



# Better prospects seen for property developers

Low interest rate, abundant liquidity help spur demand

## PROPERTY

By EUGENE MAHALINGAM  
eugenicz@thestar.com.my

PETALING JAYA: Property developers are set to chart better sales performances in 2021, as market confidence is expected to grow with the commencement of the nationwide vaccine rollout.

TA Securities said in a report that the prolonged low-interest-rate environment, abundant market liquidity and supportive government measures will help spur demand for properties.

"Having said that, we expect better market sentiment along with stronger recovery in economic and business activities, which should contribute to better developers' sales prospects ahead and eventually translate to stronger earnings, going forward.

"The positive sales momentum in the fourth quarter of 2020 and developers' ambitious 2021 sales target have further reinforced our bullish view on the sector."

The research house said developers deserved a re-rating, considering their robust future sales growth and attractive valuations.

"While a more convincing recovery is expected in the second half of 2021, we advocate investors to start building positions in property stocks at this time."

TA Securities said S P Setia Bhd and Mah Sing Group Bhd are currently its top picks for the sector.

"We believe S P Setia's current valuation is unjustified, given the group's strong brand equity and execution capability. The stock is

**"The positive sales momentum in the fourth quarter of 2020 and developers' ambitious 2021 sales target have further reinforced our bullish view on the sector."**

TA Securities

only trading at 0.31-times 2021 price-to-book value, as compared with its peers' average forward price-to-book value of 0.52-times.

"Although the group is targeting flattish sales growth in 2021, we note that the RM3.8bil sales target remains the highest target among its peers.

"Apart from its earnings boost from Battersea Power Station this year, the successful monetisation of some non-strategic land bank with a total potential market value of RM1.96bil would be another earnings kicker."

Additionally, TA Securities said it liked Mah Sing for its fast turnaround business model in both property development and healthcare businesses.

"On track to be operational from April 2021, maiden contribution from its glove manufacturing operation is expected to boost the group's future earnings.

"Meanwhile, Mah Sing has recently announced the acquisition of a 100-acre piece of leasehold land in Sepang for affordable, landed residential development. This land is

expected to contribute to the group's earnings from 2022 onwards."

Separately, TA Securities said the property sales performance last year had turned out to be stronger than expected.

"Despite the reintroduction of the conditional movement control order in Selangor, Kuala Lumpur and Putrajaya in October, property sales momentum sustained in the fourth quarter of 2020.

"Against our sales projections, all five developers (under TA Securities' coverage) reported full-year sales that exceeded our sales assumptions by 6% and 21%."

TA Securities said the stronger-than-expected sales were attributed to aggressive marketing and sales efforts throughout the year.

"Meanwhile, we observe that 35% of total sales were generated in the fourth quarter of 2020.

"This suggests that the historically low overnight policy rate environment, as well as the re-introduction of the Home Ownership Campaign in June 2020, had spurred buying activities."



10 MAR, 2021

## Property sales momentum Better prospects seen for property developers

The Star, Malaysia



### Property sales momentum



Source: TA Securities

TheStar graphics

**Better sentiment:** Property developers are set to chart higher sales this year, according to TA Securities. > See page 3