property companies

	Quarter	Results	Remarks
IOI Properties	4QFY24	Below	FY24 earnings came in below expectations due to higher-than-expected depreciation charges and lower margin. FY24 core net earnings lower at RM541.1m (-15.5%yoy) as property development division dragged by weak market condition in China which offset the better performance of property investment division.
Sunway Berhad	2QFY24	Within	2QFY24 core net income was higher at RM218.3m (+30.3%yoy), bringing cumulative earnings in 1HFY24 higher at RM387.1m (+22.7%yoy). The higher earnings were underpinned by improved performance of most of its core business divisions.
Mah Sing Group	2QFY24	Within	2QFY24 core net income was higher (+18.8%yoy) while 1HFY24 earnings higher at RM116.4m (+16.2%yoy) due to cost savings from finalisation of construction costs for construction contracts that are close to completion.
UOA Development	2QFY24	Within	1HFY24 earnings higher at RM109.2m (+2%yoy) as earnings were lifted by contribution from its investment assets and hospitality segments
S P Setia	2QFY24	Above	1HFY24 earnings came in above expectations due to land sales gain recorded in 2QFY24. 1HFY24 earnings higher at RM312.5m (+181.8%yoy) mainly due to land sales gain.
Matrix Concepts	1QFY25	Within	1QFY25 core net income was lower (-6.1%yoy) due to high base earnings in the previous year which were lifted by contribution from M. Greenvale in Australia and The Chambers in KL following completion of the projects.

Source: MIDF Research

Figure 3: New property sales performance

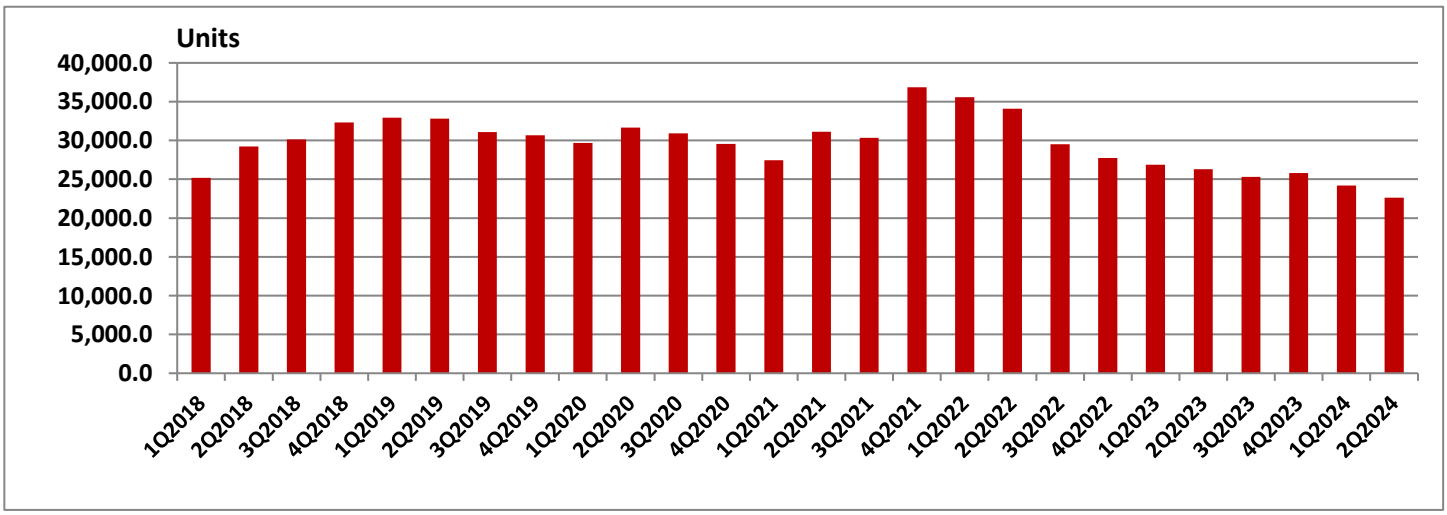
	FY23 (RM m)	FY24 new sales target (RM m)	2QCY24 new sales performance
Sunway Berhad	2,440	2,600	New property sales of RM802m in 2QFY24, bringing total new sales in 1HFY24 to RM1.3b which is well on track to achieve new sales target of RM2.6b for FY24.
S P Setia	5,100	4,400	S P Setia registered total new sales of RM880m in 2QFY24, bringing total new sales to RM2.3b in 1HFY24 which is on track to hit management new sales target of RM4.4b for FY24.
Mah Sing Group	2,260	2,500	Mah Sing achieved new sales of RM1.66b in 8MFY24, well on track to meet management new sales target of RM2.5b for FY24
Matrix Concepts	1250*	1390**	Matrix Concepts recorded new property sales of RM321.4m in 1QFY25, on track to meet management new sales target of RM1.39b for FY25.
UOA Development	827	N/A	UOA Development recorded new property sales of RM142m in 2QFY24, bringing total new sales to RM263m in 1HFY24
IOI Properties Group	1,960	N/A	New sales of RM550m in 4QFY24, bringing FY24 total new sales to RM2.14b which is higher than FY23 new sales of RM1.96.

*FY24
**FY25

Source: MIDF Research

Property overhang declined in 2QCY24. According to data released by National Property Information Centre (NAPIC), residential overhang improved to 22,642 units in 2QCY24 from 24,208 units in 1QCY24 and 26,286 units in 2QCY23. The residential overhang is at the lowest level since 2018. Perak has the highest number of residential overhangs in 2QCY24 at 4,161 units (1QCY24: 4,588 units) followed by Johor with 3,219 units (1QCY24: 3,629 units) and KL with 3,051 units (1QCY24: 3,194 units). Meanwhile, serviced apartment overhang in Malaysia declined to 21,158 units in 2QCY24 from 21,913 units in 1QCY24, led by decrease in serviced apartment overhang in Johor to 12,618 units in 2QCY24 from 13,027 units in 1QCY24. Overall, the declining overhang in residential and serviced apartments is positive to property sector as it signals healthier underlying demand and supply situation of property market in Malaysia. Hence, we think that the improving property overhang in Malaysia will keep buying interest on property supported.

Figure 4: Residential overhang in Malaysia



Source: NAPIC, MIDF Research

Maintain POSITIVE on property sector. The loan application data in July 2024 is positive to the property sector as the strong growth in loan application indicates the stronger demand for property. Meanwhile, the higher approved loan should signal improving new sales outlook for property developers. On another note, the declining property overhang in Malaysia in 2QCY24 which is at the lowest level since 2018 is supportive to the recovery of property sector in Malaysia. In a nutshell, we maintain our **POSITIVE** stance on the property sector. Our top picks for the sector are **Mah Sing Group (BUY, TP: RM1.97) and Matrix Concepts (BUY, TP: RM2.22)**. We remain positive on Mah Sing as the new sales prospect of the company will be supported by strong buying interest on affordable residential projects. Besides, its diversification into data centre will provide recurring income in the long-term. Its data centre venture is progressing well as Mah Sing is in advanced talks with another data centre player for its second parcel of land at Mah Sing DC Hub @ Southville City. We also like Matrix Concepts as its landbank acquisition in MVV 2.0 will strongly propel earnings growth beyond FY27 as Matrix Concepts targets to have first property launch on MVV 2.0 land in 2HFY26. Meanwhile, the dividend yield of Matrix Concepts is attractive, estimated at 5.5%.

Figure 5: Peers comparison table

Stock	Rec.	Price @ 18-Sept-2024	Target Price (RM)	Core EPS (sen)		Core PER (x)		Net DPS (sen)		Net Dvd Yield		P/NTA (x)
				FY24F	FY25F	FY24F	FY25F	FY24F	FY25F	FY24F	FY25F	
MAHSING	BUY	1.67	1.97	9.8	11.2	17.0	14.9	5.1	5.5	3.1%	3.3%	1.11
SPSETIA	BUY	1.23	1.72	15.1	12.4	9.2	7.9	1.7	1.8	2.5%	2.6%	0.37
UOADEV	BUY	1.84	2.06	8.6	9.0	21.3	20.6	10.0	10.0	5.4%	5.4%	0.87
MATRIX	BUY	1.91	2.22	19.0	21.1	10.1	9.0	10.00	10.60	5.2%	5.5%	1.10
SUNWAY	NEUTRAL	4.14	4.15	12.6	12.6	32.9	32.8	6.5	7.0	1.6%	1.7%	1.93
ECOWLD	NEUTRAL	1.76	1.79	9.5	9.6	18.5	18.3	6.0	6.0	3.4%	3.4%	1.08
IOIPG	NEUTRAL	2.11	2.04	8.9	11.8	23.6	17.8	5.0	5.0	2.4%	2.4%	0.48
GLOMAC	NEUTRAL	0.380	0.43	0.9	2.8	42.2	13.6	1.3	1.3	3.3%	3.4%	0.24

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