PROPERTY

Maintain POSITIVE

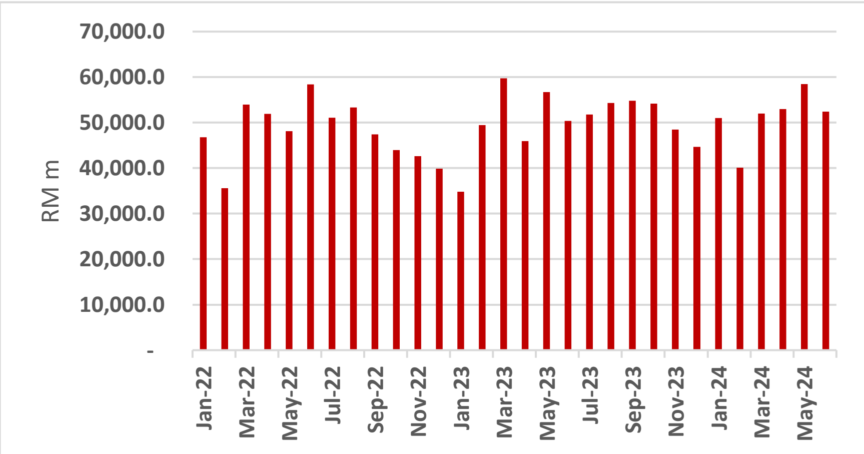
Healthy demand for property

KEY INVESTMENT HIGHLIGHTS

- **Stronger buying interest on property**
- **Higher approved loan in 1HCY24**
- **Minimal impact of strengthening of Ringgit**
- **KL Property Index trading below mean price to book**
- **Maintain POSITIVE on property sector**
- **Top picks for the sector are Mah Sing Group (BUY, TP: RM1.97) and Matrix Concepts (BUY, TP: RM2.22)**

Stronger buying interest on property. Based on data released by Bank Negara Malaysia (BNM), total loan application for purchase of property normalised to RM52.4b (-10.4%mom) in June 2024 after figures in May 2024 increased to the highest level since April 2023. On yearly basis, loan application increased for three consecutive months by +3.9%yoy in June 2024 after growth of +3.2%yoy in May 2024 and +15.3%yoy in April 2024. That brought cumulative total loan application higher at RM307b (+3.3%yoy) in 1HCY24. The higher loan application shows that buying interest on property is stronger amid recovery in property sector which driven by status quo of OPR at 3% and improving outlook for property sector.

Figure 1: Monthly total applied loan



Source: BNM, MIDF Research

Higher approved loan in 1HCY24. On monthly basis, approved loan for purchase of property eased by 10.8%mom to RM23.3b in June 2024, in tandem with the lower loan application. Meanwhile, approved loan was marginally lower on yearly basis in June 2024 by -1.4%yoy following increase on +3.3%yoy in May 2024 and 15.8%yoy in April 2024. The lower approved loan in June 2024 was mainly due to lower percentage of total approved loan over total applied loan of 44.5% in June 2024 against that of 47.2% in June 2023. Cumulatively, total loan approved in 1HCY24 was higher at RM134b (+4%yoy) which is in line with our expectation of better new sales outlook for developers in CY24.

COMPANY IN FOCUS

Mah Sing Group Berhad

Maintain **BUY |** Unchanged Target price: RM1.97

Price @ 7th Aug 2024: RM1.65

- RM992m new sales in 4MFY24, on track to meet management new sales target of RM2.5b for FY24.
- Expanding its data centre venture as the company in advanced talks with DC player for its land in Bangi.
- The balance sheet remains healthy with low net gearing of 0.06x.

Share price chart

Matrix Concepts Holdings Berhad

Maintain **BUY |** Unchanged Target price: RM2.22

Price @ 7th Aug 2024: RM1.87

- Positive earnings growth expected in FY25 due to resilient contribution from its property projects in Bandar Sri Sendayan township.
- Earnings catalyst from MVV land as first launch is targeted in 2HFY26.
- Dividend yield is attractive, estimated at 5.7%.

Share price chart

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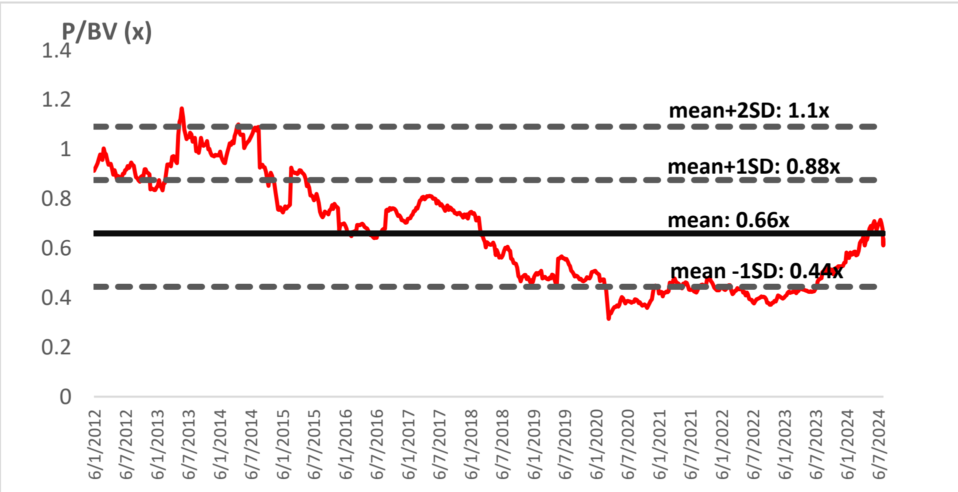
Minimal impact of strengthening of Ringgit. We expect a neutral impact from Ringgit appreciation on property companies as revenue and cost are mostly Ringgit-denominated except for companies with exposure to overseas markets. Note that **IOI Properties Group (NEUTRAL, TP: RM2.25)** has exposure in China and Singapore. **S P Setia (BUY, TP: RM1.68)** has exposure in Australia and UK while **Sunway Berhad (NEUTRAL, TP: RM3.98)** has exposure in Singapore and China. Based on sensitivity analysis of earnings to forex changes, the impact of every 1% strengthening of Ringgit is expected to have minimal earnings impact of less than 3% to FY24 earnings of the property companies. Overall, earnings contribution of the property companies is largely from local projects hence we do not expect significant earnings impact from the appreciation of Ringgit.

KL Property Index trading below mean price to book. Property counters succumbed to severe sell-down last Friday and Monday amid broader market sell-off. The KL Property Index lost 3.8% and 9.7% last Friday and Monday respectively. Following the heavy losses of the KL Property Index, the price to book ratio of KL Property Index fell to 0.61x, which is below its long-term mean of 0.66x. Meanwhile, the price to book ratio recovered to 0.64x after the rebound of property counters on Tuesday but remains below the mean of 0.66x. Note that valuation of property counters regressed from mean -1 standard deviation in 2022 to slightly above mean in mid of 2024 due to the strong gains in KL Property Index. Meanwhile, we see that the sell-down presents buying opportunity for investors as we think that property counters should trade above mean in the near to medium term considering that we are experiencing property upcycle which is supported by improving residential overhang situation and growth from industrial property development which driven by growing demand for industrial property and data centres.

Figure 2: Price to book ratio of KL Property Index



Source: Bloomberg, MIDF Research

Maintain POSITIVE on property sector. We see a positive outlook for the property sector as underlying demand for property remains healthy. Besides, we expect property developers to report earnings growth in the upcoming 2QCY24 earnings. This is on the back of higher recognition from property projects as labour shortage issues are resolved while earnings outlook is also supported by improving new property sales. Hence, we reiterate our **POSITIVE** stance on the property sector. Our top picks for the sector are **Mah Sing Group (BUY, TP: RM1.97)** and **Matrix Concepts (BUY, TP: RM2.22).** We like Mah Sing as its new sales outlook remains resilient, driven by strong demand for its affordable residential projects. Besides, its healthy balance sheet with low net gearing of 0.06x provides financial muscles for the group for aggressive landbanking with the latest landbank acquisition in Taman Desa announced recently. Meanwhile, its data centre venture is progressing well as Mah Sing is in advanced talks with another data centre player for its second parcel of land at Mah Sing DC Hub @ Southville City. We also like Matrix Concepts as we see strong earnings catalyst from its 2,382 acres of land in MVV 2.0. Besides, growth of Bandar Sri Sendayan will remain stable due to strong demand for affordable landed houses. Meanwhile, the dividend yield of Matrix Concepts is attractive, estimated at 5.7%.

Figure 3: Peers comparison table

Stock	Rec.	Price @ 7-Aug-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	1.65	1.97	9.8	11.2	16.8	14.7	5.1	5.5	3.1%	3.3%	1.09
SPSETIA	BUY	1.44	1.68	6.7	8.1	9.2	7.9	1.7	1.8	2.5%	2.6%	0.44
UOADEV	BUY	1.86	2.06	8.5	8.3	21.9	22.5	10.0	10.0	5.4%	5.4%	0.85
MATRIX	BUY	1.87	2.22	19.0	21.1	9.9	8.8	10.00	10.60	5.3%	5.7%	1.10
SUNWAY	NEUTRAL	3.89	3.98	11.7	12.1	33.2	32.2	6.5	7.0	1.7%	1.8%	1.83
ECOWLD	NEUTRAL	1.61	1.79	9.5	9.6	16.9	16.7	6.0	6.0	3.7%	3.7%	0.99
IOIPG	NEUTRAL	1.95	2.25	12.6	13.6	15.5	14.3	5.0	5.0	2.6%	2.6%	0.48
GLOMAC	NEUTRAL	0.385	0.43	2.0	4.3	19.3	9.1	1.3	1.3	3.4%	3.4%	0.25

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 *rise* 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 *fall* 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