RESEARCH / SECTORAL SNAPSHOT

PROPERTY SECTOR (OVERWEIGHT)

14 OCT 2021

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UNLOCKING OPPORTUNITIES

Residential: Benefit for Extended VAT relaxation until December 2021

- The government has officially extended the VAT regulation for three months until December 31, 2021 from the previous August 31. The regulation has been implemented since March 2021, there is no change of terms from this relaxation, namely products that apply to inventory that is 100% complete and will be completed in the relaxation period.
- BSDE, CTRA, and PWON managed to record strong marketing sales in 1H21. BSDE recorded 56% YoY of marketing sales, followed by CTRA 77% YoY, PWON 17% YoY, and SMRA 155% YoY. The residential segment have become one of the triggers for the growth of marketing sales, continuing the trend that has occurred in 3Q20-4Q20 and also the positive trend in 1Q21.
- Mortgage growth was recorded to increase by 7.24% YoY in 1H21, where KPR contributed 75.08% to property purchase facilities, while 16.89% cash in stages, and 8.04% in full payments.

Data Center : Is it a Business Advantage for Property Sector in the Long Run?

- The information and communication technology (ICT) sector is expected to lead economic growth in Indonesia both this year and in FY22F, as the Covid-19 pandemic has induced a faster takeup of digital services than expected. The ICT will grow around 9%-10% in FY21E and 9.8%-10.3% in FY22 according to a Fiscal Policy Agency (BKF).
- In 1H21, Indonesia's foreign direct investment (FDI) for the transportation, warehousing and telecommunications sectors reached USD1.8 billion (vs USD1.45 billion in 1H20).
- Indonesia had the largest e-commerce market in Southeast Asia in FY20 , with a Gross Merchandise Value (GMV) of USD32 billion.
- The transaction contribution of the e-commerce and data center segments was 23.35% in 1H21, the second largest after the automotive segment (44.09%).
- Given the potential for strong demand, developers are looking to expand into the data center business. The location of the data center is likely in Jabodetabek. Currently, BSDE is in the initial discussion stage with potential partners, while CTRA has signed an NDA with potential partners. We think this may be a positive signal for BSDE and CTRA as it can bring more stable recurring income during the pandemic compared to shopping centers, office rentals and hotels. On the other hand, business viability will depend on the location of the data center because most of the current data center developments are in Bekasi & Karawang which have a much cheaper land price per sqm (IDR2-3million/sqm) compared to the price in Bumi Serpong Damai around IDR4-5million/sqm.

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 IJ (BUY; TP: IDR1,500)**, **SMRA IJ (BUY; TP: IDR1,100), CTRA IJ (BUY; TP: IDR1,300)** and **PWON IJ (BUY; TP: IDR660)**, and in the real estate sector **DMAS IJ (BUY; TP: 240)** and **MMLP IJ (BUY; TP: 1,000)**. We note that these companies still rely on residential sales as their backbone, with averaging 64% of marketing sales coming from landed houses.

Ticker	Market Cap (IDR bn)	PER (x)		PBV (x)		Rec.	Target Price (IDR)
		FY21E	FY22F	FY21E	FY22F		
BSDE IJ	19,266	20.33	17.47	1.00	0.94	BUY	1,500
CTRA IJ	16,704	11.07	10.41	1.08	1.00	BUY	1,300
DMAS IJ	8,531	9.04	10.07	1.39	1.33	BUY	240
MMLP IJ	4,240	22.01	16.91	0.74	0.71	BUY	1,000
PWON IJ	21,576	14.85	12.57	1,36	1.23	BUY	660
SMRA IJ	13,170	40.44	31.76	1.20	1.14	BUY	1,000

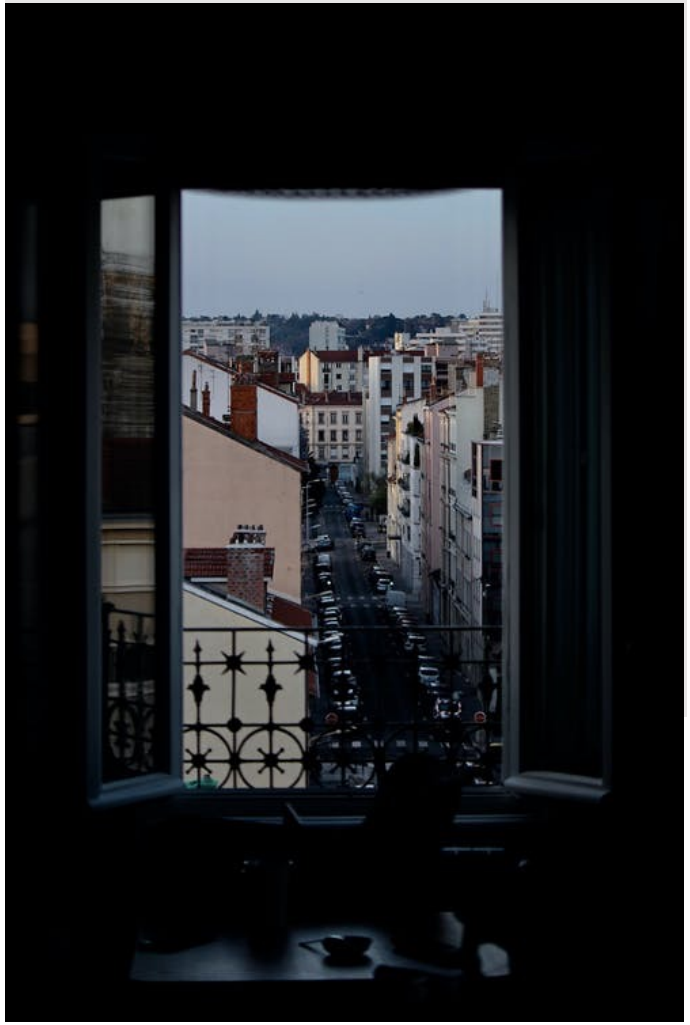


Exhibit 01. The Trend of Mortgage Distribution and Mortgage Rate

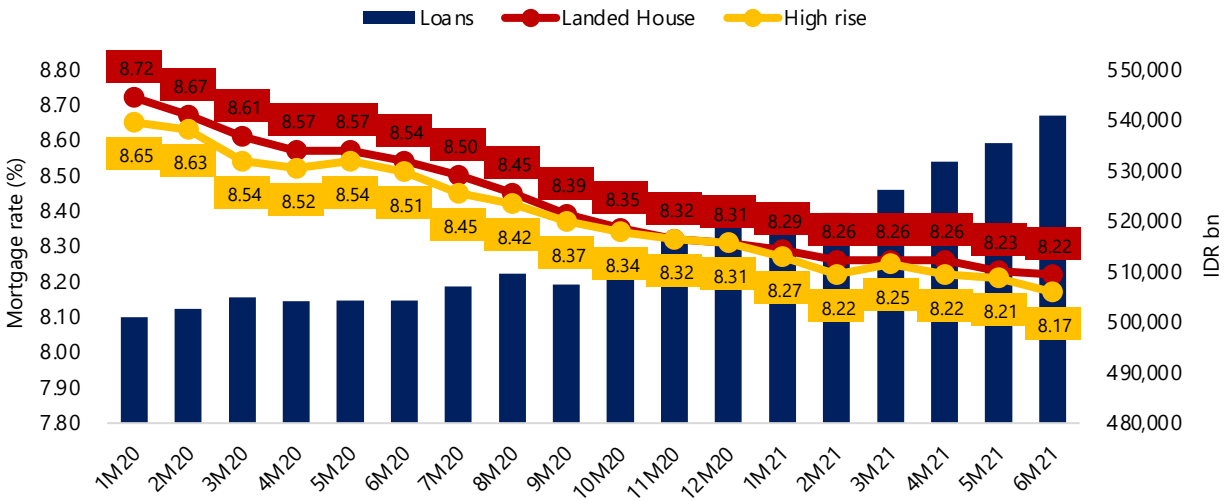


Exhibit 02. The Trend of Marketing Sales in FY16-FY22E

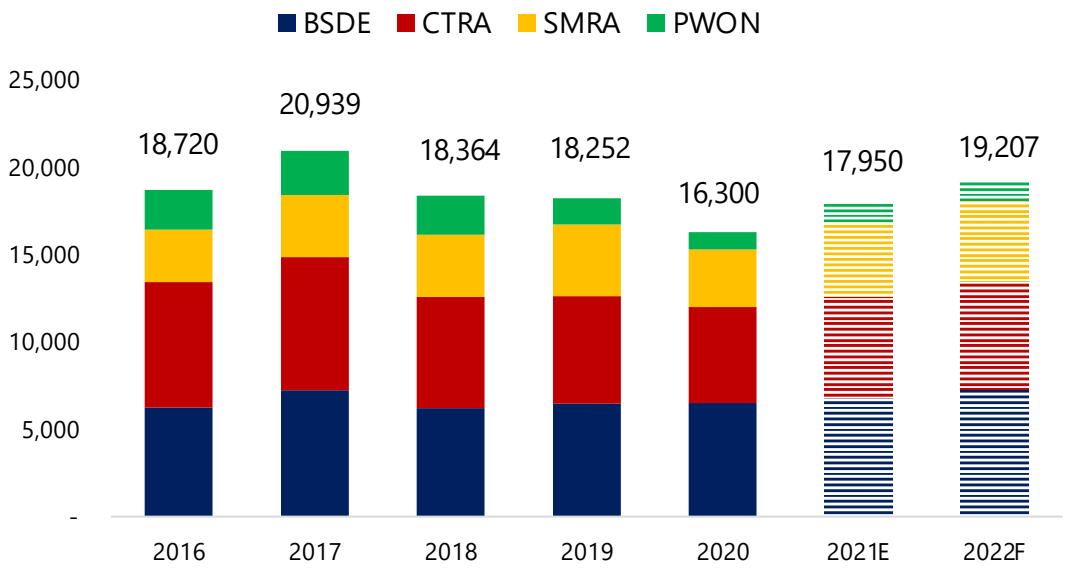


Exhibit 03. Types of Active Industries Involved in the Transactions 1H21

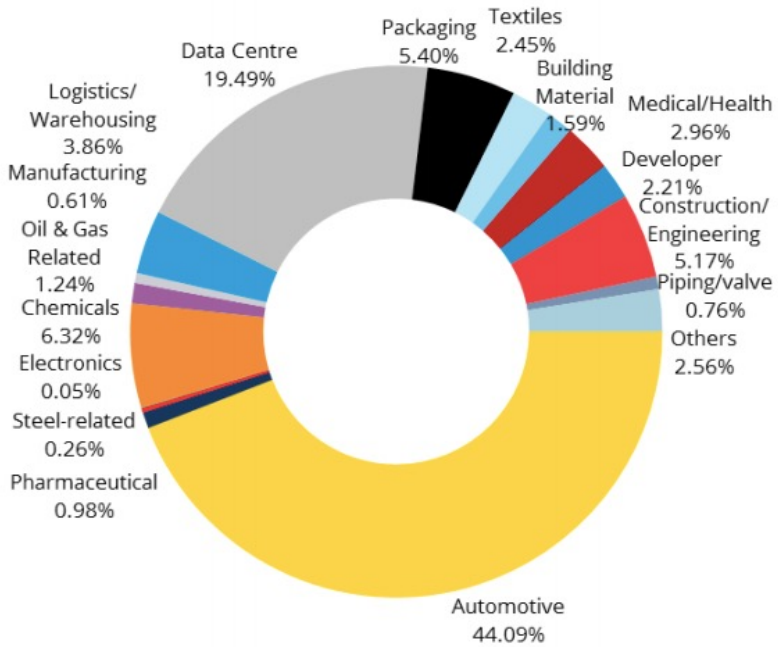
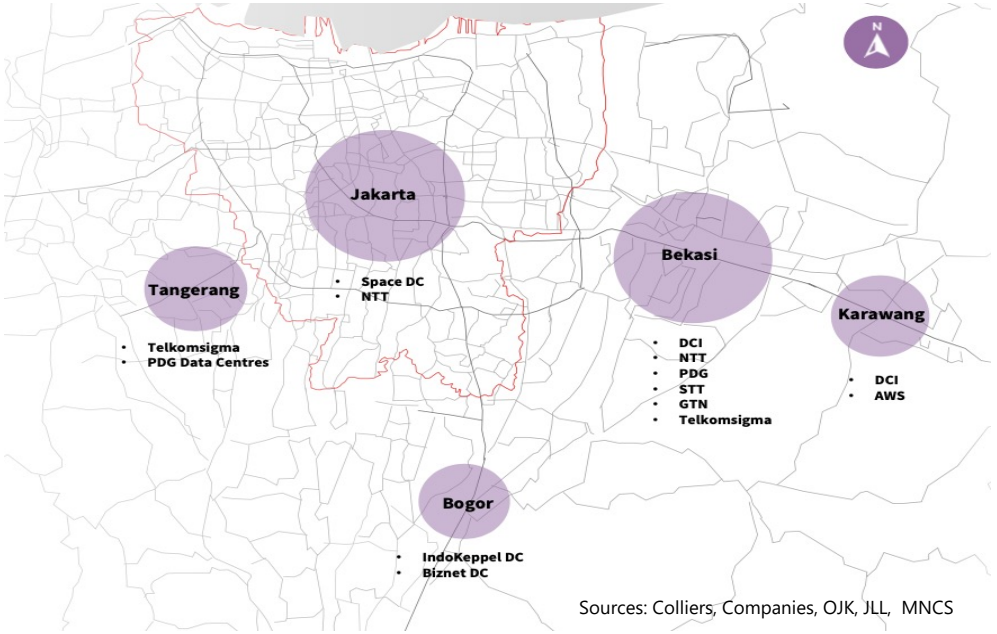


Exhibit 04. Areas Focused On Data Center Development

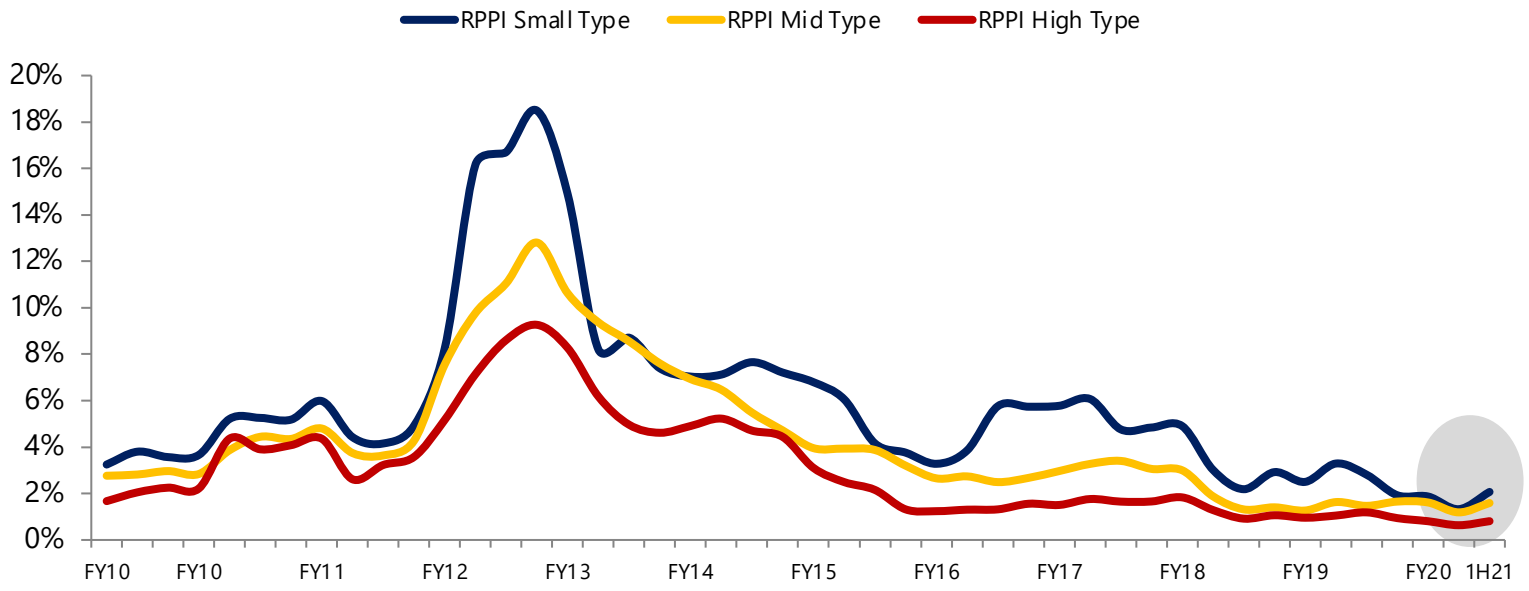


Sources: Colliers, Companies, OJK, JLL, MNCS

Marketing Sales Performance (IDR bn)

Code	1H20	1H21	% YoY	FY20	FY21E	% YoY	% of Target
BSDE	2,890	4,519	56%	6,493	7,000	8%	65%
CTRA	2,014	3,565	77%	5,500	5,900	7%	60%
LPKR	1,053	2,331	121%	2,700	3,500	30%	67%
PWON	501	820	64%	1,000	1,400	40%	59%
SMRA	1,111	2,832	155%	3,300	4,000	21%	71%

Steady Performance in 1H21
On average, marketing sales increased 95% YoY in 1H21 and has reached 64% of the target in FY21.



Potential RPPI in FY22E
Overall, the RPPI increased in 1Q21-2Q21. The increased demand for housing is due to changing preferences from recreation to housing needs. The RPPI has the potential to increase in FY22E as developers sell affordable property prices.

Sources: BI, Companies, MNCS

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
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