

PROPERTY

Maintain NEUTRAL

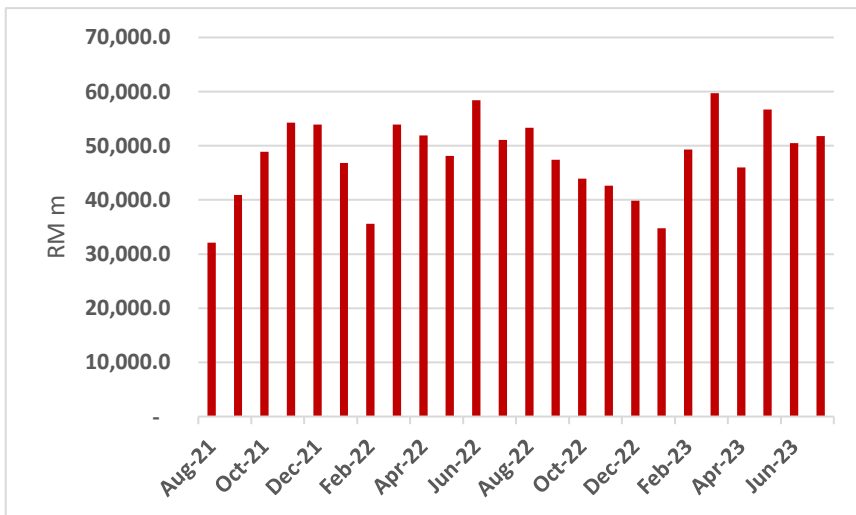
Flattish loan application for 7MCY23

KEY INVESTMENT HIGHLIGHTS

- **Marginal uptick in loan application**
- **Higher approved loan in 7M2023**
- **Increased exposure of property companies to industrial development**
- **Maintain NEUTRAL with positive bias on property sector**
- **Top picks for the sector are Mah Sing Group (BUY, TP: RM0.90) and Matrix Concepts (BUY, TP: RM1.81)**

Marginal uptick in loan application. According to data released by Bank Negara Malaysia (BNM), loan application for purchase of property recovered marginally by +2.7%mom to RM51.8b in July 2023 after decline of -11%mom in June 2023. On yearly basis, loan application was higher by +1.5%yoy in June 2023 after steep decline of -13.6%yoy in July 2023. We think that the marginal recovery in loan application could be due to pause in rate hike by Bank Negara Malaysia in July 2023. Cumulatively, total loan application in 7MCY23 stood at RM348.8b (+0.9%yoy). The marginally higher total application indicates healthy demand for property.

Figure 1: Monthly total applied loan



Source: BNM, MIDF Research

Higher approved loan in 7MCY23. Total loan approved for purchase of property continued to decline in July 2023 by -4.2%mom to RM23.1b after decrease of -5.6%mom in June 2023. The decline in approved loan was mainly due to a lower percentage of total approved loan over total applied loan of 44.6% in July 2023 against 47.8% in June 2023. On yearly basis, total loan approved in July 2023 was marginally higher by +1.7%yoy, bringing cumulative total approved loan in 7MCY23 higher at RM153.8b (+8%yoy). The higher total approved loan indicates better new sales outlook for property developers.

COMPANY IN FOCUS

Mah Sing Group Berhad

Maintain **BUY** | Unchanged Target price: RM0.90
Price @ 12th Sept 2023: RM0.785

- Higher earnings in 1HFY23 due to higher revenue recognition from ongoing projects.
- Active land acquisition supports new property sales outlook.
- Setting up JV for industrial development due to strong demand for industrial assets in Malaysia.

Share price chart



Matrix Concepts Holdings Berhad

Maintain **BUY** | Unchanged Target price: RM1.81
Price @ 12th Sept 2023: RM1.49

- Encouraging property sales from Bandar Sri Sendayan due to offering of affordable landed homes.
- Better earnings outlook for FY24 and FY25 as construction progress at project sites normalizes.
- Attractive dividend yield of 6.4% based on dividend forecast of 9.5sen.

Share price chart



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Increased exposure of property companies to industrial development. Demand for industrial property is growing and that has led to growing exposure of property companies in industrial development. For instance, S P Setia added three new industrial estates recently into its portfolio namely Setia Fontaines Industrial Park in Penang, Setia Alaman in Klang, and Tanjung Kupang in Johor. Meanwhile, Eco World Development Group saw encouraging sales from industrial properties as it makes up 35% of new sales in 7MFY23. Subsequently, Eco World Development Group proposed to acquire 403.8 acres of industrial land in Kulai, Johor from IOI Properties Group for cash consideration of RM211m. On the other hand, Sunway Berhad expanded portfolio to industrial asset development recently by acquiring 245 acres of freehold land at Kuang, Rawang for development of an Industrial Tech Park. Similarly, Mah Sing Group set up a JV for industrial development recently due to growing demand for industrial property in Malaysia from buyers in China. Overall, we see a growing contribution from industrial development to property companies in the near term, riding on the solid demand for industrial assets.


Maintain NEUTRAL with positive bias on property sector. Overall, we are maintaining our **NEUTRAL** with a positive bias in the property sector as we expect demand for property to continue to recover gradually. Besides, Bank Negara Malaysia maintained OPR at 3% in September 2023 which should underpin demand for property going forward. Our top picks for the sector are **Mah Sing Group (BUY, TP: RM0.90)** and **Matrix Concepts (BUY, TP: RM1.81)** as we remain sanguine on property developers that focus on the mid-market and affordable segment amid resilient demand for affordable homes. 

Figure 2: Peers comparison table

Stock	Rec.	Price @ 12-Sept-2023	Target Price (RM)	Core EPS (sen)		Core PER (x)		Net DPS (sen)		Net Dvd Yield		P/NTA (x)
				FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	
MAHSING	BUY	0.785	0.90	8.5	9.7	9.2	8.1	3.4	3.9	4.3%	5.0%	0.53
SPSETIA	BUY	0.87	1.04	7.0	8.1	9.2	7.9	1.6	1.7	2.5%	2.6%	0.25
IOIPG	BUY	1.60	1.79	12.7	16.0	12.6	10.0	5.0	5.0	3.1%	3.1%	0.40
GLOMAC	BUY	0.37	0.47	4.1	5.3	8.9	6.9	1.3	1.5	3.4%	4.1%	0.24
MATRIX	BUY	1.49	1.81	17.6	20.4	8.5	7.3	8.50	9.80	5.7%	6.6%	0.94
ECOWLD	NEUTRAL	0.99	1.02	9.6	9.6	10.3	10.3	5.0	5.0	5.1%	5.1%	0.61
UOADEV	NEUTRAL	1.71	1.65	8.8	9.0	19.4	19.0	30.0	10.0	17.5%	5.8%	0.73
SUNWAY	NEUTRAL	1.92	1.71	10.2	10.5	18.8	18.3	5.5	5.5	2.9%	2.9%	0.91

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