



PROPERTY SECTOR UPDATE

Is this a Good Sign of Recovery?

Marketing Sales Continue to Grow in 1Q21

- BSDE, CTRA, and PWON managed to record strong marketing sales in 1Q21. BSDE recorded 38% YoY of marketing sales, followed by CTRA 64% YoY and PWON 17% YoY. The mid-low segment sales have become one of the triggers for the growth of marketing sales, continuing the trend that has occurred in 3Q20 and 4Q20 which also experienced a positive trend.
- Property sales began to improve, mainly comes from the residential segment that contributes 65%-70% of total marketing sales, even though the residential property price index grew flat at the level of 1.29% YoY in FY20. Indonesian residential properties rely heavily on KPR which contributed 76% of sales and increased 4% YoY in FY20.

The Houses Backlog is Still Become the Main Focus

Currently the need for housing is quite high, as the number of backlogs reached >10 million in FY20 with an additional one million per year. To increase property absorption in FY21E, the Government optimizes additional incentives for 0% down payment. The government offers a temporary discount on Value Added Tax (VAT) for property transactions with a handover date until August 31, 2021. The normal rate of VAT is 10%. We believe that marketing sales have the potential to increase along with the recovery of people's purchasing power, supported by: 1) lower mortgage interest rates (currently at the level of 8%-9%); 2) WFH implementation ; 3) Affordable price IDR500-IDR2 billion per unit; and 4) Complete facilities connected to public facilities. We estimate marketing sales potentially grew by 5% and 7% in FY21E/FY22F, supported by other incentives and promos.

VAT Discount for Houses under IDR5 Billion

We note that there are several limitation of the incentive provided, including: 1) 100% VAT compensation (0% for buyers) on completed home price under IDR2 billion; and 2) Compensation of 50% VAT (5% for buyers) on completed home price from IDR2-IDR5 billion. The incentive only applies to units that are ready stock, so that the cluster that is still under development does not get incentives. Furthermore, the buyer is not allowed to sell the house within one year of the final transaction. We believe this incentive is quite appropriate, as residential occupancy <IDR5 billion has relatively high demand, so that the property sector as a whole has a positive prospect in FY21E. We believe that BSDE, CTRA and SMRA have the potential to take advantage of sales from inventories held in FY20.

OVERWEIGHT Recommendation for the Property Sector

We maintain the recommendation **OVERWEIGHT** outlook for Property sector in FY21E. The valuation is based on an average discount at the level of 55%-65% for NAV. It is also supported by positive catalysts from 1) Mortgage interest rates below 9%; 2) Implementation of the omnibus law. Our top choices are **BSDE (BUY; TP: IDR1,600)**, **SMRA (BUY; TP: IDR1,160)**, **CTRA (BUY; TP: IDR1,200)** and **PWON (BUY; TP: IDR600)** We note that these companies still rely on residential sales as their backbone, with averaging 64% of marketing sales coming from landed houses.



Research Analyst

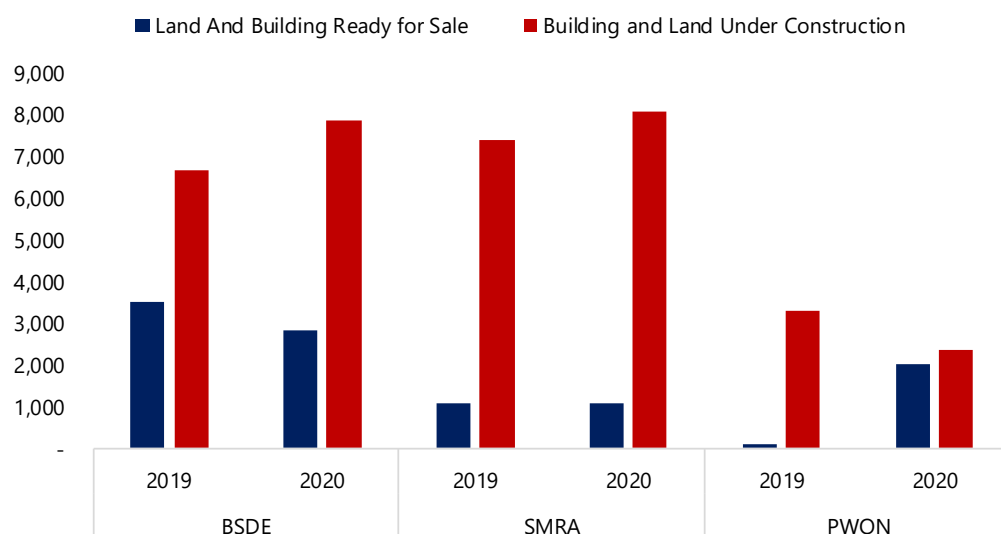
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Ticker	Market Cap (IDR bn)	PER (x)		PBV (x)		Rec.	Target Price (IDR)
		FY21E	FY22F	FY21E	FY22F		
BSDE	24,240	22.43	20.89	0.85	0.82	BUY	1,600
CTRA	19,770	24.41	21.86	1.32	1.26	BUY	1,200
PWON	24,320	12.96	12.05	1.53	1.37	BUY	600
SMRA	14,210	31.76	25.74	1.62	1.53	BUY	1,160

Sources: Bloomberg, MNCS

Inventory Ready to Sell by Taking Advantage of the Available Incentives

Exhibit 01. Property Developers Inventory Balance (idr bn)



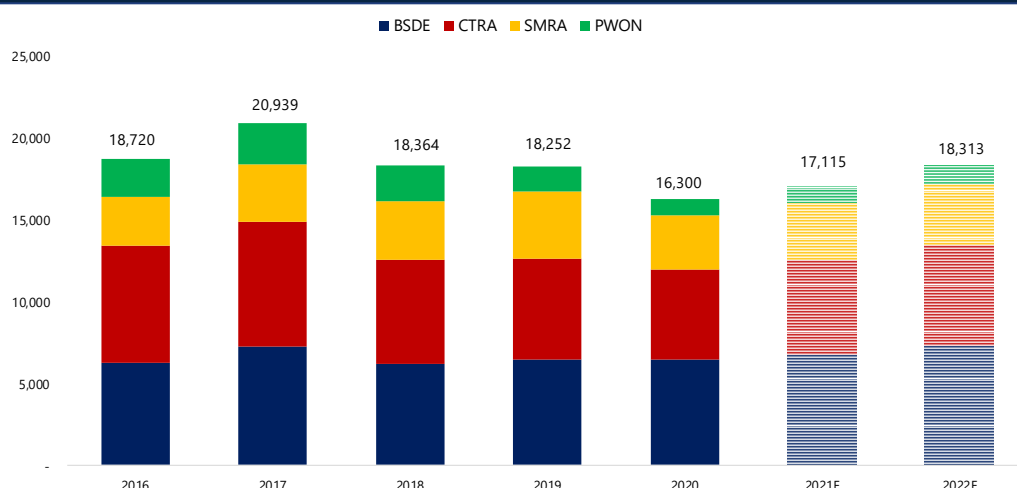
Sources : Companies, MNCS

Exhibit 02. List of Property News

Date	Link News	Summary
09-Feb-21	https://en.antaranews.com/news/167660/government-eyes-reducing-housing-backlog-to-five-million-in-2024	The Vice President: The government has targeted to reduce the housing backlog to five million by 2024.
13-Mar-21	https://ekonomi.bisnis.com/read/20210313/47/1367084/inilah-yang-jadi-pertimbangan-milenial-saat-membeli-rumah	In general, the things that are taken into consideration for millennials to buy a house are the ability to pay monthly installments according to income and proximity to transportation modes to the downtown area.
2020	https://www.bps.go.id/indikator/indikator/view_data/0000/data/1242/sdgs_11/1	On average, decent housing in Indonesia is at the level of 59.54%
24-Mar-21	https://www.rumah.com/berita-properti/2021/3/197411/pemerintah-jamin-akan-terus-berikan-insentif-untuk-sektor-properti	Minister of Public Works and Public Housing (PUPR) Basuki Hadimuljono again emphasized that the property sector will always be the leading sector to improve the economy, especially which is hampered by the Covid-19 pandemic.

Sources : Google

Exhibit 03. Trend of Marketing Sales in FY16-FY20 and Estimated in FY21E-FY22F (idr bn)



Sources : Companies, MNCS

All Incentives to Lower Backlog and Property Absorption

We Estimate Marketing Sales BSDE, CTRA, SMRA and PWON has Potential to Increase 5%-7% in FY21E-FY22F

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MNC Research Investment Ratings Guidance

BUY : Share price may exceed 10% over the next 12 months
HOLD : Share price may fall within the range of +/- 10% of the next 12 months
SELL : Share price may fall by more than 10% over the next 12 months
Not Rated : Stock is not within regular research coverage

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