Property

NEUTRAL (Downgrade)

Rising Headwinds Ahead

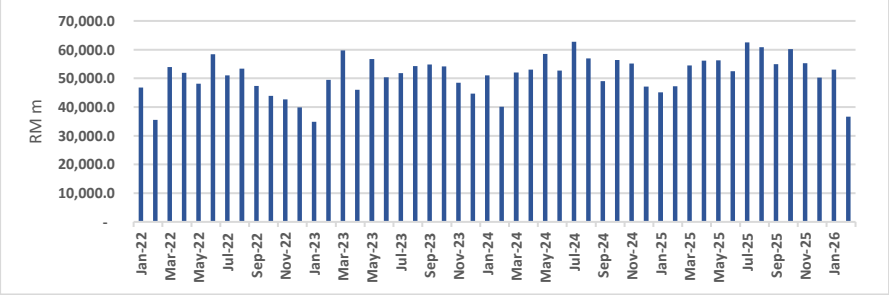
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HIGHLIGHTS

- Weak loan application and approved loan in Feb 2026
- Margin compression due to higher construction cost
- Lower disposable income a drag on buying sentiment
- Township developers the potential losers from reduction in BUDI95 monthly quota
- Steeper RNAV discount applied for property developers
- Downgrade property sector call to NEUTRAL from POSITIVE

Weak loan application in Feb 2026. Data released by Bank Negara Malaysia (BNM) showed that total loan application for purchase of property plunged to RM36.6b (-22.5%yoy) in February 2026, the first year-on-year decline in seven months. The sharp decline in loan application could be due to Chinese New Year holiday which compounded by the start of Ramadan month in February 2026. On a month-on-month basis, loan application was weaker by -30.9%mom in February 2026, mainly due to short month in February 2026 and public holidays in the month. Cumulatively, total loan application was weaker at RM89.7b (-2.9%yoy) in 2MCY26. Going forward, we expect higher loan application in March 2026 as loan application should normalise. Nevertheless, we are turning less sanguine on buying interest on properties as the oil price hike is expected to increase cost of livings and hamper buying interest on big ticket items.

Figure 1: Monthly total applied loan



Source: BNM, MBSB Research

Lower approved loan. Approved loan for purchase of property was lower at RM15.7b (-11.6%yoy) in February 2026 mainly due to decline in loan application which partly cushioned by the higher loan approval ratio. Note that loan approval ratio increased to 42.8% in February 2026 from 37.5% in February 2025. On a month-on-month basis, approved loan declined by -29.5%mom in February 2026, in line with the sharp decline in loan application. Cumulatively, total approved loan was higher at RM37.9b (+3.6%yoy) in 2MCY26, mainly helped by higher loan approval ratio. Nevertheless, we see subdued outlook for approved loan going forward due to expectation of lower loan application going forward.

COMPANY *IN FOCUS*

Mah Sing Group

Maintain BUY | Revised Target Price: RM1.25
Price @ 15 April 2026: RM1.05

- Mah Sing sets new sales target of RM2.76b for FY26.
- Active land banking supports new sales prospects.
- Expanding industrial property exposure bodes well for new sales growth.

SHARE PRICE CHART

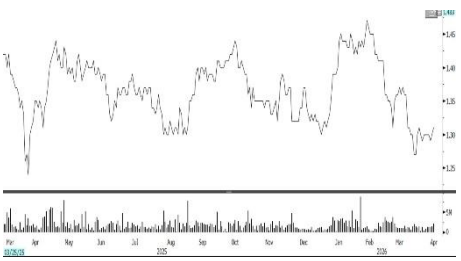


Matrix Concepts

Maintain BUY | Revised Target Price: RM1.55
Price @ 15 April 2026: RM1.31

- MVV City is the next growth earnings catalyst to Matrix Concepts.
- Klang Valley developers gaining traction and support earnings growth.
- Dividend yield is attractive at 5.2%.

SHARE PRICE CHART



Margin compression due to higher construction cost. The higher oil price and diesel price has increase construction cost of developers as higher transportation cost translates into higher prices for construction materials. Typically, construction cost makes up 50% of total cost for developers. While cost for ongoing projects of developers are largely unaffected as contracts of ongoing projects are locked in, we see that the cost for new projects will be affected considering that contractors are likely to increase rates to pass on the higher cost of materials. Meanwhile, we see limited room for developers to increase selling price of property to pass on the higher cost as we opne that buying sentiment will likely be subdued due to inflationary pressure and lower disposable income. Based on our sensitivity analysis, a 10% increase in construction cost will lead to ~300-400bps contraction in gross profit margin. In a nutshell, the hike in oil prices is expected to compress margin of developers.

Lower disposable income a drag on buying sentiment. With the higher oil price which will lead to higher inflationary outlook, disposable income of home buyers is expected to be lower which may lead to hold back in spending on big ticket items. Hence, we think that the elevated oil price will impact property sales outlook. We foresee that new property sales to be potentially weaker by 10%-15%. In this context, we see that developers that have high earnings contribution from property development such as Mah Sing Group and Matrix Concepts to be more susceptible to the weaker buying sentiment. Meanwhile, developers such as UOA Development that have high recurring income contribution from investment properties to have milder earnings impact as recurring income cushions the drop in property development earnings.

Township developers the potential losers from reduction in BUDI95 monthly quota. Malaysia government reduced BUDI95 monthly quota to 200litre from 300litre effective April 2026. The reduction in monthly quota is expected to increase commuting cost for people staying outskirts of KL. We see that it will hurt buying interest on properties located outskirts of KL. For illustration purposes, a B-segment ICE car delivers around 14 km/litre. A 200-litre supply can provide a driving range of approximately 2,800km. For a person staying in Seremban, the monthly driving range to KL city centre (based on 24 working days) is estimated at 3,600km which is higher than 2,800km driving range from BUDI95 quota, making it necessary to pay for unsubsidized RON95 petrol. The amount to pay for unsubsidized RON95 petrol is higher for car with higher fuel consumption. Hence, we see that the rising oil price may put a dent on buyers' interest on township located outskirts of KL such as Seremban 2 and Bandar Sri Sendayan.

Steeper RNAV discount applied for property developers. While we maintain earnings forecast for property companies under our coverage at this juncture pending clarity on margin compression, we cautiously apply steeper discount for companies under our coverage to reflect the less rosy outlook for the property sector. Correspondingly to the revision in target prices, we downgrade UOA Development to NEUTRAL from BUY. We maintain valuation of IOI Properties Group as we have recently revised TP for IOI Properties. Our BUY calls for Mah Sing Group, Matrix Concepts and S P Setia are maintained.

Figure 2: Revised Target Prices and RNAV discount for property companies

Stock	Previous Call	Revised Call	Previous TP (RM)	Revised TP (RM)	Previous RNAV discount	Revised RNAV discount
MAHSING	BUY	BUY	1.49	1.25	40%	50%
MATRIX	BUY	BUY	1.66	1.55	25%	30%
SPSETIA	BUY	BUY	1.26	0.98	68%	75%
UOADEV	BUY	NEUTRAL	2.01	1.86	19%	25%
ECOWLD	NEUTRAL	NEUTRAL	2.22	2.09	10%	15%
SUNWAY	NEUTRAL	NEUTRAL	5.30	5.20	10%	15%

Source: MBSB Research

Downgrade property sector call to NEUTRAL from POSITIVE. We see rising headwinds for property sector in the near-term as the oil price hike is likely to impact buying interest on properties and increase cost for developers. We reckon that buying interest on property is likely to be weaker as people holding back spending on big ticket items amid rising cost of livings. Besides, the property sector is also facing the issue of rising property overhang which is at its highest level since 3QCY22. In view of the rising headwinds ahead, we downgrade our call on property sector to **NEUTRAL** from POSITIVE. Our top picks for the sector are **Mah Sing Group (BUY, TP: RM1.25) and Matrix Concepts (BUY, TP: RM1.55)**. Despite Mah Sing has high earnings contribution from property development business may see its earnings sensitive to potential slowdown in property market, its property sales maybe partially cushioned by higher buying interest on properties located within short distance to KL in view of the rising commuting cost. For Matrix Concepts, while short-term buying interest on its properties at Bandar Sri Sendayan maybe hampered as the township is located outskirts of KL, we still see deep value in its MVV City Centre which will remain the catalyst in the longer term.

Peers Comparison

Stock	Rec.	Price @ 15-Apr-2026	Target Price (RM)	Core EPS (sen)		Core PER (x)		Net DPS (sen)		Net Dvd Yield		P/NTA (x)
				FY26F	FY27F	FY26F	FY27F	FY26F	FY27F	FY26F	FY27F	
MAHSING	BUY	1.05	1.25	10.9	12.0	9.6	8.8	5.0	6.0	4.8%	5.7%	0.66
MATRIX	BUY	1.31	1.55	12.8	14.4	10.2	9.1	6.80	7.20	5.2%	5.5%	1.07
SPSETIA	BUY	0.865	0.98	8.7	9.6	9.2	7.9	2.5	2.9	2.5%	2.6%	0.29
UOADEV	NEUTRAL	1.82	1.86	14.6	15.3	12.5	11.9	10.0	10.0	5.5%	5.5%	0.82
ECOWLD	NEUTRAL	2.01	2.09	19.7	13.6	10.2	14.7	8.0	8.0	4.0%	4.0%	1.18
SUNWAY	NEUTRAL	5.30	5.20	16.4	16.6	32.4	32.0	6.0	6.0	1.1%	1.1%	2.29
IOIPG	NEUTRAL	3.80	3.52	10.4	11.3	36.5	33.7	8.0	8.0	2.1%	2.1%	0.84

Source: MBSB Research

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STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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