



## PROPERTY SECTOR UPDATE

### Preparing to Face "New Normal"

#### Property Sales Decreased during Covid-19 Pandemic

Property sales shown a downturn of -43.19% YoY in 1Q20 (vs 0.05% YoY in 1Q19). This was also reflected in average marketing sales which reached 18.59% of our universe target in FY20E. Furthermore, both BSDE and CTRA have released their 1Q20 performance in which top-line and bottom-line dropped by -8.26%/-47.65% YoY, respectively. We consider that the current decline in marketing sales were affected by the Covid-19 Pandemic that resulted in economic slowdown in 1Q20. On the other hand, mortgage lending in 1Q20 grew by 6.72% YoY, while residential property index were stagnant at level of 1.56% YoY in 1Q20 (vs 2.06% in 1Q19).

#### Opportunities from Low-Interest Rate Trends and Incentives through Regulation

During the Covid-19 pandemic, property sector that got hit the hardest so far are hotels, retails, shopping centers, office, and housing, due to large-scale social restrictions (PSBB) and online shopping preferences. In the **short-term scenario**, it will be influenced by the opening of PSBB which has the potential to increase the occupancy shopping centers after being closed for 2-3 months. Besides, CTRA has successfully launched digitalization product while marketing sales reached IDR55 billion in Citra Garden Puri project and IDR130 billion from Citra Maja. We believe that the scenario will be positive to PWON, BSDE, CTRA, SMRA. But in the **long-term** we see two scenarios for the property sector, such as: **1) Best scenario**, the future demand may not be as strong, but will potentially to bounce back next year as customers are planning to buy property. Based on the Ministry of Public Works and Public Housing data, there are ±81 million millennials in FY19 making 76% of the population needing new homes. This is also supported by The Fed to kept interest rates unchanged through FY22F, so there will be a possibility for BI to lower 7-DRR in the future. Bank Indonesia (BI) had reduced the 7 days repo rate (7-DRR) by 50 bps YTD to 4.50% in 1Q20, and it might be lowered again by 25-50bps in FY20E. For this scenario we favor CTRA and BSDE; and **2) Worst scenario**, Covid-19 may permanently change the way people live in the future. For example, there will be less demand for business travel when people realize that video conference proves to be sufficient. We see that the "new normal" will take effect for the long term with office and mall tenant rents reduction, which will be a negative catalyst for PWON and SMRA.

#### NEUTRAL Recommendation for the Property Sector

We maintain the **NEUTRAL** outlook for Property in FY20E. However we see a short term upswing for the property sector as there is a lucrative valuation with more than 65% average discount to NAV. It is also supported by positive catalyst from the re-opening of shopping mall in Greater Jakarta, starting after 15 June 2020. Our top picks are **BSDE (BUY; TP: IDR1,110)**, **SMRA (HOLD; TP: IDR610)** and **CTRA (BUY; TP: IDR880)**. We note that those companies are still relying on residential sales as their backbone, with an average marketing sales of 64% in FY19 coming from landed houses.

Ticker	Market Cap (IDR bn)	PER (x)		PBV (x)		Rec.	Target Price (IDR)
		FY20E	FY21F	FY20E	FY21F		
BSDE	14,627	5.60	4.98	0.40	0.37	BUY	1,110
PWON	19,938	8.33	8.65	1.14	1.02	BUY	520
SMRA	7,646	12.50	10.84	0.96	0.89	HOLD	610
CTRA	12,250	9.80	11.04	0.74	0.70	BUY	880

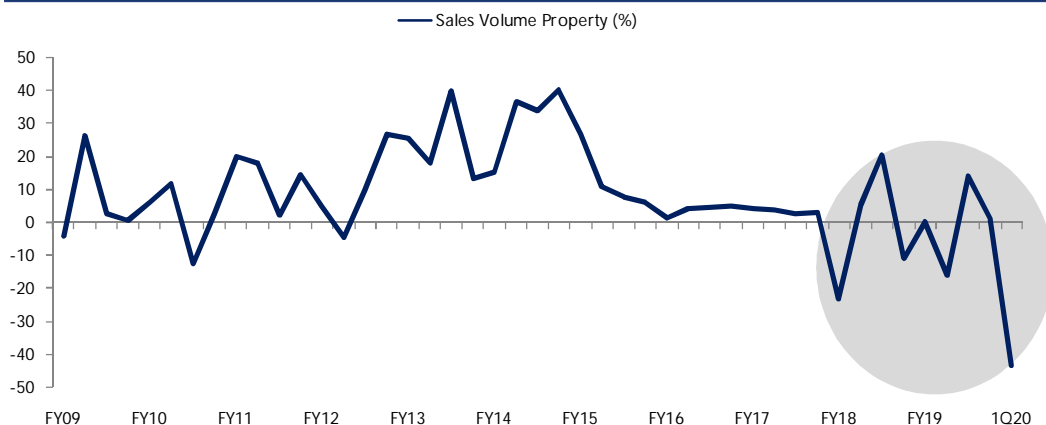
Sources: Bloomberg, MNCS



#### Research Analyst

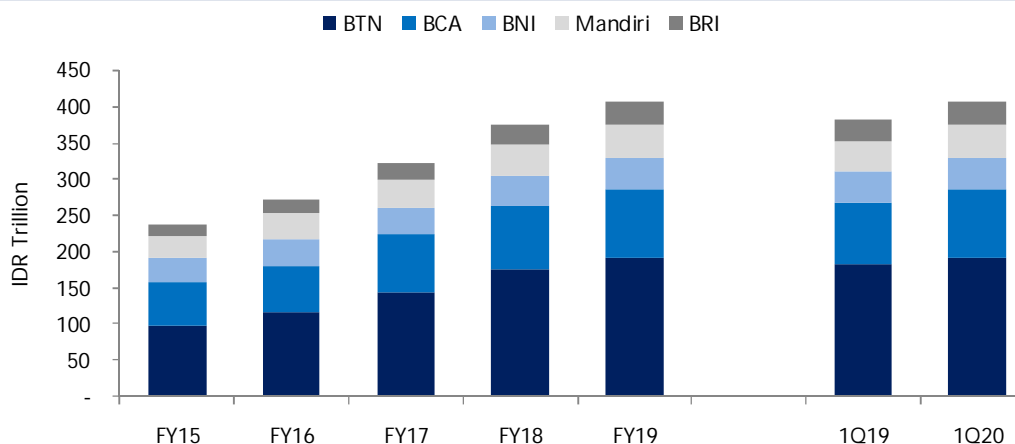
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Exhibit 01. Property Sales Trend in FY09-1Q20



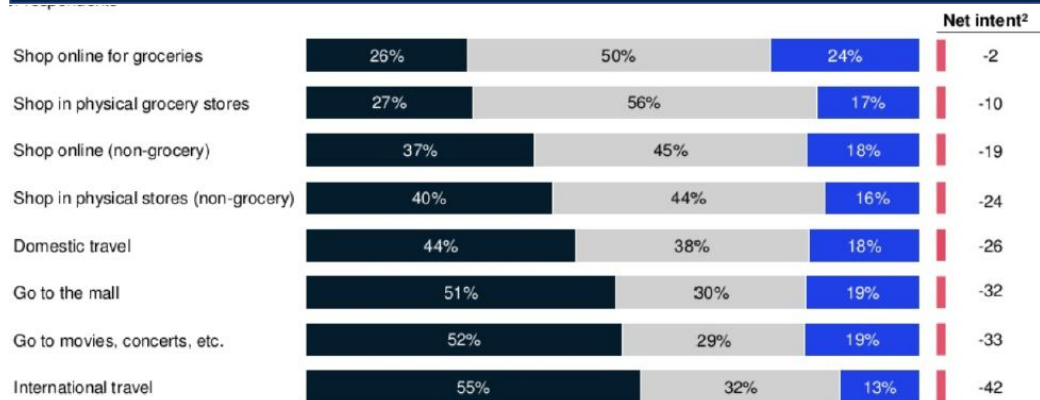
Sources : BI, MNCS

Exhibit 02. Trend of Mortgage Lending in FY15-1Q20



Sources : Company, MNCS

Exhibit 03. Public plan to reduce in-person activities as well as online shopping



Sources : McKinsey Survey

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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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