

3M OW/12M N

Return (%)	-1D	-1W	-1M
JCI	-0.6	+0.8	+1.5
LQ45	-0.7	+0.7	+0.3
BSDE IJ	-1.4	-2.7	-5.3
CTRA IJ	-0.9	-1.9	-11.2
SMRA IJ	-0.7	+3.0	-4.2
PWON IJ	-2.5	-2.5	-2.9

EPS Growth (%)	FY23E	FY24F
BSDE IJ	+23.2	+1.2
CTRA IJ	+2.8	-3.8
SMRA IJ	+54.0	+3.9
PWON IJ	+30.1	+12.8

Property Sector
2H23 Prospects Looking Better
Potential rate cuts: turning challenges into opportunities?

The monetary tightening era is bound to cease soon as the inflation rate has been proven to successfully moderate. Within a span of 10 months, the inflation cooled down to 3.52% in Jun-23 from its highest 5.95% back in Sep-22, and could trigger the Bank of Indonesia (BI) to soon cut its 7DRR from the current rate of 5.75%. Historically, property prices tend to gain momentum ahead of monetary easing sentiments, and we anticipate the rate cuts to commence in 2H23 and FY24F. The cuts will render affordable interest rates which will underpin property sales growth, lowering the KPR/KPA rates that hovered at 7.5%/7.7% in 4M23. Stable mortgage rates will benefit the majority of customer base, as mortgages still account for ~75% of property purchases in 1Q23. However, the developer's strategy for 2023 is to prioritize existing clusters to obtain marketing sales. As such, we do not expect to see as many new cluster launches this year as in FY22, so we maintain our moderate forecast for FY2023E real estate sales at the same level as in FY22.

Comeback of recurring incomes as a crucial driver throughout FY23E-FY24F

We view MICE business activities to become more prevalent in 2H23-FY24F which opens a flurry of opportunities for this sector's recurring income. Not only MICE; sports competitions, exhibitions and similar events will spill positive outturns for hotels' earnings. New hotel developments have been muted ever since the pandemic weighed down due to miniscule demand, leaving developers' with only minor renovation contracts aimed to attract visitors. The brewing economic rebound will also amend mall tenants' conditions, as seen by the improving occupation rate since FY22. We view PWON and SMRA to potentially secure ~50% and ~32% of the aforementioned market opportunity in FY23E, reflected from their 1Q23 profit growth of 28.7% and 36.2%, respectively.

New FLPP upper-limit: negligible impact on developers

Regulators have imposed a new upper-limit on subsidized housing's price cap (FLPP) through the PUPR Ministerial Decree No.689 on Jun-23. They launched the new regulation on the basis of meeting the demands of affordable housing and open development opportunities in the subsidized housing segment. The price cap imposed hovers with the range of IDR162-234mn per unit or grew 3% - 7% from FY20's value, dependent upon the location of the building. The price cap adjustment is also aimed to offset increased material costs, as reflected from June-23's wholesale price index for construction materials (IHPB) of 116.7, jumping 3.3% YoY from 112.9 in Jun-22. CTRA is one of the developers that has this segment as part of their portfolio (Citra Maja project), however we hardly foresee any impact the regulation would inflict on CTRA, as the company is more heavily focused towards the mid-high segment projects.

3M Overweight and 12M Neutral Recommendation for the Property Sector

We give a **3M Overweight** and **12M Neutral** rating for the property sector. The 3M overweight rating is based on the euphoric momentum for property purchases that could arise from the dovish sentiments that has started brewing. On the other hand, we hold a 12M neutral rating as we note that these companies still rely on residential sales as their backbone, with an averaging 64% of the marketing sales being derived from landed houses alone. Moreover, as we advance closer into the political year, property sales are poised to slow down as historical data indicates. 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%; and 2) implementation of the omnibus law. Our top choices are BSDE IJ (BUY; TP: IDR1,400), SMRA IJ (BUY; TP: IDR960), CTRA IJ (BUY; TP: IDR1,350) and PWON IJ (BUY; TP: IDR660).

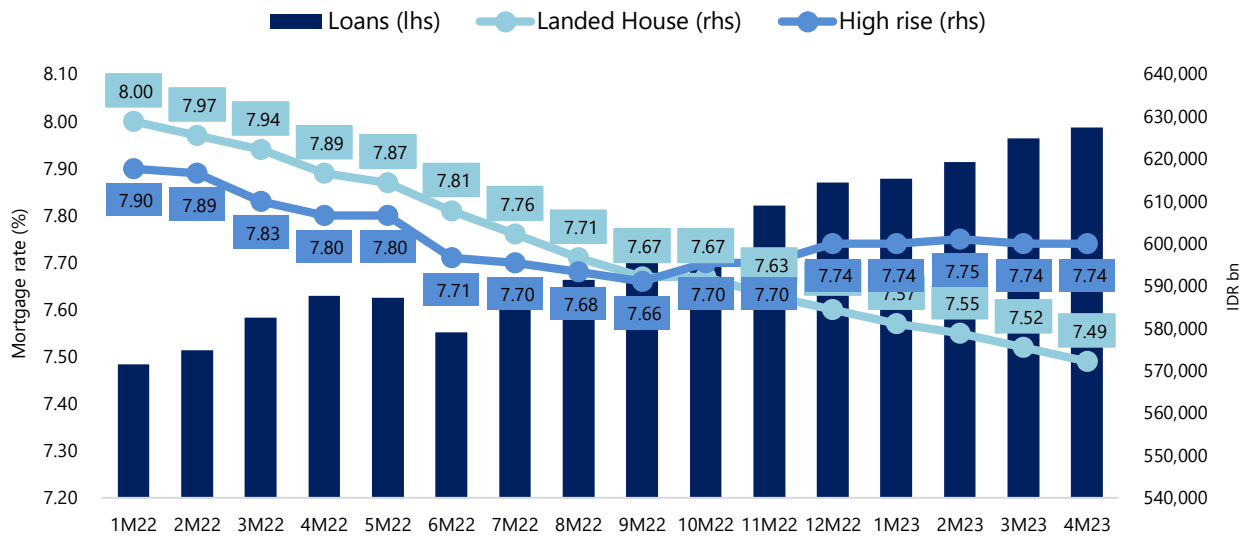


Research Analyst
 Muhamad Rudy Setiawan
 Muhamad.setiawan@mncgroup.com

Ticker	Mkt Cap (IDR tn)	P/E (x)		P/B (x)		Rec	TP (IDR/Sh)
		FY23E	FY24F	FY23E	FY24F		
BSDE IJ	22.6	7.0	6.9	0.6	0.5	BUY	1,400
CTRA IJ	19.4	10.4	10.9	1.0	0.9	BUY	1,350
SMRA IJ	11.2	11.7	11.2	1.1	1.0	BUY	960
PWON IJ	23.0	11.5	10.2	1.2	1.1	BUY	660

Sources : Bloomberg, MNCS

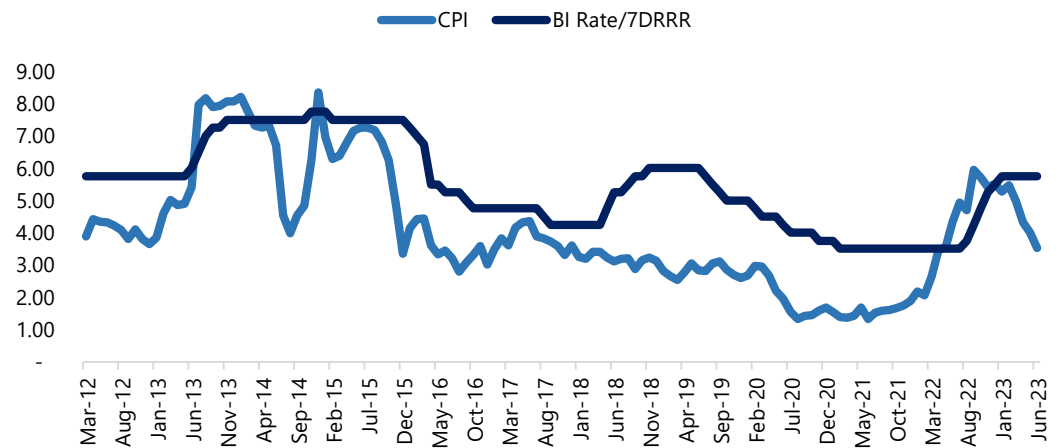
Exhibit 01. The trend of mortgage distribution and mortgage rate



Sources : OJK, MNCS

Exhibit 02. CPI and interest rate trends

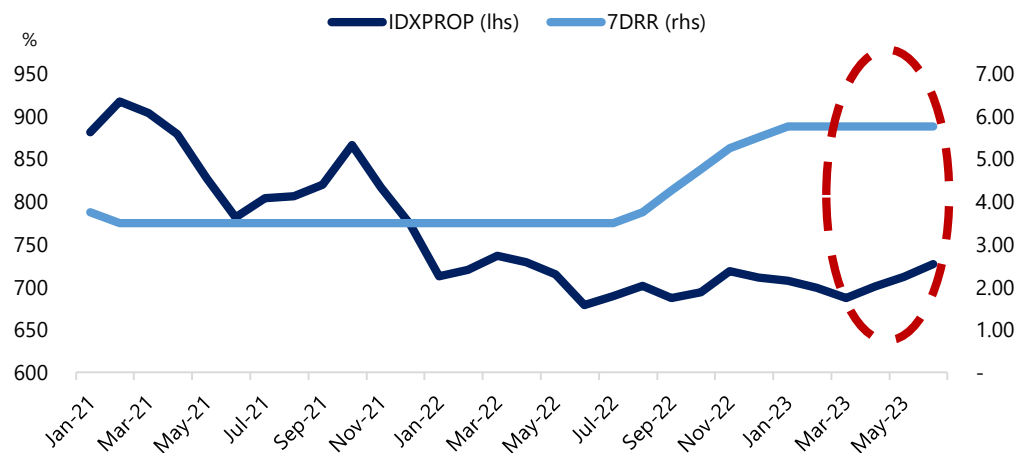
The inflation rate being on a downwards trajectory coupled with a stable IDR exchange rate movement against the USD gives rise to rate cuts anticipations to take place in 2H23



Sources : Bloomberg, MNCS

Exhibit 03. The trend of IDXPROP vs 7DRR in FY21-5M23

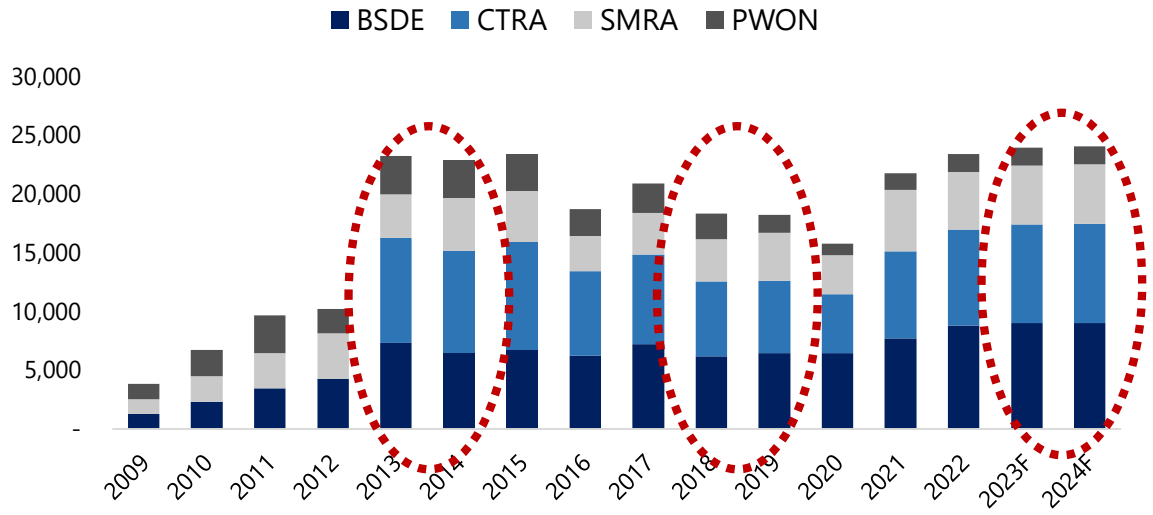
IDXPROP's appreciation on the back of a stable interest rates environment and the lurking potential of rate cuts can invite swift responses from the market



Sources : Bloomberg, MNCS

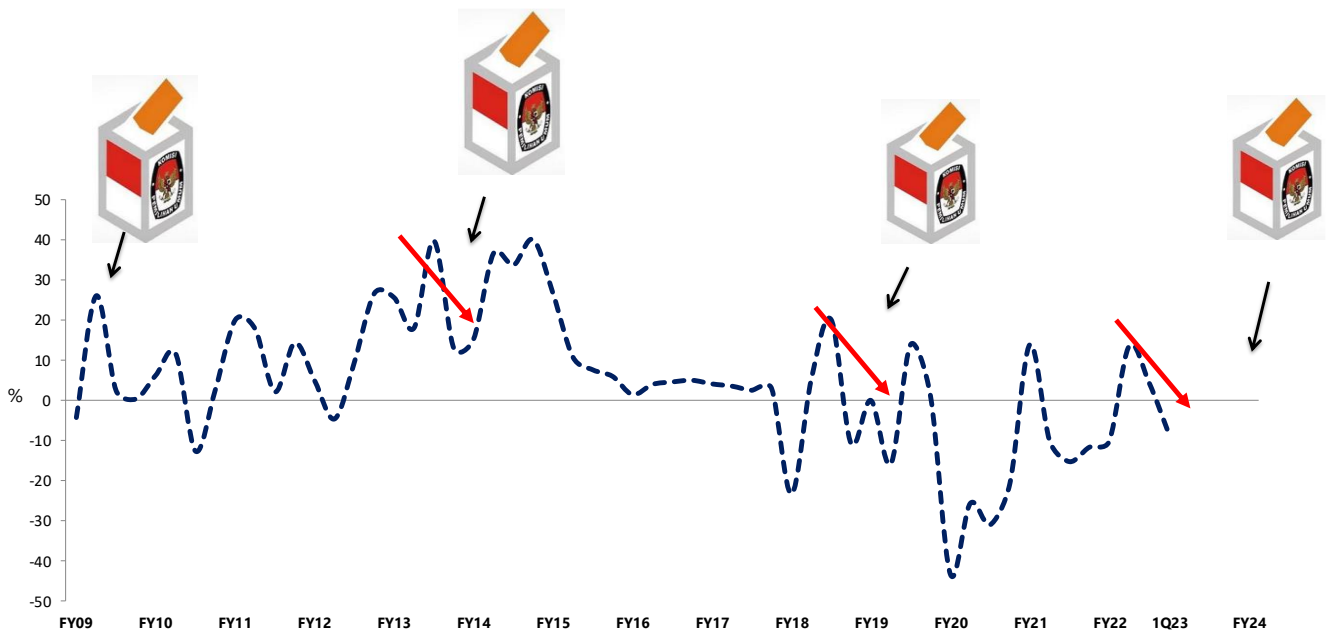
Exhibit 04. Trend of marketing sales in FY12-FY24F (in IDR bn)

We still view that customers will hold-off from purchasing upon entering the political year. Hence, we expect moderate marketing sales in FY24F



Sources : Companies, MNCS

Exhibit 05. The trend of sales volume property in FY09-1Q23



Historically, sales volume experienced stunted growth upon entering the political years as seen during the 2013-2014 and 2018-2019 periods.

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

PT MNC SEKURITAS

MNC Financial Center Lt. 14 – 16
Jl. Kebon Sirih No. 21 - 27, Jakarta Pusat 10340
Telp : (021) 2980 3111
Fax : (021) 3983 6899
Call Center : 1500 899

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