

PROPERTY

Maintain POSITIVE

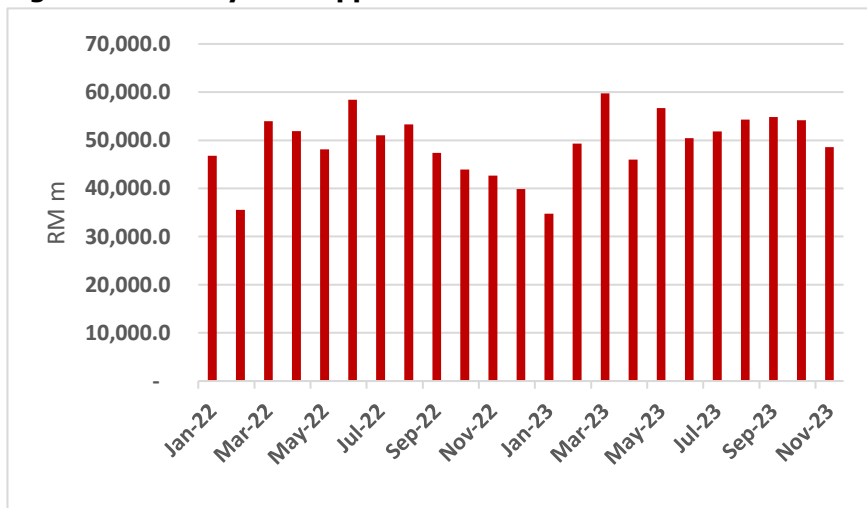
Healthy loan demand

KEY INVESTMENT HIGHLIGHTS

- **Positive growth in loan application**
- **Higher approved loan**
- **KL Property Index recorded strong gains in CY23**
- **Revised MM2H is positive to property sector**
- **Maintain POSITIVE on property sector**
- **Top picks for the sector are Mah Sing Group (BUY, TP: RM1.04) and Matrix Concepts (BUY, TP: RM1.91)**

Positive growth in loan application. Loan application data from Bank Negara Malaysia (BNM) increased by seventh consecutive months in November 2023, growing at +13.9%yoy to RM48.5b. The continuous growth in loan application indicates that buying interest on property remains healthy. Cumulatively, loan application for purchase of property in 11MCY23 was higher at RM560.6b (+5.2%yoy), indicating steady recovery in demand for property. Going forward, we see that demand for property to remain strong in CY24 as buying interest should be supported by the improving outlook for property sector.

Figure 1: Monthly total applied loan



Source: BNM, MIDF Research

Higher approved loan. Approved loan for purchase of property was higher at RM20.6b (+13.5%yoy) in November 2023. The stronger approved loan was mainly due to higher loan application while percentage of total approved loan over total applied loan was flattish at 42.3%. Total approved loan grew for seventh consecutive months in November 2023, bringing cumulative 11MCY23 total approved loan higher at RM245b (+8.7%yoy). The stronger approved loan indicates the improving new sales of property developers which will support earnings growth.

COMPANY IN FOCUS

Mah Sing Group Berhad

Maintain **BUY** | Revised Target price: RM1.04
Price @ 4th Jan 2024: RM0.875

- 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 with net gearing of 0.13x in 3QFY23

Share price chart



Matrix Concepts Holdings Berhad

Maintain **BUY** | Revised Target price: RM1.91
Price @ 4th Jan 2024: RM1.65

- New property sales are expected to pick up in 2HFY24
- Better earnings prospect due to pick up in progress billing.
- Attractive dividend yield of 5.9% based on dividend forecast of 9.8sen.

Share price chart



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KL Property Index recorded strong gains in CY23. KL Property Index ended CY23 on a positive note, chalking stellar gains of +34.5%. The good performance of KL Property Index was on the back of improving residential overhang in Malaysia which fell for seventh consecutive quarters in 3QCY23, positive sentiment on upcoming infrastructure project such as RTS which links Johor Bahru and Singapore and pause in OPR hike since July 2023 which continue to underpin recovery of demand for property. The top five performers of KL Property Index in CY23 were Ewein Berhad (+250%), UEM Sunrise Berhad (+225%), Iskandar Waterfront City Berhad (+170%), Avaland Berhad (+104%) and Crescendo Corporation Berhad (+103%).

Revised MM2H is positive to property sector. Tourism, Arts, and Culture (Motac) Minister Datuk Seri Tiong King Sing had on 15 December 2023 announced the relaxation of the Malaysia My Second Home (MM2H) programme. The programme is now divided into three categories: Platinum, Gold, and Silver, each with its own set of requirements. The relaxation of MM2H requirement is expected to be positive to the sector as it should increase more applicants and increase demand for property in Malaysia. Recall that MM2H application requirement was revised in 2021 and the requirements were more stringent as applicants are required to show (i) offshore monthly income of RM40k (from RM10k previously), (ii) liquid asset amounting to RM1.5m in order to apply for visa and (iii) must place a fixed deposit of RM1m in a bank account in Malaysia. With the latest revision in MM2H, the minimum age requirement has been lowered to 30 years from 35 years while financial prerequisites are less stringent. We think that property in states that favored by foreigners such as Johor, KL and Penang should see better demand for property by foreigners going forward.


Maintain POSITIVE on property sector. We narrow RNAV discount for property companies under coverage in view of the improving landscape of the sector and revised target prices for property companies under our coverage (refer to figure 2). We downgrade Eco World Development Group to **NEUTRAL** from **BUY** due to limited upside. We remain **POSITIVE** on property sector as we think that fundamental of property sector is improving with lower residential overhang which eased concern on residential oversupply. Besides, the expectation of unchanged OPR should continue to support demand for property. Our top picks for the sector are **Mah Sing Group (BUY, TP: RM1.04)** and **Matrix Concepts (BUY, TP: RM1.91)** as we remain favour property company that have high exposure to affordable home as demand for affordable home remains resilient and that will underpin new property sales of the companies. 

Figure 2: Peers comparison table

Stock	Rec.	Price @ 4-Jan-2024	Previous Target Price (RM)	Revised Target Price (RM)	Core EPS (sen)		Core PER (x)		Net DPS (sen)		Net Dvd Yield		P/NTA (x)	Revised RNAV discount	Previous RNAV discount
					FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F			
MAHSING	BUY	0.875	0.99	1.04	8.5	9.7	10.3	9.0	3.4	3.9	3.9%	4.5%	0.58	53%	55%
SPSETIA	BUY	0.93	1.08	1.16	5.8	7.2	9.2	7.9	1.6	1.7	2.5%	2.6%	0.27	73%	75%
IOIPG	BUY	1.88	1.94	2.15	12.7	16.0	14.8	11.7	5.0	5.0	2.7%	2.7%	0.47	58%	62%
GLOMAC	BUY	0.36	0.43	0.45	2.0	4.3	18.0	8.5	1.3	1.3	3.6%	3.6%	0.23	79%	80%
MATRIX	BUY	1.65	1.86	1.91	17.6	20.4	9.4	8.1	8.50	9.80	5.2%	5.9%	0.99	21%	23%
SUNWAY	BUY	2.21	2.25	2.35	11.6	12.2	19.1	18.1	6.5	6.5	2.9%	2.9%	1.04	15%	20%
ECOWLD	NEUTRAL	1.28	1.14	1.30	9.3	9.5	13.8	13.5	6.0	6.0	4.7%	4.7%	0.80	43%	50%
UOADEV	NEUTRAL	1.75	1.79	1.82	8.7	8.9	20.1	19.7	30.0	10.0	17.1%	5.7%	0.81	34%	35%

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.
HOLD	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