

PROPERTY

Maintain POSITIVE

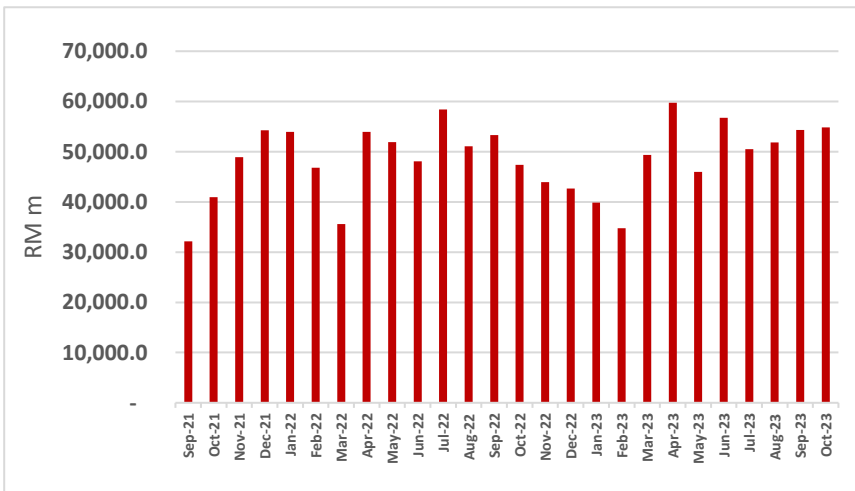
Improving outlook

KEY INVESTMENT HIGHLIGHTS

- Stronger demand for property
- Stronger approved loan
- Easing residential and serviced apartment overhang in 3QCY23
- Unchanged OPR at 3% is positive to the sector
- Maintain POSITIVE on property sector
- Top picks for the sector are Mah Sing Group (BUY, TP: RM0.99) and Matrix Concepts (BUY, TP: RM1.86)

Stronger demand for property. Loan application data from Bank Negara Malaysia (BNM) shows that buying interest on property remains encouraging. Loan application for purchase of property grew by +23%yoy to RM54b in October 2023 after encouraging growth of +15.7%yoy in September 2023. Cumulatively, loan application for purchase of property in 10MCY23 was higher at RM512b (+4.4%yoy). We see that the stronger loan application is positive to the sector as it indicates stronger buying interest on property. Looking ahead, we believe that demand for property will be stronger in CY24 due to improving property landscape in Malaysia.

Figure 1: Monthly total applied loan



Source: BNM, MIDF Research

Stronger approved loan. In line with higher loan application in October 2023, approved loan was higher at RM23.9b (+15.9%yoy) in October 2023. On monthly basis, total approved loan was higher (+9.3%mom), mainly helped by higher percentage of total approved loan over total applied loan of 44.3% in October 2023 against 40% in September 2023. Cumulatively, 10M2023 total approved loan was higher at RM224.8b (+8.5%yoy). The higher approved loan indicates that stronger property sales of property developers which should in turn support earnings growth of property developers in the near term.

COMPANY IN FOCUS

Mah Sing Group Berhad

Maintain **BUY** | Unchanged Target price: RM0.99
Price @ 6th Dec 2023: RM0.775

- Decent earnings growth in 9MFY23.
- Strong 9MFY23 new sales of RM1.8b, on track to surpass new sales target of RM2.2b for FY23.
- Healthy balance sheet healthy with net gearing of 0.13x in 3QFY23

Share price chart



Matrix Concepts Holdings Berhad

Maintain **BUY** | Unchanged Target price: RM1.86
Price @ 6th Dec 2023: RM1.64

- New property sales are expected to pick up in 2HFY24
- Better earnings prospect due to pick up in progress billing.
- Attractive dividend yield of 6% based on dividend forecast of 9.8sen.

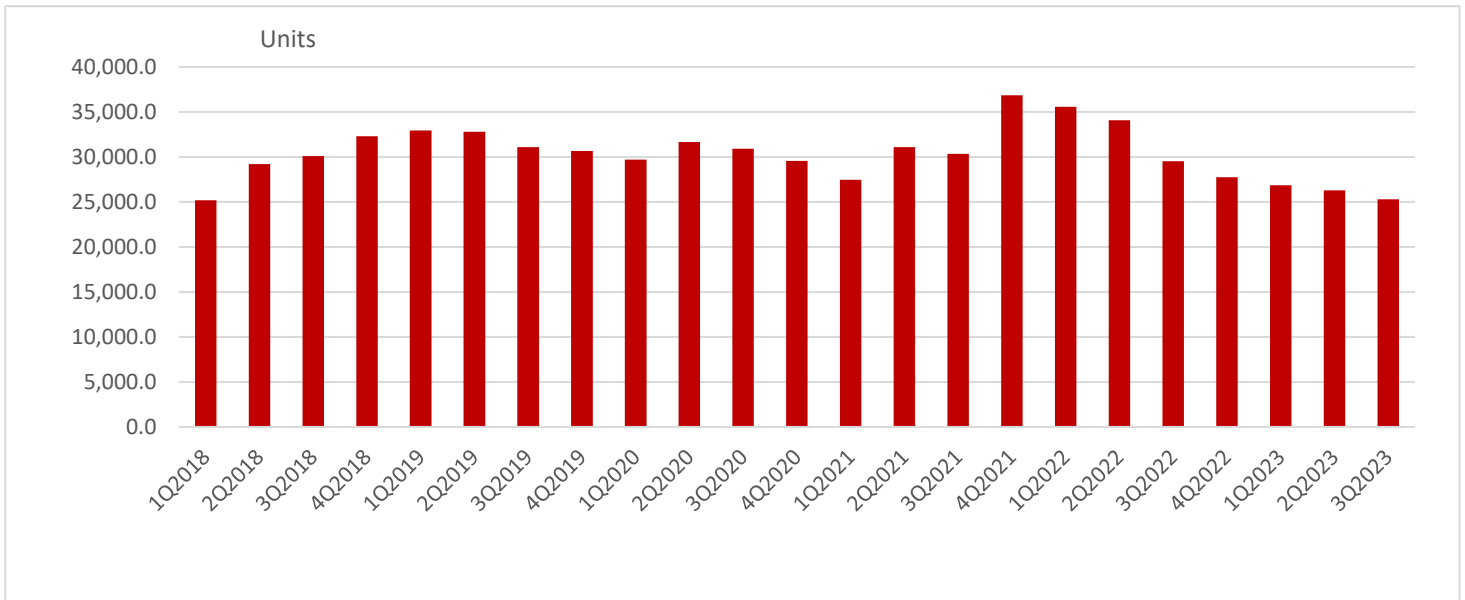
Share price chart



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Easing concern on residential oversupply. According to data released by National Property Information Centre (NAPIC), residential overhang fell for seventh consecutive quarters in 3QCY23 to 25,311 units. Note that residential overhang declined to 26,286 units in 2QCY23 from 26,872 units in 1QCY23. Johor has the highest number of residential overhang at 4,500 units in 3QCY23 (4,717 units in 2QCY23), followed by Perak at 3,625 units (3,333 units in 2QCY23) and Selangor at 3,296 units (4,307 units in 2QCY23). The continuous decline in residential overhang bodes well for the sector as it signals easing concern on residential oversupply.

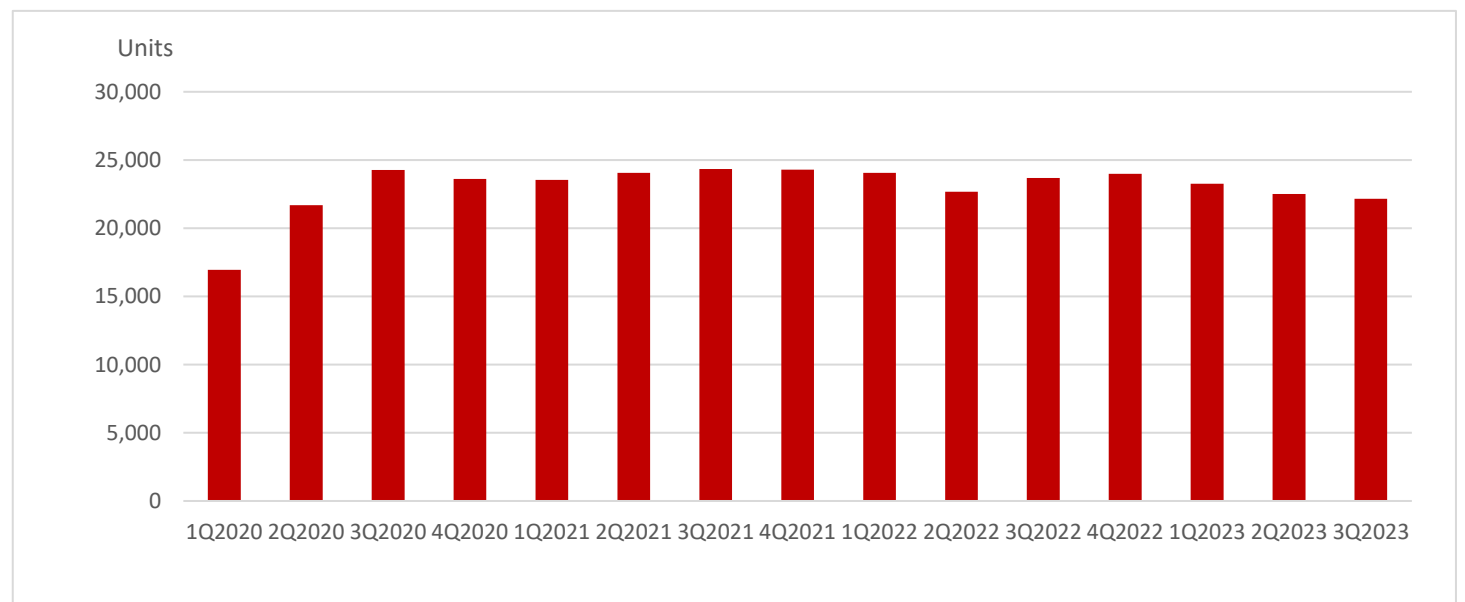
Figure 2: Residential Overhang



Source: NAPIC, MIDF Research

Serviced apartment overhang improved. According to data from NAPIC, serviced apartment overhang improved in 3QCY23 with lower total serviced apartment overhang of 22,152 units against 22,497 units in 2QCY23. The improvement in serviced apartment overhang was mainly led by the lower overhang units in Johor of 12,646 unit in 3QCY23 from 13,366 units in 2QCY23. Note that Johor is the state with highest serviced apartment overhang which contributed to 57% to total overhang. Similarly, serviced apartment overhang in KL improved to 4,792 units in 3QCY23 from 5,450 units in 2QCY23. In a nutshell, we see that the improving serviced apartment overhang particularly in Johor is positive to the sector and bodes well for recovery of property market in Johor.

Figure 3: Serviced Apartment Overhang



Source: NAPIC, MIDF Research

OPR maintained at 3%. BNM maintained OPR at 3% in November 2023, September 2023 and July 2023. The unchanged OPR is supportive to the recovery of property sector as buying interest will stay supported. Recall that property market was hit by four consecutive OPR hikes in 2022 which hurt buying interest on properties due to increase in monthly instalment. Meanwhile, we think that OPR of 3% will remain accommodative and supportive to the growth of property sector. Looking ahead, our economist expects BNM to maintain OPR at 3% in 2024. The expectation of unchanged OPR should continue to support recovery of property sector.


Maintain POSITIVE on property sector. We remain **POSITIVE** on property sector as outlook is underpinned by improving overhang situation in residential and serviced apartment. Besides, the unchanged OPR should continue to support recovery of property sector. Our top picks for the sector are **Mah Sing Group (BUY, TP: RM0.99)** and **Matrix Concepts (BUY, TP: RM1.86)** as we think that property developers that focus on affordable home should see robust new sales as demand for affordable homes is resilient. We also like **Sunway Berhad (BUY, TP: RM2.25)** due to improving outlook for Iskandar Malaysia while listing of Sunway Healthcare by 2027 should provide catalyst. 

Figure 4: Peers comparison table

Stock	Rec.	Price @ 5-Dec- 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	0.775	0.99	8.5	9.7	9.1	8.0	3.4	3.9	4.4%	5.0%	0.52
SPSETIA	BUY	0.77	1.08	5.8	7.2	9.2	7.9	1.6	1.7	2.5%	2.6%	0.22
IOIPG	BUY	1.71	1.94	12.7	16.0	13.4	10.7	5.0	5.0	2.9%	2.9%	0.43
GLOMAC	BUY	0.365	0.43	2.0	4.3	18.3	8.6	1.3	1.3	3.6%	3.6%	0.24
MATRIX	BUY	1.64	1.86	17.6	20.4	9.3	8.0	8.50	9.80	5.2%	6.0%	0.99
SUNWAY	BUY	1.91	2.25	11.6	12.2	16.5	15.6	6.5	6.5	3.4%	3.4%	0.90
ECOWLD	NEUTRAL	1.01	1.14	9.1	9.0	11.1	11.3	6.0	6.0	5.9%	5.9%	0.62
UOADEV	NEUTRAL	1.75	1.79	8.7	8.9	20.1	19.7	30.0	10.0	17.1%	5.7%	0.81

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