

OVERWEIGHT

Return (%)	-1D	-1W	-1M
JCI	0.41	1.17	5.19
LQ45	0.93	1.69	3.15
BSDE IJ	-0.51	2.08	3.70
CTRA IJ	0.82	8.41	6.52
SMRA IJ	0.00	7.84	4.76
PWON IJ	-1.02	4.28	-3.47

EPS Growth (%)	FY24E	FY25F
BSDE IJ	+51.9	+19.8
CTRA IJ	+18.5	+44.5
SMRA IJ	+24.2	+22.9
PWON IJ	+13.4	+14.1

Property Sector The Dawn of a Promising Upsurge

Residential: Resilient prices and volume despite contradictive interest rates

- **Residential sales grew by +31.2% YoY in 1Q24**, meanwhile the ASP was relatively stable with +1.9% YoY growth. Developers recorded an average increase in marketing sales of 13.1% YoY in 1Q24, with approximately ~46-47% marketing sales resulting from the VAT incentive, in line with the 100% VAT allowance in 1H24 and 50% in 2H24. According to the survey from Rumah123, Tangerang became the most popular location reaching 15.6%, followed by South Jakarta (11.4%) and West Jakarta (10.8%), with a price range of IDR1-3billion/unit. Bogor and Denpasar were the two most consistent and resilient regions in terms of annual price growth, having the highest spread above the annual inflation rate. The steady housing price growth in Bogor resulted from various factors, such as the infrastructure development. Meanwhile, the strength of the property market in Bali was primarily supported by the tourism sector and several policies and incentives that allow foreign ownership.
- **High rental costs may spur a surge in home ownership.** The increase in home ownership rates to 84.5% in FY23 indicated a shift as consumers become more interested in property, while rental data showed a decline to 5.0% ([exhibit 03](#)). We note that the inflation in the property rental index since FY22-1H24 ([exhibit 04](#)) might contribute to this consumer behaviour change, prompting preference to purchase property during this period. This was also reflected in the average growth of mortgages disbursed (+11.3% YoY), with the KPR/KPA position at 7.0%/7.4% in 1Q24. The stable mortgage rates were favourable for customers, given that as of 1Q24, ~75% of property purchases were still funded by mortgages.

Recurring income: Average revenue flourished by 11.5% YoY

- From the recurring income metric, developers experienced an average growth of 11.5% YoY in 1Q24. The absence of new malls in the past two years has positively impacted the recovery of occupancy rates, especially in Jakarta, with the average occupancy rate of the Greater Jakarta area (Jabodetabek) was at 70.3% in 1Q24. This occupancy performance is expected to recover back to 80%, but in longer period, considering the potential of new mall establishments.
- Several malls will be developed in the Greater Jakarta area (Jabodetabek), including: 1) Lippo Mall East Side, which is expected to complete in FY24E, 2) Living World Kota Wisata (in Bogor), and 3) Aeon Mall Deltamas (in Bekasi), which has officially opened. Meanwhile, Pakuwon Mall and Summarecon Mall Bekasi phase 2 are currently under construction and are expected to be ready by FY25F-FY26F.
- We believe the business development of several outlets in the F&B sector, along with the competition in lifestyle and sports (MAPI and ERAA), has also contributed to the recovery as we observe a significant number of outlet rollouts in malls. Additionally, several malls are undergoing renovations with thematic concept to attract a higher number of visitors.

Hold out hope for steady Rupiah

In our view, developers tend to be fundamentally sound in terms of revenue. However, some external factors that are quite sensitive to the property sector are hindering the price movements. The depreciation of the Rupiah to the level of approximately IDR16,200-16,400 led BI to lift the 7DRR by 25bps in Apr-2024 and the 10yr government bond yield at 6.85%-7.15%, which eventually held back property stock movements. Our economist anticipates an improvement in the Rupiah if foreign exchange reserves and inflation stay on track, propelled with a cool-off in geopolitical tensions. Under this scenario, we expect a brighter turnaround in the property sector. On a YTD basis, BSDE and CTRA were the two players in our universe that recorded net foreign inflows, amounting to IDR42.6billion and IDR150.3billion, respectively.

Overweight Recommendation for the Property Sector

We maintained a **Overweight** rating for the property sector. The valuation is based on an average NAV discount ~55%-70%. **BSDE, CTRA and SMRA** are our top picks, as they will benefit from the incentive program due to its high product mix <IDR5bn per unit. The hawkish narrative is also another factor to drag on properties, as 70% of home purchases are derived from mortgages. Aside from that, the election period, as has been shown historically, is also poised to hamper property sales performance.

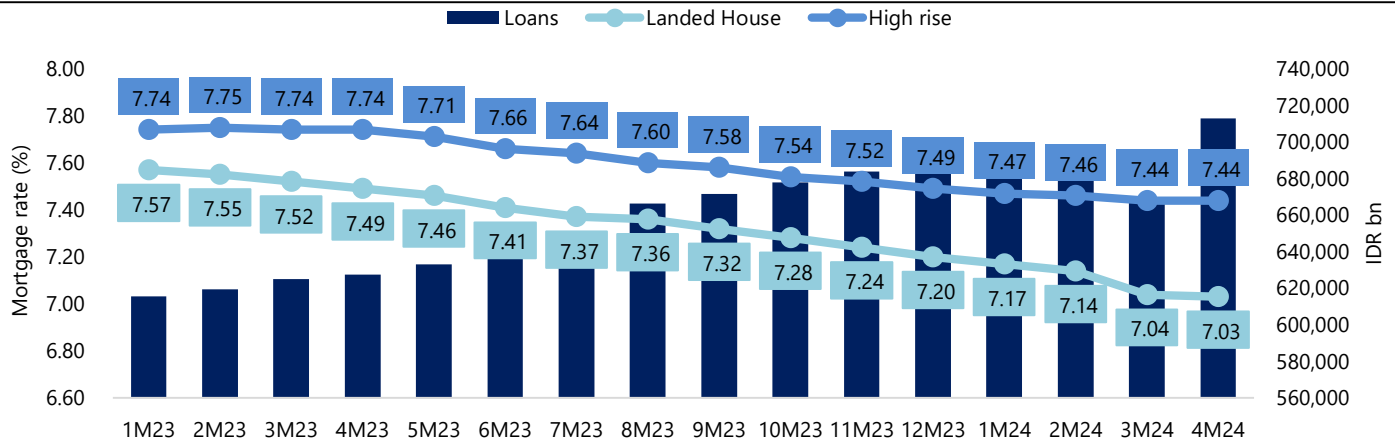


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Ticker	Mkt Cap (IDR tn)	P/E (x)		P/B (x)		Rec	TP (IDR/Sh)
		FY24E	FY25F	FY24E	FY25F		
BSDE IJ	20.8	7.4	6.2	0.6	0.5	BUY	1,400
CTRA IJ	22.7	9.8	8.3	1.0	0.9	BUY	1,300
SMRA IJ	9.2	14.4	11.8	1.1	1.0	BUY	750
PWON IJ	18.9	11.4	10.0	1.1	1.0	BUY	585

Sources : Bloomberg, MNCS

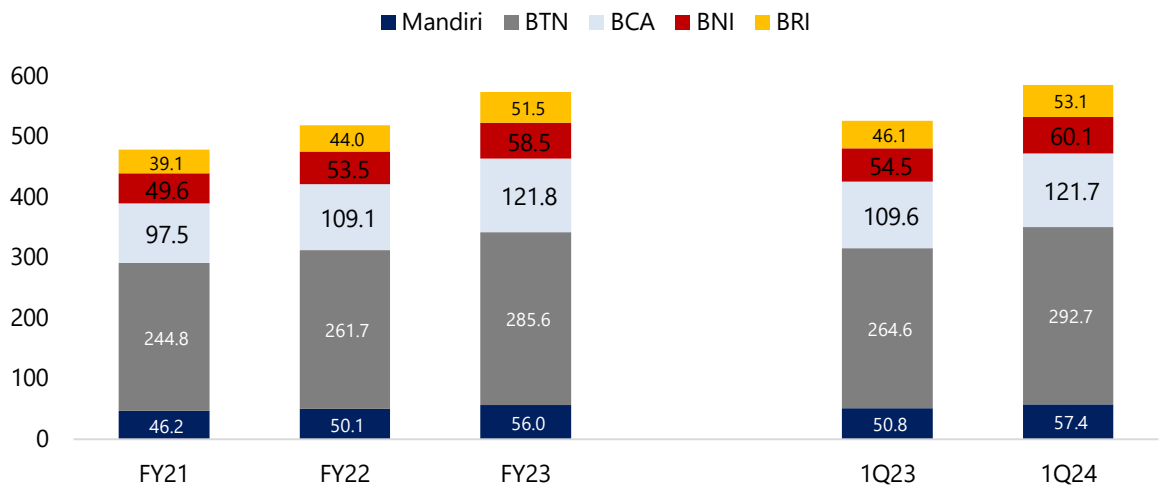
Exhibit 01. The trend of mortgage distribution and mortgage rate



Sources : OJK, MNCS

Exhibit 02. Trend of mortgages disbursed 5 big banks in FY21-1Q24 (IDR tn)

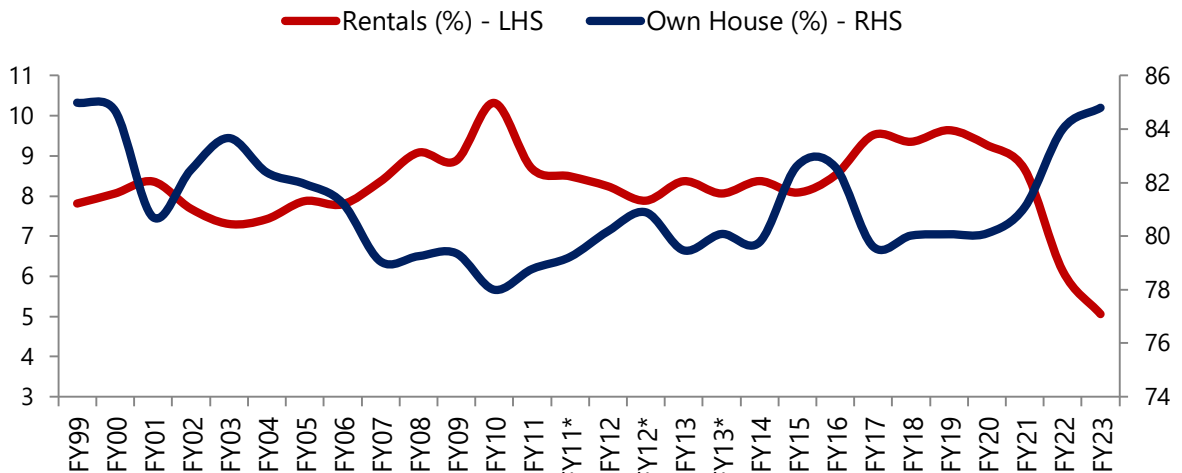
On average growth of mortgages disbursed +11.3 YoY in 1Q24



Sources : Companies, MNCS

Exhibit 03. The trend of rental vs own house in 1999-2023

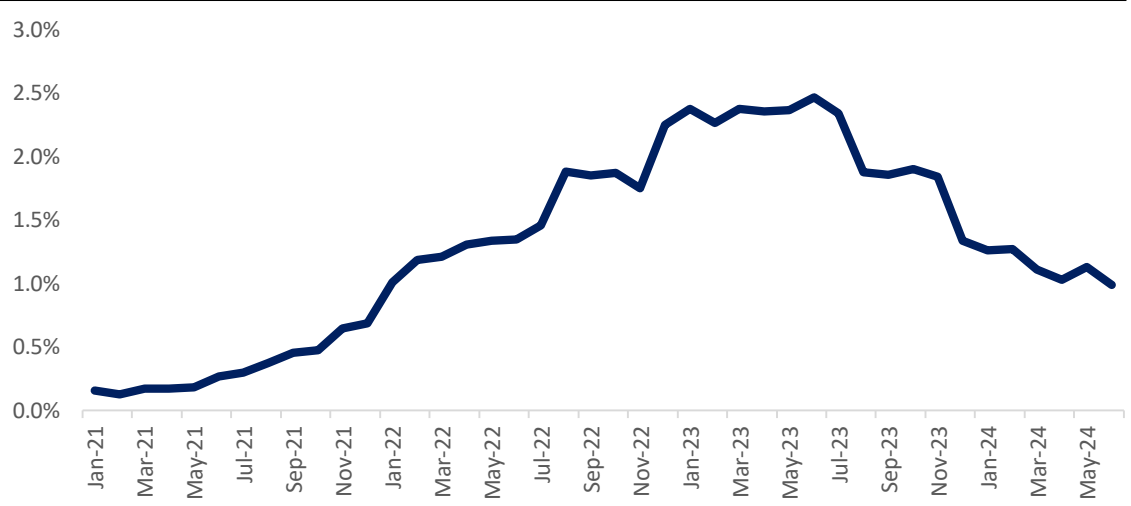
The ownership increased to 84.5% in FY23. We attribute this to rising rental costs, supported by increased mortgages disbursement and higher sales volumes



Sources : BPS, MNCS

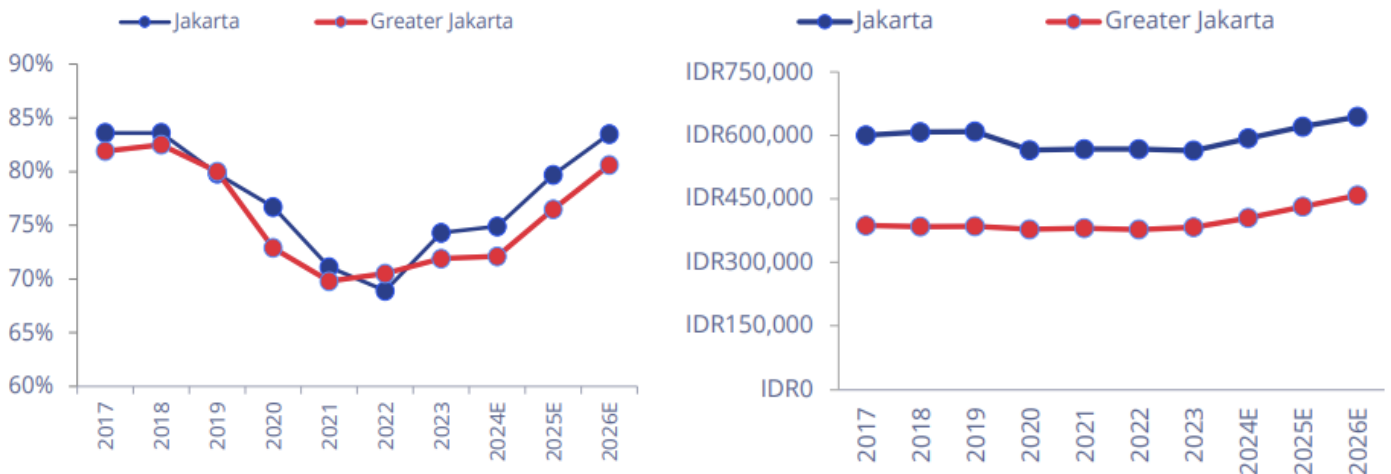
Exhibit 04. The trend inflation property rental index in FY21-1H24

Starting from 2022, the property rental inflation index has been increasing up to 1H24, prompting consumers to prefer purchasing homes instead



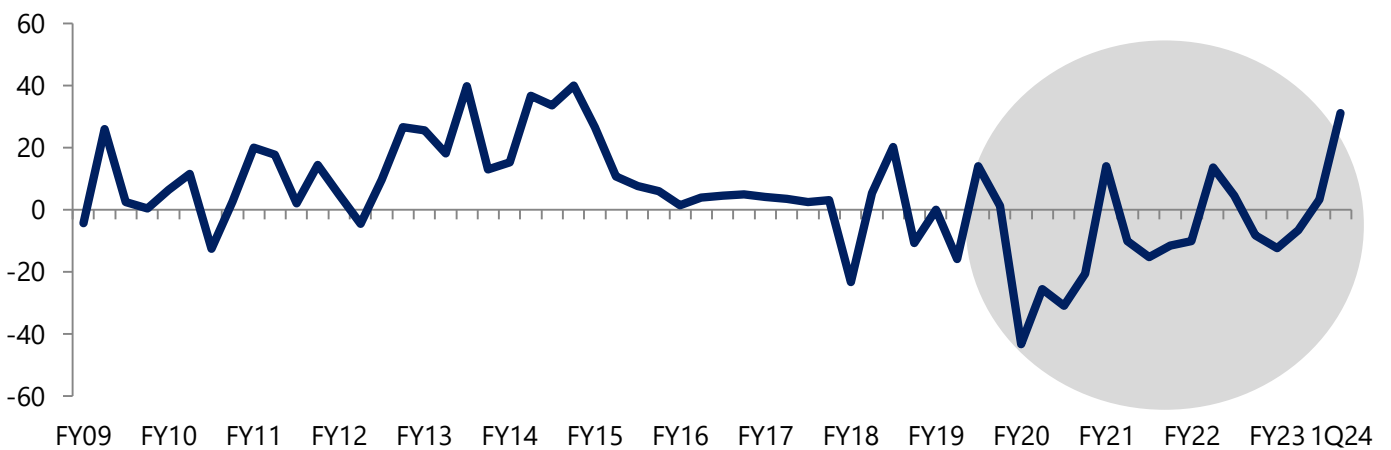
Sources : BPS, MNCS

Exhibit 05. Trend of Monthly average occupancy rate (AOR) and asking base rent (per sqm) retail segment in FY16-FY26F



Sources : Colliers, MNCS

Exhibit 06. The trend of sales volume property in FY09-1Q24 (%)



Sources : BI, MNCS

MNC Research Industry Ratings Guidance

- **OVERWEIGHT** : Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months
- **NEUTRAL** : Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months
- **UNDERWEIGHT** : Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

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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