PROPERTY

Cautious sentiment to temper property demand

Subdued approvals, uneven earnings keep outlook neutral

PETALING JAYA: Cautious consumer sentiment continues to weigh on the property market, with data from July's loan applications showing stable demand growth month-on-month (m-o-m) following a flat June, says MBSB Research.

The research house has maintained a "neutral" call on property stocks following the recent financial results season in which property developers showed mixed profitability, noting a lack of strong immediate catalysts despite earnings visibility remaining reasonably intact, underpinned by healthy project pipelines and unbilled sales.

It believes persistent inflationary pressures and higher household expenses may dampen purchasing power, resulting in more measured property demand and slower sales momentum.

"Out of seven property companies under our coverage, four reported earnings that came in within expectations, one reported earnings that beat expectation while two reported earnings that missed expectations," it said.

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"Overall, earnings trends among property companies were uneven, with profitability for some companies boosted by land sale gains, while others reported weaker results due to contracting margins and operational challenges," it pointed out.

It has maintained "buy" calls on Matrix Concepts Holdings Bhd, IOI Properties Group Bhd and Mah Sing Group Bhd, with target price of RM1.55, RM4.64 and RM1.40, respectively.

"We see value in Matrix Concepts as the MVV City development remains a key near-term catalyst, while ongoing contributions from its Sendayan and Klang Valley developments should provide a stable earnings base and support steady earnings growth. Besides, dividend yield is attractive at 6%," it said.

It expects IOI Properties' earnings outlook to be supported by land monetisation while the listing of the real estate investment trust should help reduce the company's net gearing from the relatively high 0.89 times recorded in 4Q26 while progressive revenue recognition from sales of M Series projects would underpin Mah Sing's healthy earnings outlook.

Based on the July loan applications data, demand trends remained stable in July with total loan applications for property purchases climbing 11.2% m-o-m to RM63bil after June's 0.1% m-o-m marginal growth.

"We believe the stronger performance in July 2026 reflects a normalisation in loan application activity following the disruptions from school holidays and public holidays in May and June."

On a year-on-year (y-o-y) basis, total loan applications grew only 0.6% in July after the 7.8% increase in June bringing total loan applications to RM382.5bil or a growth of 2.2% y-o-y.

While approved property loans rose 12.8% m-o-m in July, and showed a stable loan approval rate of 43%, on a y-o-y basis, these approved loans weakened by 3.3% while on a cumulative basis, total approved loans grew only 0.4% y-o-y, suggesting a subdued outlook for developers' new sales.