Property

NEUTRAL (Maintain)

Outlook Marred by Growing Challenges

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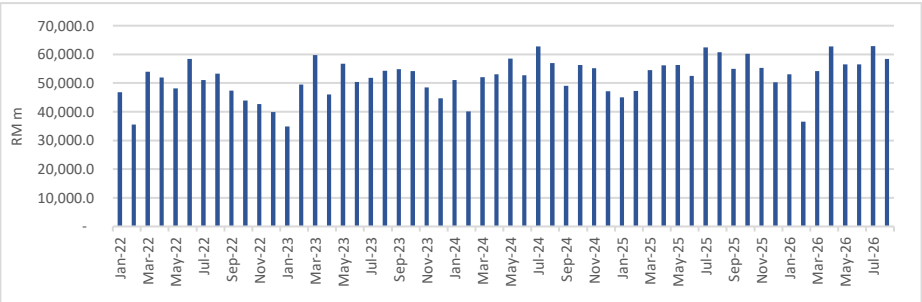
HIGHLIGHTS

- First decline in five months signals softer property loan demand
- Approved loan growth turns negative in 8MCY26
- Growing property overhang poses downside risk to developers
- Wider RNAV discount to reflect the softer market outlook
- Maintain NEUTRAL on property sector with top picks for the sector are Matrix Concepts (BUY, TP: RM1.33) and Mah Sing Group (BUY, TP: RM1.15)

First decline in five months signals softer property loan demand. Total loan applications for purchase of property declined for the first time in five months in August 2026, falling -4.0%yoy to RM58.4b. On a monthly basis, loan applications also eased by -7.2%mom. While this may be an early indication of softer buying sentiment, the trend over the next few months will provide a clearer picture of property demand amid ongoing geopolitical uncertainties. Cumulatively, total loan applications in 8MCY26 increased marginally by +1.3%yoy to RM440.8b, suggesting that overall buying sentiment remains relatively stable despite consumers remain cautious amid the higher cost environment. Nevertheless, persistent inflationary pressures are likely to continue weighing on purchasing decisions and could moderate buying sentiment be going forward.

Figure 1: Monthly total applied loan



Source: BNM, MBSB Research

Approved loan growth turns negative in 8MCY26. Approved loans for property purchases declined in August 2026, falling -13.1%yoy and -12.4%mom to RM23.8b, in line with the weaker loan application trend. The decline was also partly due to a lower loan approval ratio of 40.8%, compared with 45.0% in August 2025 and 43.2% in July 2026, suggesting banks have become more cautious in approving loans. Cumulatively, total approved loans declined -1.5%yoy to RM185.8b in 8MCY26, slipping into negative territory after remaining broadly flat in 7MCY26. We believe this points to a more challenging operating environment for property developers going forward.

COMPANY *IN FOCUS*

Matrix Concepts Holdings

Maintain BUY | Revised Target Price: RM1.33
Price @ 6 Oct 2026: RM1.07

- New sales prospect and earnings outlook are expected to be better in FY27
- Long-term prospects for MVV City remain positive.
- Attractive dividend yield of 6.7%.

SHARE PRICE CHART



Mah Sing Group

Maintain BUY | Revised Target Price: RM1.15
Price @ 6 Oct 2026: RM0.955

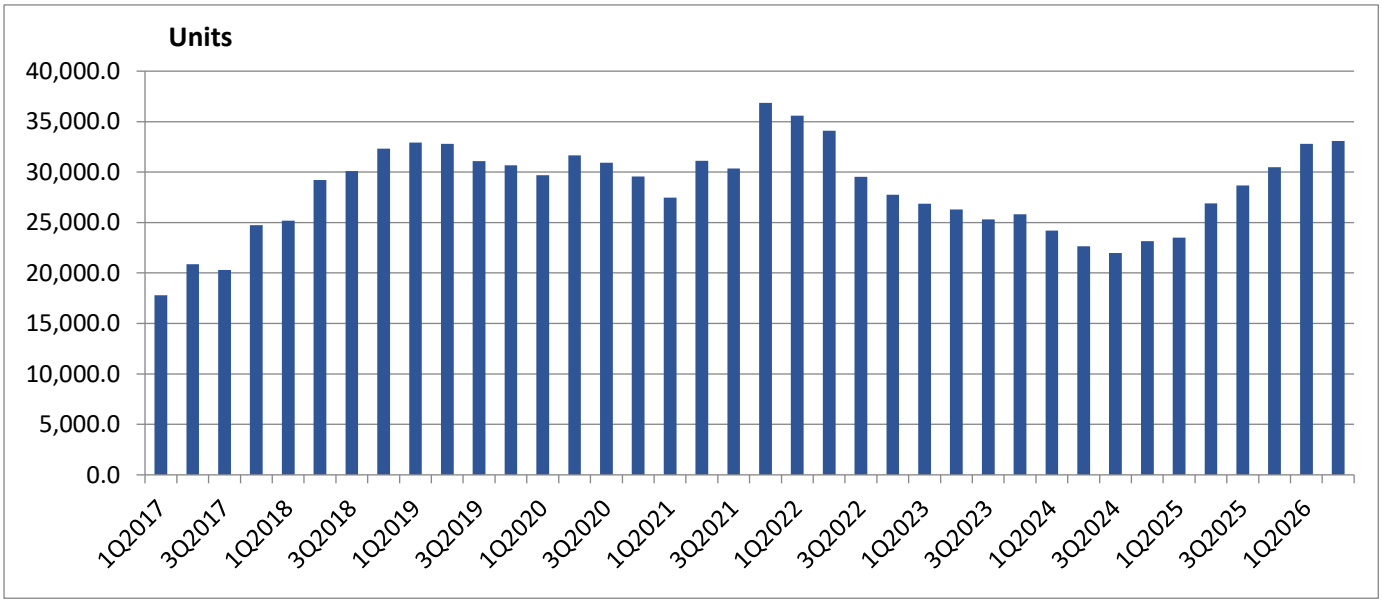
- Stable earnings growth in 1HFY26 on higher progress billings from its development projects.
- Stronger balance sheet from land monetization.
- Growing presence in the industrial property segment will provide an additional growth avenue.

SHARE PRICE CHART



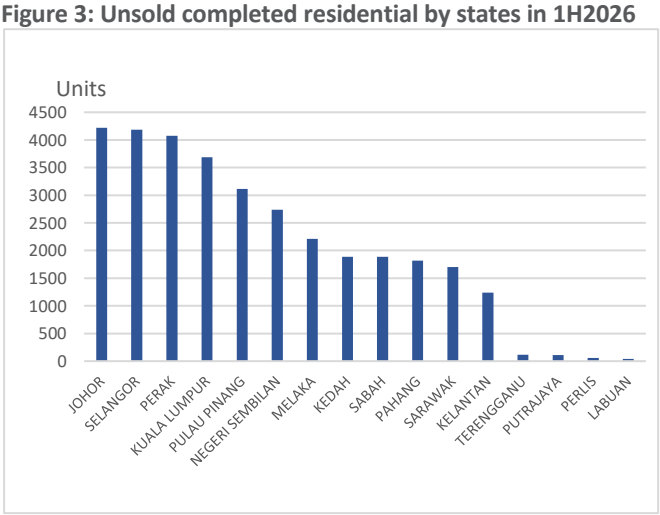
Growing property overhang poses downside risk to developers. According to data released by the National Property Information Centre (NAPIC), the number of unsold completed residential units increased for the seventh consecutive quarter since 4QCY24, rising to 33,094 units in 2QCY26 from 32,801 units in 1QCY26. It was also significantly higher than the 26,911 units recorded in 2QCY25. Residential overhang in 1HCY26 were mainly contributed by Johor at 4,222 units, followed by Selangor (4,185 units) and Perak (4,075 units). Similarly, serviced apartment overhang rose sharply to 23,375 units in 2QCY26 from 19,263 units in 1QCY26, mainly driven by higher overhang levels in Kuala Lumpur and Selangor. We continue to view the rising property overhang as a key downside risk to the sector, as the growing inventory of unsold units may point to emerging oversupply concerns. This could dampen developers' appetite for new launches and potentially weigh on sales growth and earnings visibility going forward.

Figure 2: Number of unsold completed residential units in Malaysia



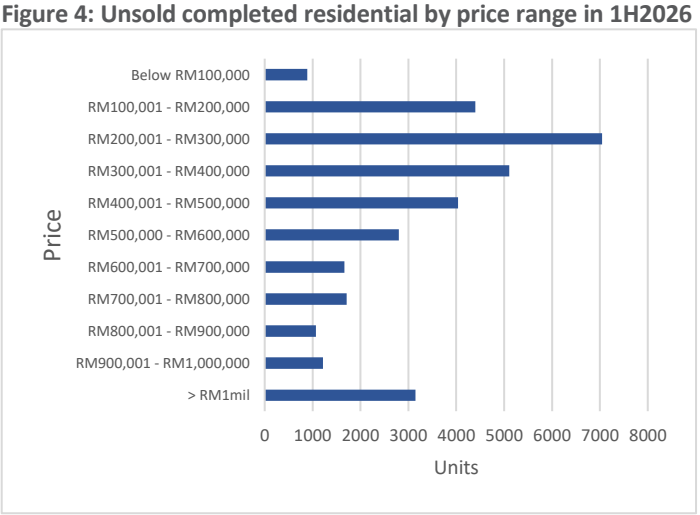
Source: NAPIC, MBSB Research

Figure 3: Unsold completed residential by states in 1H2026



Source: NAPIC, MBSB Research

Figure 4: Unsold completed residential by price range in 1H2026



Source: NAPIC, MBSB Research

Wider RNAV discount to reflect the softer market outlook. We believe the external environment for the property market is becoming more challenging amid ongoing geopolitical tensions, elevated oil prices and rising bond yields. While Malaysians are largely shielded by the BUDI95 programme, businesses could still face higher operating costs from the indirect effects of increased fuel prices, which may in turn dampen buying sentiment. Furthermore, the rising property overhang could pose a headwind to the sector by limiting pricing power and slowing sales momentum. As a result, we apply a higher RNAV discount to the property companies under our coverage to reflect the more challenging operating environment and softer market outlook. Target price revisions for the property companies under our coverage are presented in Figure 5 (see below). Despite the changes in target prices, our stock recommendations remain unchanged.

Figure 5: Target Price Revisions

Stock	Previous TP (RM)	Revised TP (RM)	Previous RNAV discount	Revised RNAV discount
MAHSING	1.40	1.15	45%	55%
MATRIX	1.55	1.33	30%	40%
IOIPG	4.24	3.96	25%	30%
SPSETIA	0.86	0.75	78%	81%
UOADEV	1.66	1.54	33%	38%
ECOWLD	1.97	1.85	20%	25%
SUNWAY	5.36	4.62	15%	30%

Source: MBSB Research

Maintain NEUTRAL on property sector. We see growing challenges that could cloud the outlook for the property sector. The increasing property overhang is another concern for the sector. Besides, the elevated oil price may also weigh on sentiment and affordability, although the impact on households is partly mitigated by the BUDI95 programme. Hence, we maintain our **NEUTRAL** stance on the sector. Our top picks for the sector are **Matrix Concepts (BUY, TP: RM1.33)** and **Mah Sing Group (BUY, TP: RM1.15).** The MVV City development remains a key catalyst for Matrix Concepts, while contributions from its Sendayan and Klang Valley projects should continue to support earnings growth. In addition, dividend yield is attractive at 6.7%. On the other hand, we see healthy earnings outlook for Mah Sing, supported by steady revenue recognition from its strong M Series sales. Its expanding presence in the industrial property segment provides an additional growth driver. Besides, the monetisation of Southville City land parcels should strengthen its balance sheet and support future land banking activities.

Peers Comparison

Stock	Rec.	Price @ 6-Oct-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	0.955	1.15	10.9	12.0	8.8	8.0	5.0	6.0	5.2%	6.3%	0.60
MATRIX	BUY	1.07	1.33	11.5	14.4	9.3	7.5	6.10	7.20	5.7%	6.7%	0.85
IOIPG	BUY	3.32	3.96	12.8	13.1	26.0	25.3	8.0	8.0	2.4%	2.4%	0.74
SPSETIA	NEUTRAL	0.74	0.75	6.5	7.3	9.2	7.9	2.0	2.1	2.5%	2.6%	0.25
UOADEV	NEUTRAL	1.56	1.54	12.5	13.6	12.5	11.4	10.0	10.0	6.4%	6.4%	0.72
ECOWLD	NEUTRAL	1.86	1.85	19.7	13.6	9.5	13.6	8.0	8.0	4.3%	4.3%	0.93
SUNWAY	NEUTRAL	4.29	4.62	16.4	16.6	26.2	25.9	6.0	6.0	1.4%	1.4%	1.94

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