

PROPERTY

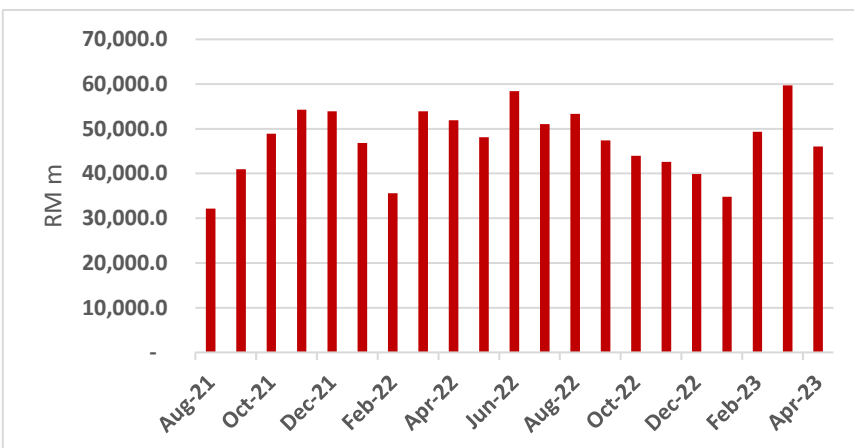
Loan application took a breather

KEY INVESTMENT HIGHLIGHTS

- Loan application eased in April 2023
- Lower approved loan in April 2023
- Lower residential overhang in 1Q2023
- 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)

Loan application eased in April 2023. According to data released by Bank Negara Malaysia (BNM), loan application for purchase of property took a breather in April 2023, easing by -23%mom after two consecutive increases in February and March 2023. Recall that loan application jumped to the highest in more than two years in March 2023 due to recovery in buying interest following pause in OPR hike in January and March. On yearly basis, loan application declined by -11.4%yoy following two consecutive increases in February and March 2023. Looking ahead, we think that loan application may stay weaker as Bank Negara Malaysia increased OPR by 25basis points to 3% on 3rd May 2023 which may dampen buying interest on property.

Figure 1: Monthly total applied loan



Source: BNM, MIDF Research

Lower approved loan in April 2023. Total loan approved for purchase of property declined by -17.8%mom in April 2023, in line with the lower loan application in April 2023. The decline was partially cushioned by higher loan application and higher percentage of total approved loan over total applied loan of 46.4% in April 2023 (March 2023: 43.5%). On yearly basis, approved loan eased by 5.1%yoy in April 2023 after an increase of +19%yoy in March 2023. Cumulatively, total approved loan in 4M2023 was higher by +6.3% which bodes well for new sales outlook for property developers. Nevertheless, new sales momentum might turn weaker going forward as loan application is expected to be weaker due to OPR hike in May 2023.

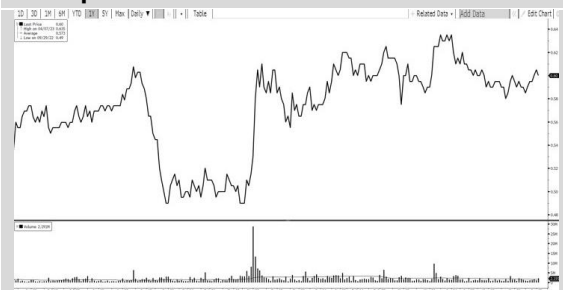
COMPANY IN FOCUS

Mah Sing Group Berhad

Maintain **BUY** | Unchanged Target price: RM0.75
Price @ 16th June 2023: RM0.60

- Resilient earnings in 1QFY23 due to higher property sales and profit recognition from ongoing projects.
- On acquisition trail to expand M-series of affordable projects.
- New sales achieved in 1QFY23 is in line with management new sales target of RM2.2b for FY23.

Share price chart



Glomac Berhad

Maintain **BUY** | Unchanged Target price: RM0.43
Price @ 16th June 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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Lower residential overhang in 1Q2023. According to data released by National Property Information Centre (NAPIC), residential overhang of Malaysia remained on declining trend in 1Q2023. Residential overhang continued to decline to 26,872 units in 1Q2023 after falling to 27,746 units in 2022 from 36,863 units in 2021. Selangor has the highest residential overhang units of 4,995 units, followed by Johor (4,759 units) and Kuala Lumpur (3,423 units). The continued decline in residential overhang could be attributed to higher buying interest on property following reopening of economy and country borders. We see that the improving residential overhang in 1QCY23 to be positive to property sector as that signals easing concern of oversupply situation of residential properties in Malaysia.


Maintain NEUTRAL on property sector. The weaker loan application and loan approved data in April 2023 is slight negative to property sector as demand for loan is expected to be weaker going forward due to OPR hike in May 2023. Nevertheless, the improving residential overhang data in 1QCY23 is positive to the sector as it eases concern of residential properties oversupply in Malaysia. In a nutshell, we maintain **NEUTRAL** but with positive bias on property sector. Our top picks for the sector are **Mah Sing Group (BUY, TP: RM0.75)** and **Glomac Berhad (BUY, TP: RM0.43)** as we remain positive on developers that focus on building projects in the mid-market and affordable segment. We continue to see resilient demand for affordable homes due to demand from first-time home buyers. 

Figure 2: Peers comparison table

Stock	FYE	Rec.	Price @ 16-June-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	0.60	0.75	8.5	9.7	7.1	6.2	3.4	3.9	5.7%	6.5%
ECOWLD	Oct	BUY	0.82	0.87	10.1	10.5	8.1	7.8	5.0	5.0	6.1%	6.1%
IOIPG	June	BUY	1.08	1.29	13.3	13.6	8.1	7.9	4.0	4.0	3.7%	3.7%
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	0.515	0.71	7.0	8.1	7.4	6.4	1.6	1.7	3.1%	3.2%
UOADEV	Dec	NEUTRAL	1.58	1.65	8.7	8.9	18.2	17.8	10.0	10.0	6.3%	6.3%
SUNWAY	Dec	NEUTRAL	1.58	1.66	10.2	10.5	15.5	15.0	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 <i>rise</i> 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 <i>fall</i> 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