

# PROPERTY

**Maintain POSITIVE**

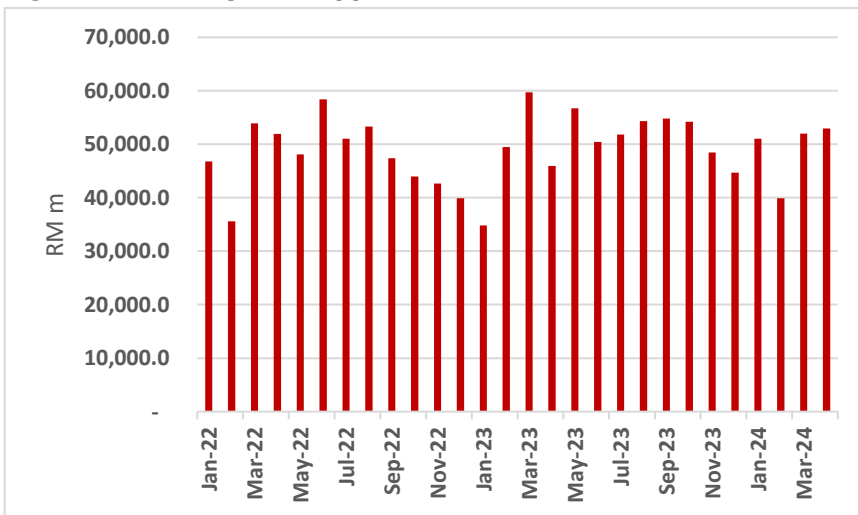
## Stronger Demand for Property

### KEY INVESTMENT HIGHLIGHTS

- **Uptick in loan application and loan approval**
- **Positive earnings growth in 1QCY24**
- **Data Centre venture by property developers**
- **Residential overhang at lowest level since 2018**
- **Maintain POSITIVE on property sector**
- **Top picks for the sector are Mah Sing Group (BUY, TP: RM1.83) and Matrix Concepts (BUY, TP: RM2.00)**

**Uptick in loan application.** According to data released by Bank Negara Malaysia (BNM), total loan application for purchase of property increased to RM52.9b (+15.2%yoy) in April 2024 after two consecutive declines in February and March 2024. On monthly basis, total loan application in April 2024 was marginally higher (+1.8%mom), bringing total loan application in 4MCY24 higher at RM195.9m (+3.1%yoy). The higher loan application is in line with our expectation of stronger demand for property in 2024 on the back of improving outlook for property sector and status quo of OPR at 3%.

**Figure 1: Monthly total applied loan**



Source: BNM, MIDF Research

**Higher loan approval.** Approved loan for purchase of property returned to growth of +15.2%yoy in April 2024 after two consecutive declines in February and March 2024. The higher approved loan was mainly driven by the higher loan application. On monthly basis, approved loan recorded double-digit growth of +10.3%mom in April 2024 despite marginal growth in loan application, mainly helped by higher percentage of total approved loan over total applied loan of 46% in April 2024 against 42.7% in March 2024. We opine that the loan approval should remain encouraging going forward on the back of higher loan applications. That should translate into better new sales prospects for developers.

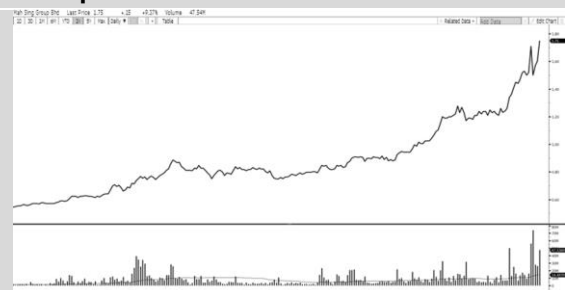
### COMPANY IN FOCUS

#### Mah Sing Group Berhad

Maintain **BUY** | Unchanged Target price: RM1.83  
Price @ 6<sup>th</sup> June 2024: RM1.75

- RM992m new sales in 4MFY24, on track to meet management new sales target of RM2.5b for FY24.
- Diversification into data centre to increase recurring income.
- The balance sheet remains healthy with low net gearing of 0.06x.

#### Share price chart



#### Matrix Concepts Holdings Berhad

Maintain **BUY** | Unchanged Target price: RM2.00  
Price @ 6<sup>th</sup> June 2024: RM1.80

- Positive earnings growth expected in FY25 due to resilient contribution from its property projects in Bandar Sri Sendayan township.
- Management sets new sales target higher at RM1.39b for FY25.
- Attractive dividend yield of 5.5% based on dividend payout of 10sen in FY24.

#### Share price chart



**Analyst(s)**  
**JESSICA** Low Jze Tieng  
jessica.low@midf.com.my

**Positive earnings growth in 1QCY24.** For the recently concluded earnings reporting season, four out of six property companies that released earnings have reported earnings that came in within expectation. Meanwhile, IOI Properties reported earnings that beat our expectation as quarterly earnings were boosted by land sale gain. On the flip side, Matrix Concepts reported a slight miss in earnings due to higher-than-expected expenses. Overall, earnings growth in 1QCY24 for property companies was positive, driven by higher recognition from property projects as labour shortage issue was resolved. Besides, the overall improving new property sales has also supported earnings growth. Meanwhile, new property sales in 1QCY24 of property companies are largely on track to meet expectations as buying interest on property remains healthy.

**Figure 2: Earnings summary of property companies**

	Quarter	Results	Remarks
IOI Properties	3QFY24	Above	Higher than expected earnings in 9MFY24 due to land sale gain. 9MFY24 core net earnings were marginally lower at RM518m (-2.8%yoy) due to weaker contribution from property development division.
Sunway Berhad	1QFY24	Within	1QFY24 core earnings up by 12.3%yoy due to better contributions from most of its business divisions namely property development, property investment, healthcare and construction
Mah Sing Group	1QFY24	Within	1QFY24 core net income was higher at RM56.7m (+13.6%yoy) mainly due to improved margin of 26% from 22% in 1QFY23 on the back of recognition of cost savings from the finalisation of construction costs.
UOA Development	1QFY24	Within	1QFY24 core net income was higher at RM49.3m (+8.1%yoy) mainly due to higher income from hospitality and investment assets.
S P Setia	1QFY24	Within	1QFY24 core net income was higher at RM72.6m (+43.7%yoy) due to land sales gain and contribution from Vietnam project.
Matrix Concepts	4QFY24	Below	FY24 earnings came in slightly lower than expected due to higher expenses. FY24 earnings growth was stable at 8.2%yoy pick up in progress billing of its property projects in Bandar Sri Sendayan.

Source: MIDF Research

**Figure 3: New property sales performance**

	FY23 (RM m)	FY24 new sales target (RM m)	1QCY24 new sales performance
Sunway Berhad	2,440	2,600	RM498m new sales in 1QCY24, making up 19% of new sales target for FY24.
S P Setia	5,100	4,400	Total new sales of RM1.42b in 1QFY24, on track to meet management new sales target of RM4.4b for FY24.
Mah Sing Group	2,260	2,500	New property sales for the first five months of FY24 at RM992m, on track to meet management new sales target of RM2.5b for FY24.
Matrix Concepts	1250*	1390**	4QFY24 new sales at RM287m, bringing total new sales to RM1.25b in FY24. Management set new sales target higher at RM1.39b for FY25.
UOA Development	827	N/A	1QFY24 new property sales at RM120.9m.
IOI Properties Group	1,960	N/A	New sales of RM789m in 3QFY24, bringing total new sales to RM1.59b in 9MFY24.

\*FY24

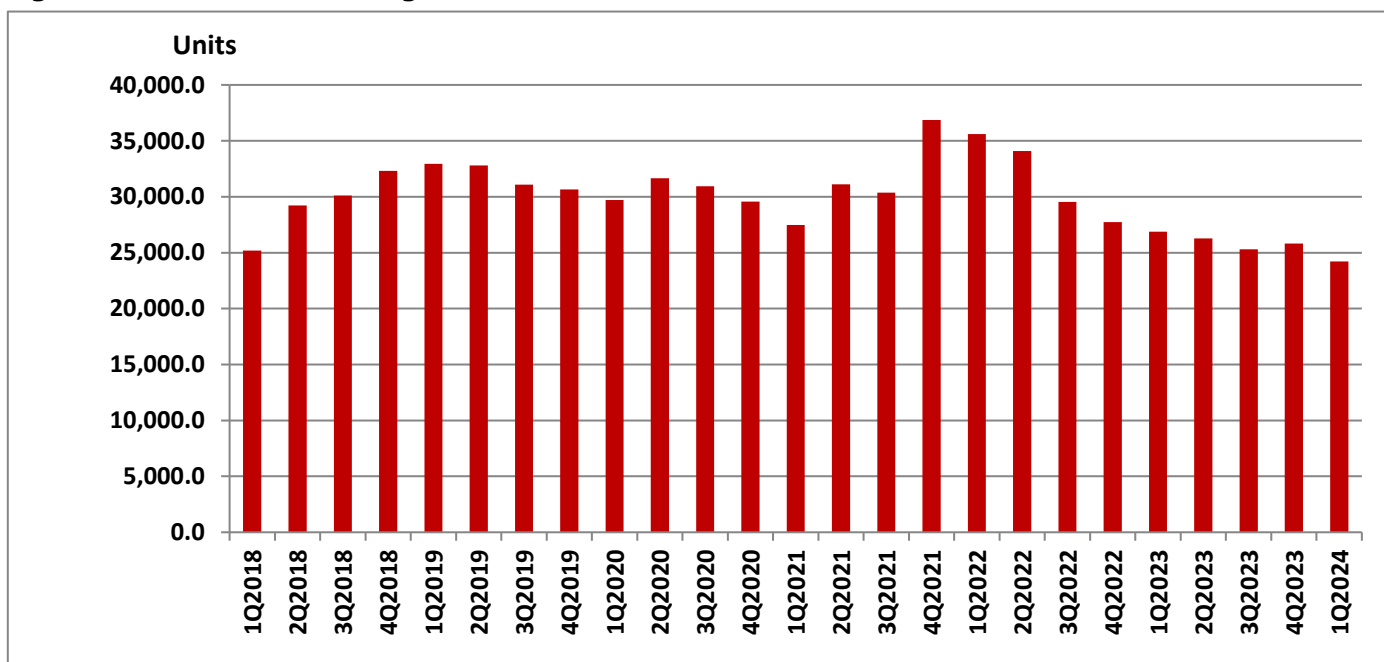
\*\*FY25

Source: MIDF Research

**Data Centre venture by property developers.** A few property companies ventured into data centre industry recently to ride on the growing demand for data centres in Malaysia. Notably, **Mah Sing Group** recently announced that it has entered into a collaboration agreement with Bridge Data Centres (BDC) for the joint venture development of data centre facilities and infrastructure on 17.55 acres of land in Southville City township. Similarly, **UEM Sunrise (Non-rated)** has inked a memorandum of understanding (MoU) with LOGOS Infrastructure Holdco Pte Ltd to explore the opportunity of developing a data centre campus in Gerbang Nusajaya, Johor. Meanwhile, **Sime Darby Property (Non-rated)** announced that it is developing a hyperscale data centre on an approximately 49-acre site at Elmina Business Park for a multinational technology company. We view the venture of data centre by property companies positively as it enhances value of landbank and increases recurring income in the form of rental or profit sharing of data centre business. We believe that income derived from data centres should remain stable due to its growing demand in Malaysia.

**Residential overhang at lowest level since 2018.** According to data released by the National Property Information Centre (NAPIC), residential overhang declined to 24,208 units in 1QCY24 from 25,816 units in 4QCY23. Perak remains the state with highest residential overhang with 4,588 units in 1QCY24, little-changed from 4,598 units in 4QCY23. Next, Johor has the second highest number of residential overhangs at 3,629 units in 1QCY24, declining from 4,228 units in 4QCY23. Meanwhile, KL has the third highest number of residential overhangs at 3,194 units in 1QCY24, dropping from 3,535 units in 4QCY23. Overall, residential overhang resumed decline in 1QCY24 and fell to the lowest level since 2018 which we believe is positive to property sector.

**Figure 4: Residential overhang**



Source: NAPIC, MIDF Research


**Maintain POSITIVE on property sector.** Overall, the loan application data in April 2024 is positive to the property sector as the uptick in loan application signals the stronger demand for property. Outlook for property sector continues to improve with further decline in residential overhang in 1QCY24 to the lowest level since 2018 which should support buying interest on property. Meanwhile, recent ventures into the data centres industry by developers should provide a new source of recurring income for the developers and support earnings growth in the long term. Hence, we maintain our **POSITIVE** stance on the property sector. Our top picks for the sector are **Mah Sing Group (BUY, TP: RM1.83)** and **Matrix Concepts (BUY, TP: RM2.00)**. We like Mah Sing as we are sanguine on its long-term outlook on the back of its strong exposure to affordable residential segment. Besides, its venture into the data centre will spur earnings growth in the long term. The balance sheet of Mah Sing is strong with low net gearing of 0.06x. Meanwhile, we like Matrix Concepts for its positive earnings growth and better new sales prospects as new sales from its Bandar Sri Sendayan remains resilient, driven by healthy demand for affordable landed homes. Besides, its land acquisition in Labu is expected to be completed in October and will further drive earnings growth beyond FY27. Meanwhile, the dividend yield of Matrix Concepts is attractive at 5.5%. 

Figure 5: Peers comparison table

Stock	Rec.	Price @ 6-June-2024	Target Price (RM)	Core EPS (sen)		Core PER (x)		Net DPS (sen)		Net Dvd Yield		P/NTA (x)
				FY24F	FY25F	FY24F	FY25F	FY24F	FY25F	FY24F	FY25F	
MAHSING	BUY	1.75	1.83	9.8	11.2	17.8	15.6	5.1	5.5	2.9%	3.1%	1.15
SPSETIA	BUY	1.45	1.68	6.7	8.1	9.2	7.9	1.7	1.8	2.5%	2.6%	0.44
GLOMAC	BUY	0.44	0.43	2.0	4.3	22.0	10.4	1.3	1.3	3.0%	3.0%	0.28
MATRIX	BUY	1.80	2.00	19.0	21.1	9.5	8.5	10.00	10.60	5.6%	5.9%	1.06
SUNWAY	BUY	3.60	3.98	11.7	12.1	30.7	29.8	6.5	7.0	1.8%	1.9%	1.69
ECOWLD	NEUTRAL	1.58	1.51	9.5	9.6	16.6	16.4	6.0	6.0	3.8%	3.8%	0.97
IOIPG	NEUTRAL	2.41	2.40	12.6	13.6	19.1	17.7	5.0	5.0	2.1%	2.1%	0.59
UOADEV	NEUTRAL	1.97	1.93	8.5	8.3	23.1	23.8	10.0	10.0	5.1%	5.1%	0.90

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