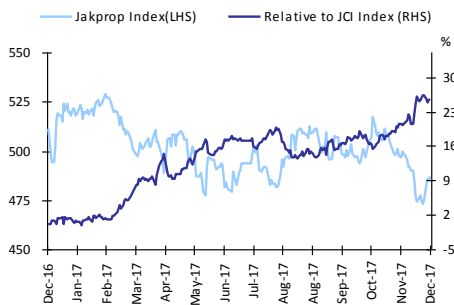


Wednesday, 20 December 2017

NEUTRAL Maintain

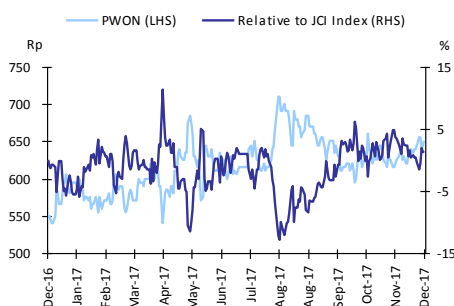
Property Cherry picks

Jakprop Index relative to JCI Index



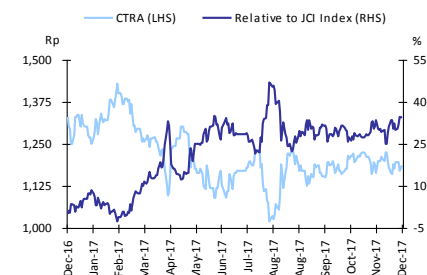
Source : Bloomberg

PWON relative to JCI Index



Source : Bloomberg

CTRA relative to JCI Index



Source : Bloomberg

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Based on company indications, the aggregate marketing sales in 11M17 reached IDR20.6tn. This figure is 88.7% of our full year marketing sales target and 76.7% of the management targets. Considering 11M17's achievement, we believe that several companies, including BSDE, PWON, and SMRA will likely be able to achieve their marketing sales targets this year, while CTRA and ASRI will fall short of their targets. For 2018, we maintain our NEUTRAL call on the property sector with PWON and CTRA as our top picks.

Monthly marketing sales: SMRA and CTRA lead the way. Looking at the indicative marketing sales in November 2017, we note that SMRA and CTRA are the big gainers with additional marketing sales of IDR764bn and IDR614bn, respectively. SMRA's monthly performance was mainly supported by marketing sales recognition from Veldi and Viveldi (402 units available for sale, 90% take up rate, total proceeds of IDR600bn), while CTRA's performance was boosted by the product launching in Citraraya Tangerang (220 units available for sale, 59.5% take up rate, total proceeds of IDR80bn) as well as the soft launching of Denver apartment in Surabaya (IDR110bn).

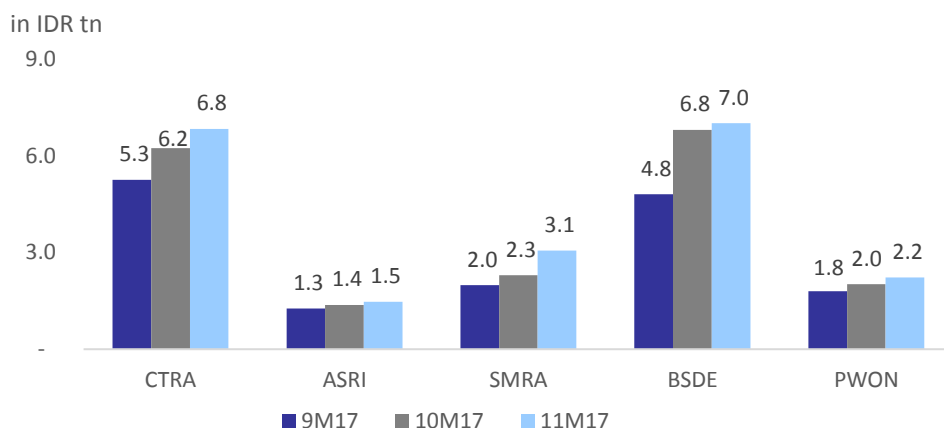
Aggregate marketing sales reached IDR20.6tn in 11M17. Based on the indicative numbers, the aggregate marketing sales of the property companies under our coverage reached IDR20.6tn in 11M17. This figure is 76.7% of the full year management marketing sales target of IDR26.9tn and 88.7% of our marketing sales target of IDR23.2tn. Among the individual companies, we note that BSDE, PWON, and SMRA managed to outperform their peers with their 11M17 marketing sales reaching 96.9%, 85.4%, and 87.4% of their targets. As such, we expect these companies to meet or fall only slightly short (with 90-91% achievement) of their marketing sales targets.

Stable price gap between the primary and secondary market, while the rental yield keeps declining. Based on our research covering the offered prices in rumahdijual.com, we note that the price gap between the primary and secondary markets in Greater Jakarta and Surabaya was relatively flat in December 2017 compared to November 2017 (we consider 1-3% price changes to be flat to take into account the changes in the type of products offered in the secondary market). Meanwhile, concerning the rental yield, based on the data published by Colliers, we note that the rental rate was down by 2.4-2.6%qoq in 3Q17. We estimate this to reduce the rental yield by 14-16bps to 3.8-4.1%.

Mortgage rate trackers: Banks to hold mortgage rates relatively flat. We conducted channel checks on several mortgage lenders that cover 79.8% of the mortgage market. We note that these banks tend to hold their mortgage rates relatively flat and retain their promotional programs in December 2017. The only additional promotional program was introduced by Bank Tabungan Negara (BBTN) that offers an 8-9% fixed rate for 3-5 years.

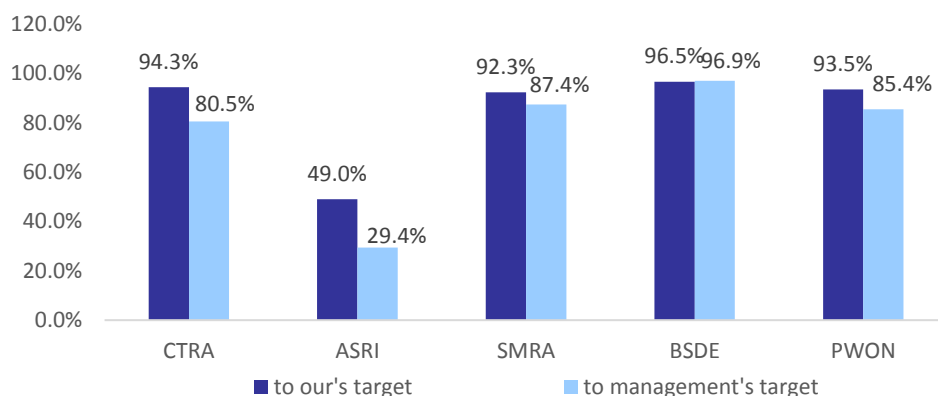
Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x)		P/BV (x)		ROE (%)
					2017F	2018F	2017F	2018F	2017F
Alam Sutra	ASRI IJ	HOLD	400	7,231	5.0	6.8	0.9	0.8	18.6
Bumi Serpong Damai	BSDE IJ	BUY	2,000	33,104	8.4	11.9	0.7	0.7	12.0
Ciputra Development	CTRA IJ	BUY	1,350	21,994	23.5	14.6	1.6	1.5	7.1
Pakuwon Jati	PWON IJ	BUY	720	31,304	16.4	13.2	3.0	2.5	20.1
Summarecon Agung	SMRA IJ	BUY	1,100	12,191	42.5	32.3	1.9	1.8	4.5

Exhibit 1. Indicative marketing sales in 11M17



Source: Companies, Danareksa Sekuritas

Exhibit 2. Indicative marketing sales in 11M17 to our targets and the management targets



Source: Companies, Danareksa Sekuritas

Two products were launched in November 2017 with varying take-up rates

We note that in November 2017, there were two product launches conducted by the companies under our coverage:

a. Ruby Commercial in Summarecon Bandung

In mid-November 2017, SMRA launched shop houses in Summarecon Bandung named Ruby Commercial. From 87 units available for sale, SMRA managed to obtain an 84% take-up rate. Despite the higher land price offered (with prices ranging from IDR2.7-6.5bn/unit, implying a land price of IDR17.9mn/sqm) compared to the shop houses previously launched (Magna Shophouses in April 2017 with prices ranging from IDR2.3-4.1bn/unit and an implied land price of IDR14.8mn/sqm), abundant demand for the commercial shop houses in the area has resulted in a good take-up rate.

b. West Portofino in Citra Raya Tangerang

CTRA also conducted the launch of a landed residential project in Citra Raya Tangerang named West Portofino. From 220 units available for sale and prices ranging from IDR400-1,200mn/unit, CTRA only recorded a 60% take-up rate.

More product launches to come

Going into December 2017, we note that there will be three product launches:

a. SMRA: Kalista Home in Summarecon Karawang

In early December 2017, SMRA conducted the launch of its landed residential project named Kalista Home. From 268 units available for sale, SMRA managed to record a 96% take-up rate. We believe the stellar take up rate owes to discounted land prices offered at this project (with prices ranging from IDR458-689mn/unit, the implied land price is only IDR4.6mn/sqm) compared to prices at the previous launching (New Elora prices ranged from IDR736-1,844mn/unit, implying a land price of IDR6.4mn/sqm).

b. CTRA: Citra Plaza Batam and Citra Maja Raya

- For **Citra Plaza Batam**, the average price ticket reached IDR500-1,100mn/unit (implies for IDR18-19mn/sqm) with 650 units available for sale. From this launching, the company expects to record IDR300bn of marketing sales.
- CTRA also plans to conduct a new cluster launching in **Citra Maja Raya**. At the moment, reservations for units in the new cluster have reached 1,300 units. Thus, the company expects to obtain an additional IDR200bn of marketing sales from the launching.
- Meanwhile, for **Newton 2**, although CTRA started to collect reservations since October 2017, they are relatively flat with reservations for 200 units. Coupled with licensing issue, the company decided to delay the launching for this project to 1Q18.

With two products launching under pipeline as well as regular sales, we believe that CTRA is on the track to meet our marketing sales target of IDR7.3tn and will fall short of the management's (IDR8.5tn).

c. Country Garden: Sky House Apartment

We also note that last week Country Garden, a Chinese developer which owns the Sky House apartment project in BSD, conducted a product launching for its apartments. On the day of the launch, the developer offered various price discounts (30% for hard cash, 5-25% price discount for inhouse installments) to attract buyers.

After discounts, prices ranged from IDR399-2,271mn/unit (implying IDR14.9-19.0mn/sqm). Based on our channel checks, from nearly 4,000 reservations, the company managed to sell more than 1,000 apartment units on the launching day, mainly dominated by studio and two bed room apartments. We believe the project's premium location (near to AEON BSD and Prasetya Mulya University) coupled with the affordable prices (the price per sqm is considerably lower than for The Branz, the apartment project developed by Tokyo Land at IDR28.7mn/sqm) has been able to attract buyers.

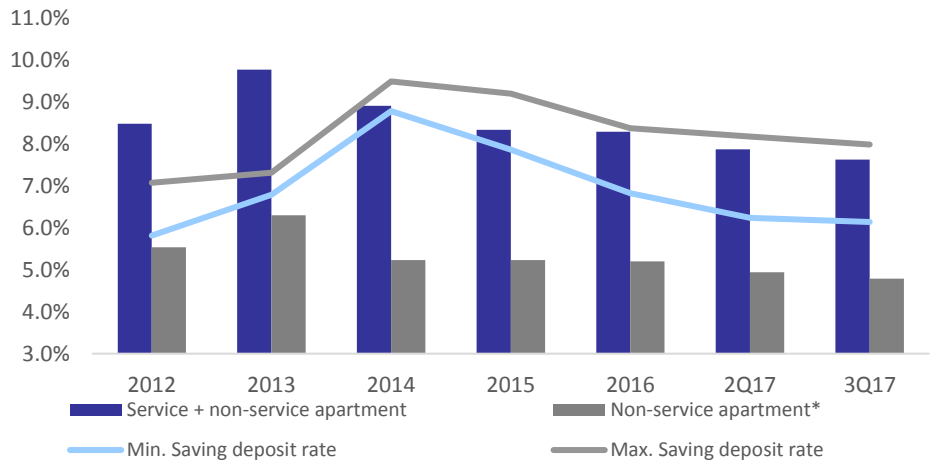
BSDE, meanwhile, does not plan to conduct any product launches in December 2017. Instead, it will focus on its Price Lock promotional program. Furthermore, neither do ASRI or PWON have plans to conduct product launches.

Rental yield: further decline in the rates. Based on the data published by Colliers, the rental rate for apartments in 3Q17 dropped by 2.4% and 2.6%qoq in the CBD and Non-CBD areas respectively. Thus, based on our data interpolation and taking into account 10-20% discounts offered by the property owners, we note that the rental yield in 3Q17 only reached 3.8% and 4.1% in the CBD and Non-CBD areas, down by 12-14ppt compared to the rental yield in 2Q17.

Going into 2018, we still expect the rental market to remain under pressure considering: (i) additional competition from the individually owned strata title apartment units that typically offer lower rental rates (in 2018, Colliers expects 26,000 strata title apartment units to be completed, while not all of them will be

available for rent, but this will translate into additional supply, (ii) not much pick up in demand.

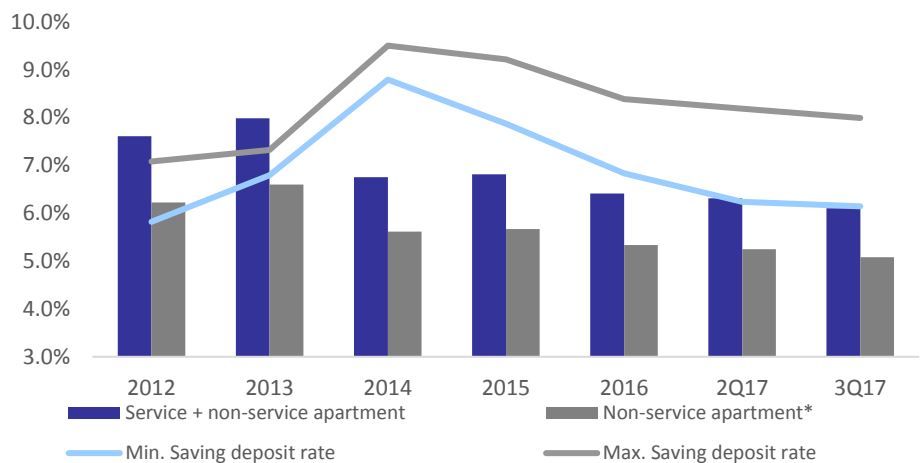
Exhibit 3. Rental yield in CBD area



**Based on Danareksa's data interpolation from the rental rate published by Colliers and the historical proportion of non-serviced apartment rate to total service and non-serviced apartments*

Source: Colliers, Bank Indonesia, Danareksa Sekuritas

Exhibit 4. Rental yield in Non-CBD area



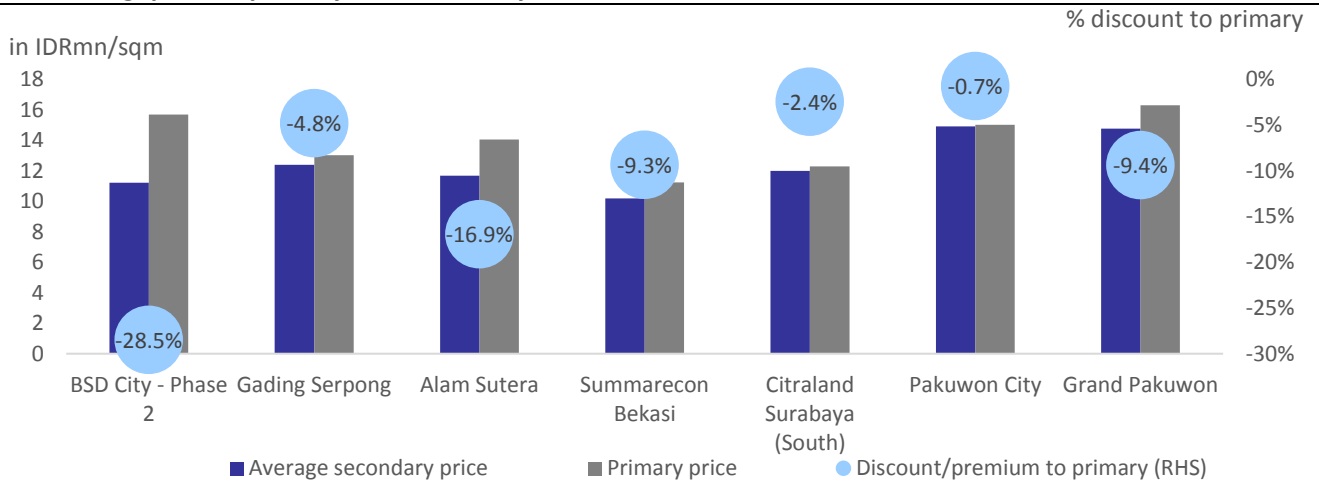
**Based on Danareksa's data interpolation from the rental rate published by Colliers and the historical proportion of non-serviced apartment rate to total service and non-serviced apartments*

Source: Colliers, Bank Indonesia, Danareksa Sekuritas

Secondary price mapping: flattish secondary market prices. We tried to map offered prices in the secondary market of townships for the developers under our coverage in Jakarta and Surabaya from the property advertising listings in rumahdijual.com. Compared to the offered prices in November 2017, we note that secondary market prices in most townships are relatively flat (we consider 1-3% price changes to be flat to take into account the changes in the type of products offered in the secondary market).

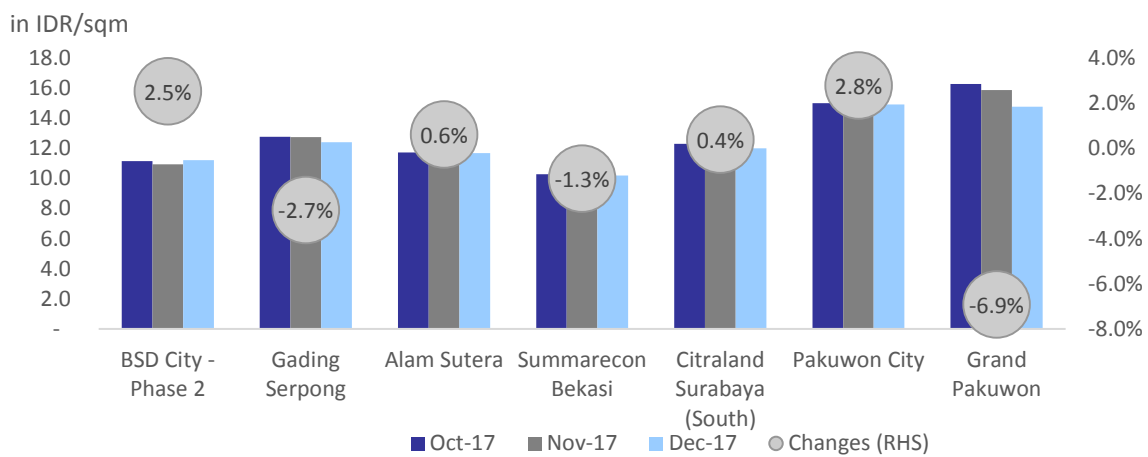
While we note that the average secondary price in Grand Pakuwon Surabaya is slightly lower (from IDR15.9mn/sqm in November 2017 to IDR14.8mn/sqm), we attribute the decline to more South Victoria units available in the secondary market. With the higher price ticket offered (IDR2.7-3.2bn/unit), owners need to give a price discount to entice potential buyers. Meanwhile, for the lower price tickets (Adelaide with a price ticket of IDR1.6-1.8bn/unit), prices are relatively flat.

Exhibit 5. Price gap in the primary and secondary market



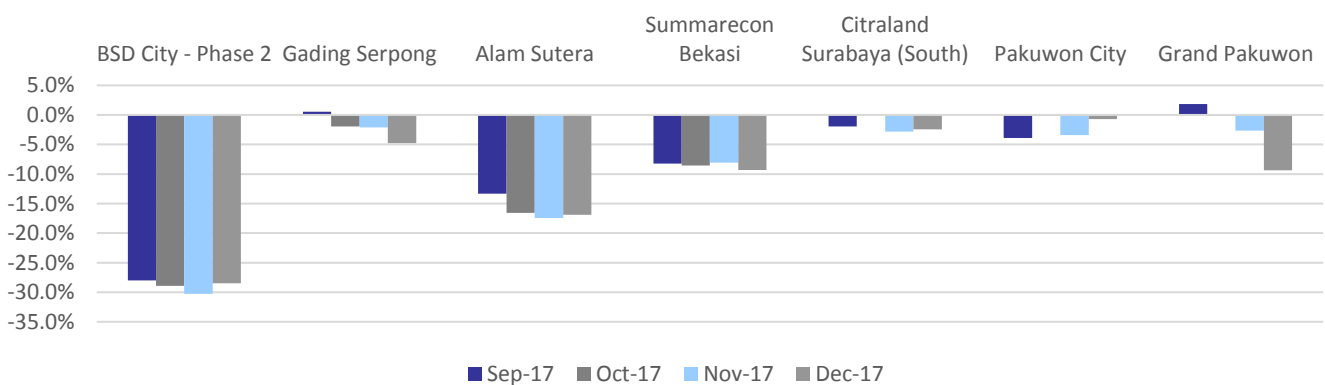
Source: Rumahdijual.com, Companies, Danareksa Sekuritas

Exhibit 6. Monthly changes in the secondary market



Source: Rumahdijual.com, Companies, Danareksa Sekuritas

Exhibit 7. Changes in the price gap between the primary and secondary market



Source: Rumahdijual.com, Companies, Danareksa Sekuritas

Exhibit 8. Mortgage rate trackers

Banks	Rate per Oct '17	Remarks	Rate per Nov '17	Remarks	Rate per Dec '17	Remarks	Changes in rates
BMRI	Promotion - up to 31/12/17		Promotion - up to 31/12/17		Promotion - up to 31/12/17		
	6.99%	Fixed 3y	6.19%	Fixed 3y	6.19%	Fixed 3y	0.00%
	Normal rate		Normal rate		Normal rate		
	9.50%	Fixed 1y	9.50%	Fixed 1y	9.50%	Fixed 1y	0.00%
	10.75%	Fixed 2y	10.75%	Fixed 2y	10.75%	Fixed 2y	0.00%
	7.77%	Fixed 2y +	7.77%	Fixed 2y +	7.77%	Fixed 2y +	0.00%
	8.77%	Fixed 3y - only for priority customers	8.77%	Fixed 3y - only for priority customers	8.77%	Fixed 3y - only for priority customers	0.00%
8.50%	Fixed 5y - only for priority customers	8.50%	Fixed 5y - only for priority customers	8.50%	Fixed 5y - only for priority customers	0.00%	
BBCA	Promotion - up to 29/12/17		Promotion - up to 29/12/17		Promotion - up to 29/12/17		
	7.00%	Fixed 2y	7.00%	Fixed 2y	7.00%	Fixed 2y	0.00%
	8.00%	Cap 3y	8.00%	Cap 3y	8.00%	Cap 3y	0.00%
	Normal rate		Normal rate		Normal rate		
	8.75%	Fixed 1,2 y	8.75%	Fixed 1,2 y	8.75%	Fixed 1,2 y	0.00%
	8.50%	Fixed 3y	8.50%	Fixed 3y	8.50%	Fixed 3y	0.00%
	9.00%	Fixed 5y	9.00%	Fixed 5y	9.00%	Fixed 5y	0.00%
	8.25%	Fixed 3y +	8.25%	Fixed 3y +	8.25%	Fixed 3y +	0.00%
	10.00%	Cap 2y	10.00%	Cap 2y	10.00%	Cap 2y	0.00%
	BBNI	Promotion - up to 29/12/17		Promotion - up to 29/12/17		Promotion - up to 29/12/17	
7.10%		Fixed 2 y	7.10%	Fixed 2 y	7.10%	Fixed 2 y	0.00%
8.00%		Fixed 3 y	8.00%	Fixed 3 y	8.00%	Fixed 3 y	0.00%
8.40%		Fixed 4 y	8.40%	Fixed 4 y	8.40%	Fixed 4 y	0.00%
8.75%		Fixed 5 y	8.75%	Fixed 5 y	8.75%	Fixed 5 y	0.00%
Normal rate		Normal rate		Normal rate			
9.50%		Fixed 1y	9.50%	Fixed 1y	9.50%	Fixed 1y	0.00%
10.50%		Fixed 2y	10.50%	Fixed 2y	10.50%	Fixed 2y	0.00%
Promotion - up to 29/12/17		Promotion - up to 29/12/17		Promotion - up to 29/12/17			
6.75%		Fixed 2 y +	6.75%	Fixed 2 y +	6.75%	Fixed 2 y +	0.00%
7.75%		Fixed 3 y	7.75%	Fixed 3 y	7.75%	Fixed 3 y	0.00%
Normal rate		Normal rate		Normal rate			
9.50%		Fixed 1y	9.50%	Fixed 1y	9.50%	Fixed 1y	0.00%
10.50%	Fixed 2y	10.50%	Fixed 2y	10.50%	Fixed 2y	0.00%	
BBTN	Subsidized		Subsidized		Subsidized		
	5.00%	Fixed to 20 years	5.00%	Fixed to 20 years	5.00%	Fixed to 20 years	0.00%
	Promotion - up to 31/12/17 - need to settle twice amount of monthly installmenets		Promotion - up to 31/12/17 - need to settle twice amount of monthly installmenets		Promotion - up to 31/12/17 - need to settle twice amount of monthly installmenets		
	8.00%	Fixed 3y	8.00%	Fixed 3y	8.00%	Fixed 3y	0.00%
	9.00%	Fixed 5y	9.00%	Fixed 5y	9.00%	Fixed 5y	0.00%
	Promotion - up to 31/12/17		Promotion - up to 31/12/17		Promotion - up to 31/12/17		
	8.50%	Fixed 1y	8.50%	Fixed 1y	8.50%	Fixed 1y	0.00%
	9.00%	Fixed 2y	9.00%	Fixed 2y	9.00%	Fixed 2y	0.00%
	9.50%	Fixed 3y	9.50%	Fixed 3y	9.50%	Fixed 3y	0.00%
	10.25%	Fixed 5y	10.25%	Fixed 5y	10.25%	Fixed 5y	0.00%
	Normal rate		Normal rate		Normal rate		
	9.75%	Fixed 1y <200mn	9.75%	Fixed 1y <200mn	9.75%	Fixed 1y <200mn	0.00%
	9.90%	Fixed 1y >200mn - 350mn	9.90%	Fixed 1y >200mn - 350mn	9.90%	Fixed 1y >200mn - 350mn	0.00%
9.90%	Fixed 1y >350mn	9.90%	Fixed 1y >350mn	9.90%	Fixed 1y >350mn	0.00%	

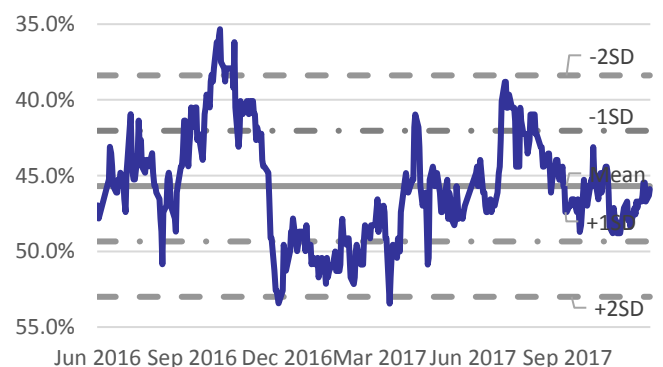
Source: Danareksa Sekuritas

Exhibit 9. Property sector's discount to NAV



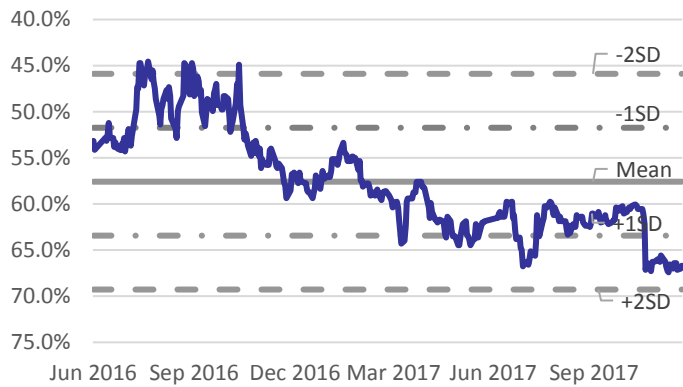
Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 10. PWON's discount to NAV



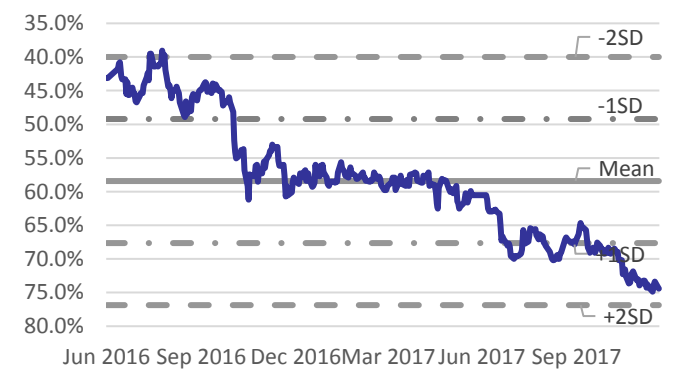
Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 11. CTRA's discount to NAV



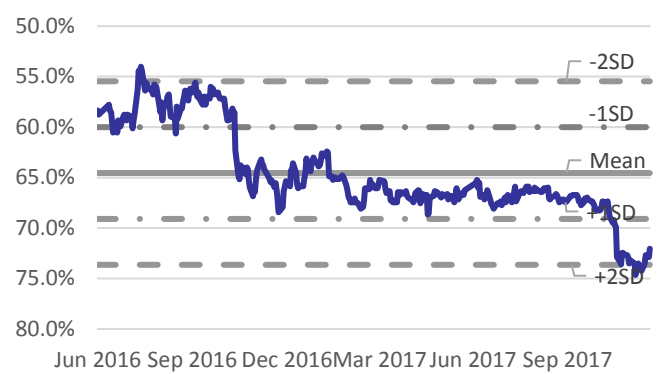
Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 13. SMRA's discount to NAV



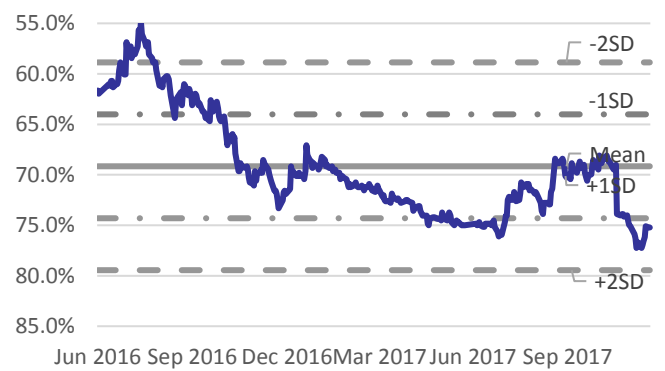
Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 12. BSDE's discount to NAV



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 14. ASRI's discount to NAV



Source: Bloomberg, Danareksa Sekuritas estimates

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