

**OVERWEIGHT**

Return (%)	-1D	-1W	-1M
JCI	-0.6	+1.4	+2.3
LQ45	-0.3	+1.6	+0.5
BSDE IJ	+0.5	+3.5	+3.0
CTRA IJ	0.0	-0.9	+8.8
SMRA IJ	0.0	+3.5	+12.3
PWON IJ	-0.5	+1.0	0.0

EPS Growth (%)	FY23E	FY24F
BSDE IJ	-0.1	+15.1
CTRA IJ	+13.4	+18.5
SMRA IJ	+24.2	+22.9
PWON IJ	+16.0	+13.4

**Property Sector**
**Time for the long-awaited upswing**
**Firm demand will help to support higher prices amid limited supply expansion**

**Residential:** The government has officially announced the extension of their value added tax incentive program (PPN DTP), which entails that value added tax (VAT) is completely (100%) burdened to the state for home purchases up to IDR2bn. For home purchases up to IDR5bn the VAT incentive will still be given, but to the limit of IDR2bn purchases. The implementation will be done through two phases; the first spans from Nov-23 to Jun-24 and disburses a 100% VAT incentive, whereas the second phase, spanning from Jul-24 to Dec-24, disburses a 50% VAT incentive. This policy targets the >IDR500mn income segment to lay their money on properties; potentially benefitting, in our view, the property players that offers the price range of IDR1bn-IDR5bn (BSDE, CTRA, PWON, SMRA). The incentive should cushion the effects of higher-for-longer interest rates conditions that appears to persist into FY24F. We anticipate that at the very least FY24F's marketing sales could, as a result, match that of FY23E. We also expect some risks in the form of curbed sales performance in 1H24 due to: 1) general elections (Feb-24) and 2) Eid Al-Fitr (Apr-24), as well as the lingering hawkish sentiment that might persist into FY24F. Moreover, after global central banks turn dovish, rate sensitive stocks such as they top four property developers should benefit.

**Hotel:** Going into FY24F, the hotel industry's performance is expected to recover by 2Q24. This is due to the seasonal slowdown at the start of the year, especially ahead of the elections. The lining up of presidential candidates as well as speculations on their policy stances feeds the wait-and-see sentiment of market participants. What this entails is that if the electoral proceeding necessitates a second round, the recovery arc of the hotel business might get delayed. Aside from that, the festive season of Ramadan and Eid Al-Fitr holidays which falls into 1Q24 is portended to mute down business activities. On the brighter side, occupancy rates look set to outstrip the pre-pandemic levels, foretold from the rebounding trend throughout FY22 – 8M23. Moreover, developers' confidence in raising the room rates, far from the discount-frenzy that took place in 2022, is a telltale sign that demand for hotels are solid.

**Shopping Mall:** The narration that the economy is on-track to recovery, coupled with a limited supply of new malls and the hiking number of visitors put the occupancy rate at 72.8% and 70.4% in Jakarta and Greater Jakarta region, respectively. There haven't been any new mall additions, hence a flat rent rate in Jakarta, levelled at IDR563k per sqm. Service fees also remained at stable levels in Jakarta and the Greater Jakarta region, hovering at IDR153k and IDR119k per sqm. EV recharging stations are becoming more prevalent in the malls, as well as the improved accessibility by public transport enabling higher visitor traffic. This is well reflected from the occupancy rate in the mid-upper and premium segment regions in Jakarta that have reached occupancy rates of 84.6% and 86.2% in 3Q23. However, the Greater Jakarta region of Bekasi and Tangerang, the occupancy remains a tad behind at 73.7% and 70.1% in 3Q23.

**Overweight Recommendation for the Property Sector**

We give 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, expected to persist into 1H24, 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.

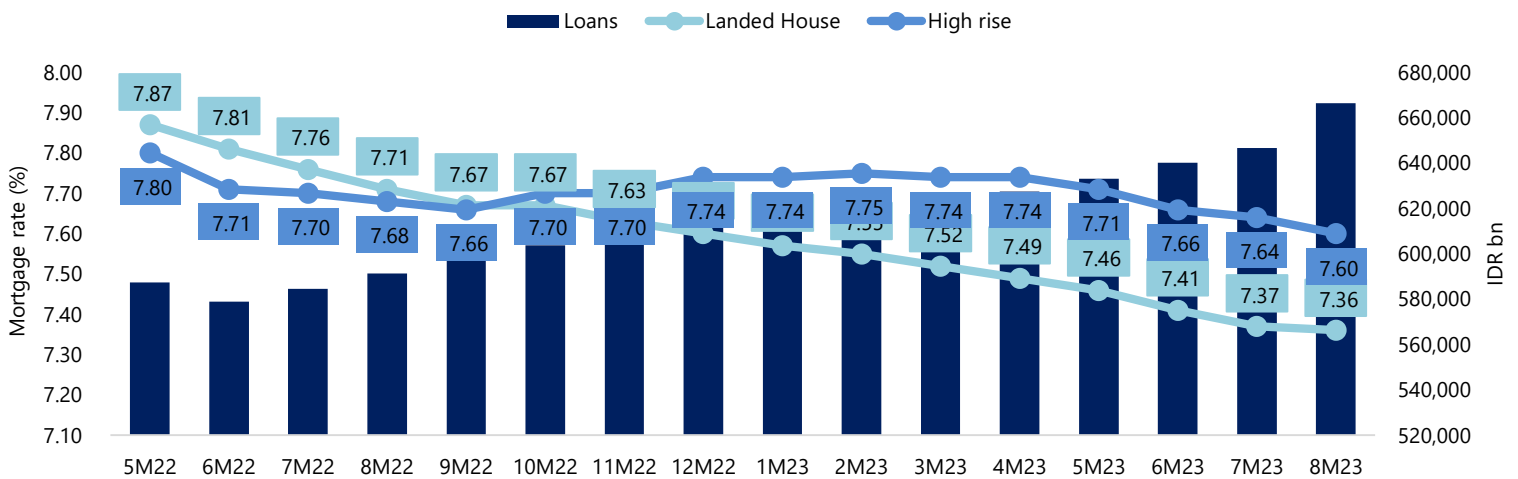


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Ticker	Mkt Cap (IDR tn)	P/E (x)		P/B (x)		Rec	TP (IDR/Sh)
		FY23E	FY24F	FY23E	FY24F		
BSDE IJ	22.0	8.6	7.5	0.6	0.5	BUY	1,400
CTRA IJ	20.7	9.8	8.3	1.0	0.9	BUY	1,300
SMRA IJ	9.7	14.4	11.8	1.1	1.0	BUY	945
PWON IJ	20.1	12.9	11.4	1.2	1.1	BUY	585

Sources : Bloomberg, MNCS

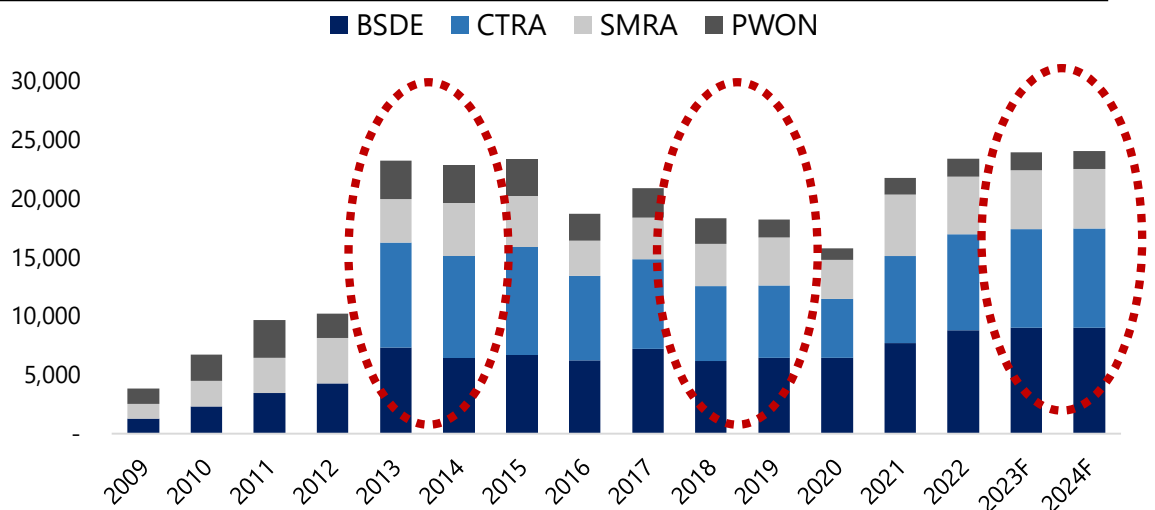
**Exhibit 01. The trend of mortgage distribution and mortgage rate**



Sources : OJK, MNCS

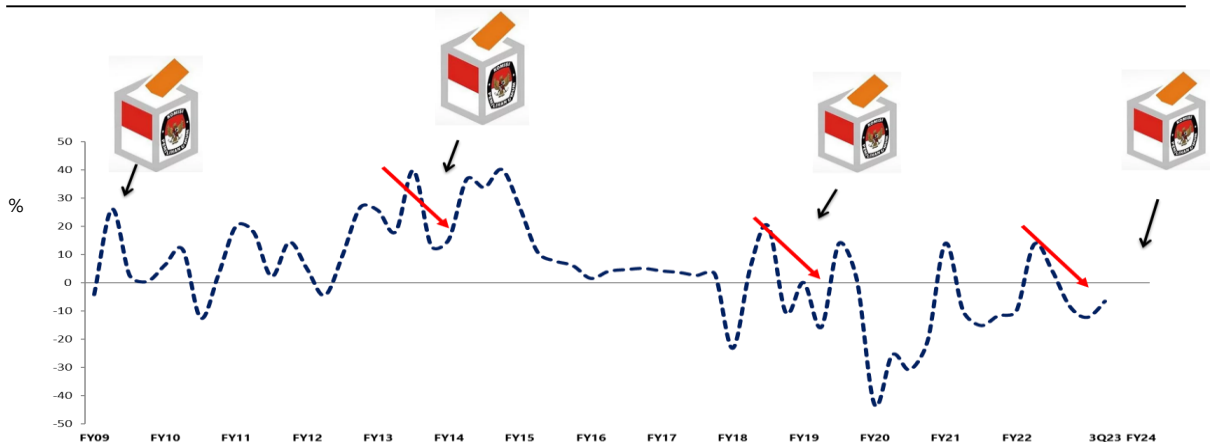
**Exhibit 02. Trend of marketing sales in FY12-FY24F (in IDR bn)**

*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 03. The trend of sales volume property in FY09-3Q23**



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

Sources : BI, MNCS

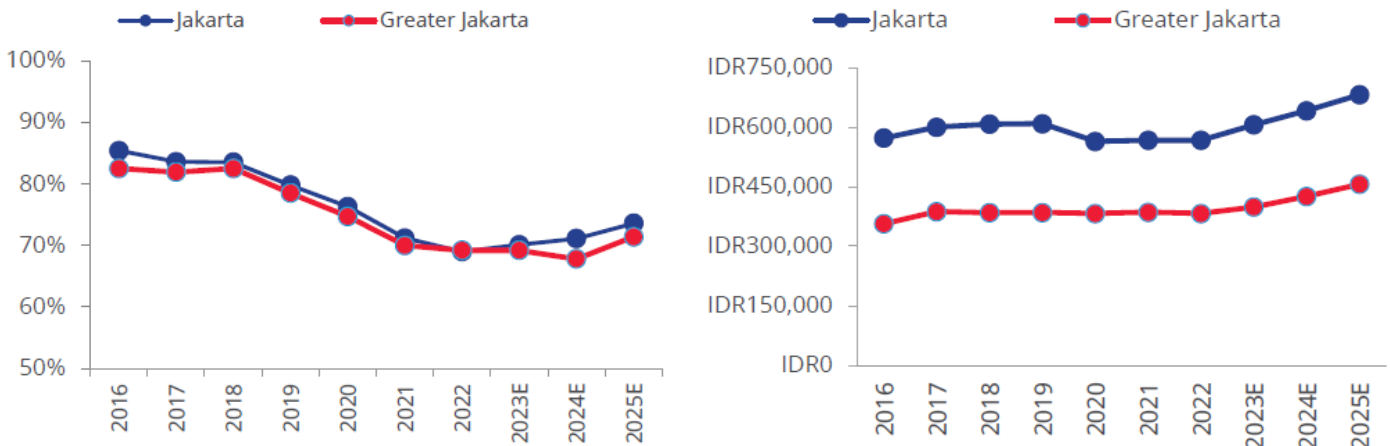
**Exhibit 04. The trend retail performance in 4Q22-3Q23**

Retail Performance	Occupancy			Base rent*			Service charge*		
	4Q22	2Q23	3Q23	4Q22	2Q23	3Q23	4Q22	2Q23	3Q23
<b>Jakarta</b>									
premium	84.5%	86.2%	86.2%	1,133,062	1,133,062	1,133,062	231,500	243,261	243,261
Middle-upper	78.3%	84.6%	84.6%	800,740	800,369	800,369	166,985	178,645	178,645
Middle	65.9%	68.6%	69.3%	385,200	382,282	382,282	136,448	135,414	135,414
Middle-lower	48.9%	50.0%	49.6%	262,906	260,669	260,669	107,388	107,200	107,200
<b>Average</b>	<b>69.0%</b>	<b>72.5%</b>	<b>72.8%</b>						
<b>Greater Jakarta</b>									
Bogor	68.3%	66.5%	66.2%	358,107	361,551	361,551	125,245	127,281	127,281
Depok	66.1%	69.7%	69.7%	368,928	368,928	368,928	104,105	104,997	104,997
Tangerang	68.9%	69.0%	70.1%	399,346	399,009	399,009	124,687	125,978	125,978
Bekasi	71.8%	75.6%	73.7%	383,812	383,812	383,812	115,450	113,823	113,823
<b>Average</b>	<b>69.2%</b>	<b>70.6%</b>	<b>70.4%</b>						

\*) IDR/sqm/month

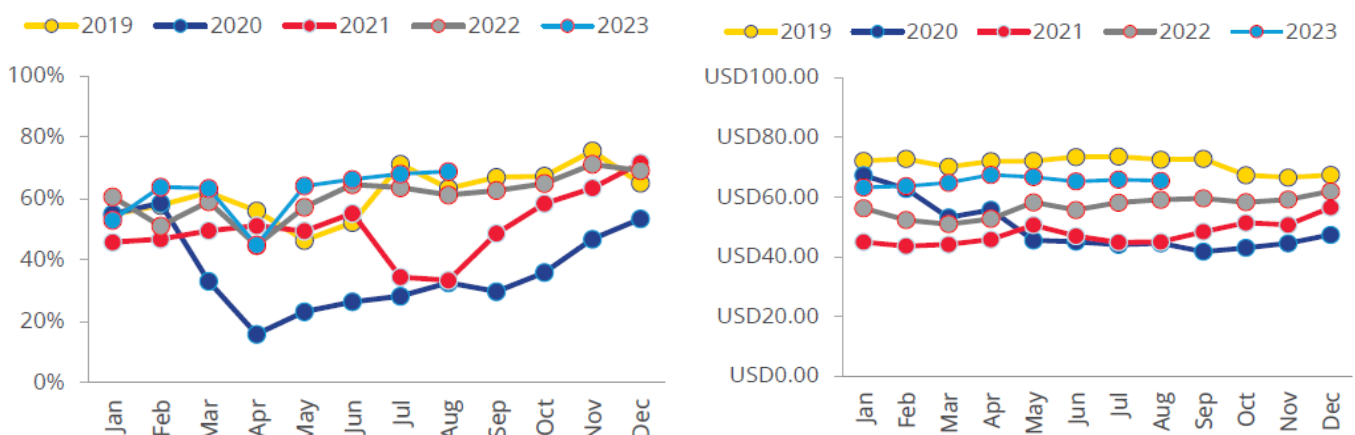
Sources : Colliers, MNCS

**Exhibit 05. Trend of Monthly average occupancy rate (AOR) and asking base rent (per sqm) retail segment in FY16-FY25F**



Sources : Colliers, MNCS

**Exhibit 06. Trend of Monthly average occupancy rate (AOR) and Monthly average room rate (ARR) hotel segment in FY19-8M23**



Sources : Colliers, 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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