

PROPERTY SECTOR

Maintain NEUTRAL

Strong gains in KL Property Index

DEVELOPMENT

- **KL Property Index saw strong trading interest recently by gaining 18.4% year-to-date.** We think the strong gains were due to a slew of positive development on property sector recently namely investments by foreign investors as well as potential revival of High-Speed Rail (HSR) project. Besides, the pause in OPR hike in July 2023 following several rate hikes in 2022 has also supported sentiment on property sector.

OUR VIEW

- **FDI a long-term boost to the sector.** Malaysia saw increased investment by foreign investors recently. For instance, Prime Minister Datuk Seri Anwar Ibrahim revealed that Geely, the Chinese carmaker will invest USD10b (RM45.6b) to turn Tanjung Malim in Perak into the region's largest auto city. The investment is expected to improve vibrancy of Tanjung Malim as more workers are expected to be located in Tanjung Malim. We expect that to increase demand for property at surrounding area of Tanjung Malim and southern part of Klang Valley such as Rawang. In this context, we see that property developers with exposure to northern part of Klang Valley may benefit from this. Note that **Mah Sing (BUY, TP: RM0.78)** has M Aruna project in Rawang while **Glomac (BUY, TP: RM0.43)** has Saujana Rawang township project in Rawang.
- **Worst could be over for Johor property market.** While Johor has been plagued by the oversupply of residential property in the past few years, outlook for property market in Johor turns better with lower residential overhang units in 1QCY23. Residential overhang units fell below 5,000 units in 1QCY23 at 4,759 units from 5,258 units in 4QCY22 and 5,992 units in 1QCY22. Meanwhile, the potential revival of High-Speed Rail (HSR) is also a strong catalyst to Johor as it will boost demand for property in Johor. On another note, Malaysia and Singapore have agreed to set up a special task force to study the establishment of a Johor-Singapore special economic zone recently. Hence, we think that worst could be over for Johor and Johor property market is poised for recovery going forward. Developers that have exposure to Johor are **UEM Sunrise (Non-rated)** with 7877 acres land, **Sunway Berhad (NEUTRAL, TP: RM1.66)** with 1700 acres land in Sunway Iskandar, **Eco World Development (UNDER REVIEW, TP: RM0.87)** with 1000 acres land in Johor and **Mah Sing (BUY, TP: RM0.78)** with 1120 acres land in Meridin East.
- **Weaken ringgit a slight positive factor to property sector.** The weaken ringgit recently may help support buying interest on property partially as people may consider to invest in property to preserve wealth. Besides, the weaken ringgit may prop up buying interest on property by foreigners as Malaysia property becomes cheaper to foreigner. In a nutshell, we think that the weaken ringgit may help support buying interest by foreigners marginally. However, we think that buying interest by foreigners may grow stronger if more attractive incentives are given.
- **Maintain NEUTRAL with positive bias on property sector.** In a nutshell, the slew of positive development on property sector is expected to support demand for property in the long-term. We remain **NEUTRAL** but with positive bias on property sector as we see demand for property to grow marginally in the near-term. For stock picks, we have **BUY** calls on **Mah Sing (TP: RM0.78)**, **IOI Properties (TP: RM1.38)**, **Glomac (TP: RM0.43)** and **S P Setia (TP: RM0.71)**. We have **TRADING BUY** call on **UOA Development** with target price of RM1.91 due to bumper dividend of 20sen announced recently. 

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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