

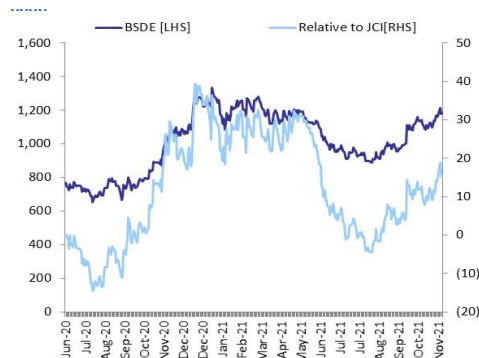
Monday, 22 November 2021

OVERWEIGHT
<Maintain>

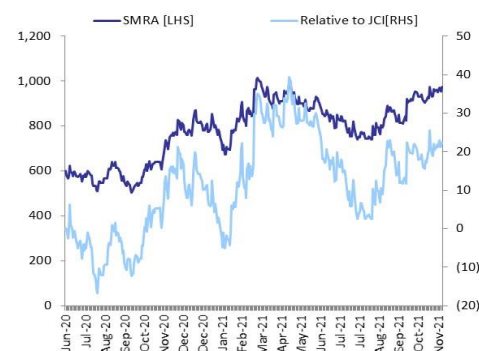
Property

Good to be back on solid ground

BSDE relative to JCI Index



SMRA relative to JCI Index



Source : Bloomberg

We maintain our overweight stance on the sector with a positive marketing sales outlook with expected growth of +13% in FY22F supported by both volume and prices. Our thesis is backed by low rates, high LTV, and high demand for residential property. Our top pick in the sector is BSDE. Risks to our view are rapid rate hikes, a rising cost of building materials, and tightening of regulations.

Liquidity remains robust. We expect liquidity to remain high in 2022 backed by low interest rates. Despite the possibility of a rising 7-DRR rate, we believe the hikes will be minimal and the impact on liquidity will be gradual with high liquidity maintained in 2022. We also note that the rate gap between mortgages and time deposits is still huge, thus allowing room for lower mortgage rates.

Demand for housing to remain firm. We expect sales of residential units to remain high in 2022 albeit lower than in 2021. We expect developers under our coverage to reap marketing sales of IDR26.2tn in FY22F representing +13% y-o-y growth which is lower than our FY21F marketing sales growth of +21%. Landed residential will continue to dominate the marketing sales with some pick-up in high-rise residential property as employees will return to work from the office.

Rising prices of both land and buildings. As per our research, we note a double digit increase in the ASP of landed houses in 2021 – a sign of rising demand or even the early stage of a property boom. However, we also note an increase in building ASP which may not bode well for affordability. However, we see this risk as low as we do not expect a significant increase in raw material prices in 2022.

Recovery of the investment property business. While we initially expected retail malls to fully recover by 2023, the latest trend in shopping malls suggests otherwise. We acknowledge that mobility has improved greatly post the relaxation of the restrictions. However, we maintain our back to normal expectation for 2023 as there is still risk from covid-19 cases which could affect mall rental rates in 2022. Offices will need time to regain their losses in terms of occupancy and rentals and we expect to see full recovery by 2024.

Maintain Overweight with positive outlook. Our preference for developers with a strong landed residential presence remains unchanged while liquidity will play a lesser role in 2022. Our preference is for developers focused on the Greater Jakarta area. We remain overweight on the sector which is still at -0.5SD of its five-year average discount to RNAV with the pecking order being: BSDE, SMRA, CTRA, ASRI, and PWON.



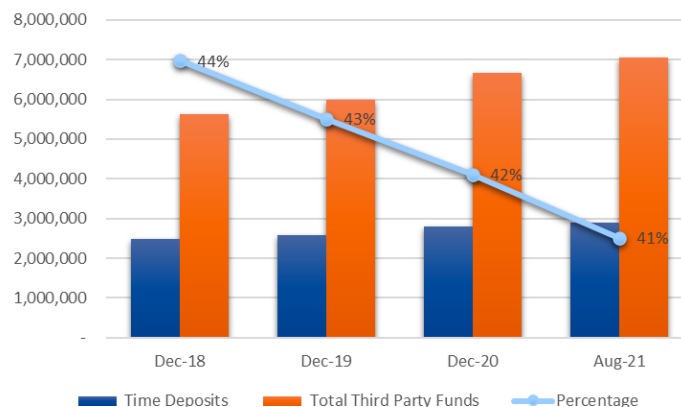
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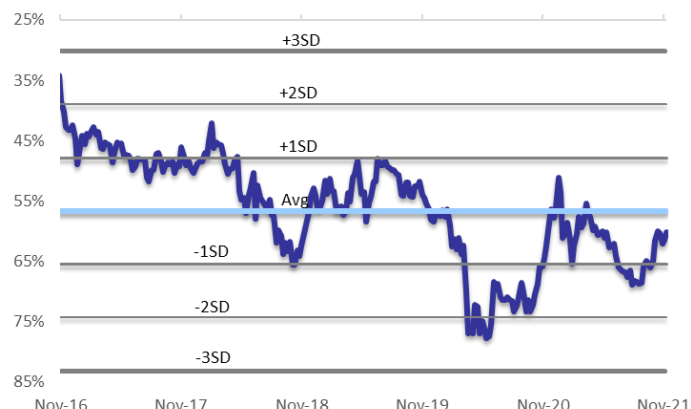
Company	Ticker	Rec	Target Price	Market Cap.	P/E (x)		P/BV (x)		ROE (%)
			(Rp)	(RpBn)	2019F	2020F	2020F	2021F	2021F
Bumi Serpong Damai	BSDE IJ	BUY	1,450	22,807.3	14.3	10.7	0.7	0.7	6.4
Summarecon Agung	SMRA IJ	BUY	1,300	14,066.1	46.3	25.8	2.0	1.8	7.4
Ciputra Development	CTRA IJ	BUY	1,600	20,230.7	16.6	17.0	1.2	1.2	7.1
Alam Sutra	ASRI IJ	BUY	230	3,694.1	21.7	13.4	0.4	0.4	2.9
Pakuwon Jati	PWON IJ	HOLD	520	21,190.2	13.6	12.2	1.3	1.2	10.2

Exhibit 1. Time deposits contribution to total third party funds



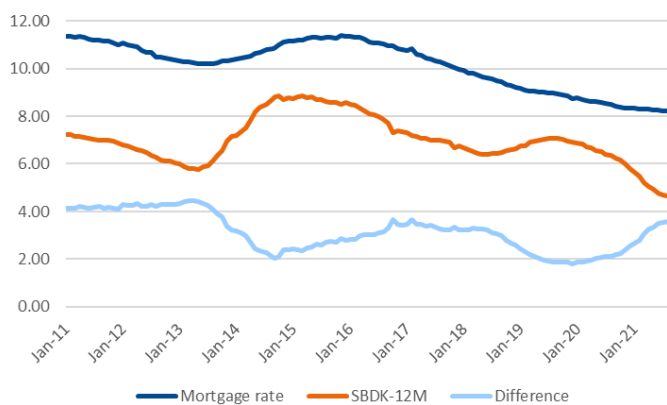
Source: BI, BRI Danareksa Sekuritas

Exhibit 2. Discount to RNAV of BRIDS property sector



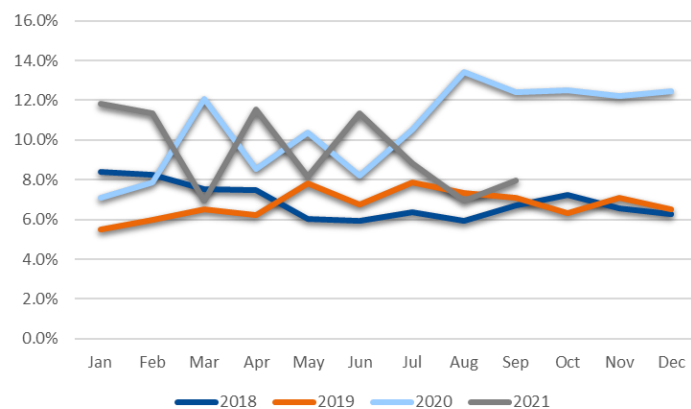
Source: Bloomberg, companies, BRI Danareksa Sekuritas

Exhibit 3. Mortgage rate vs 12-month deposit rate



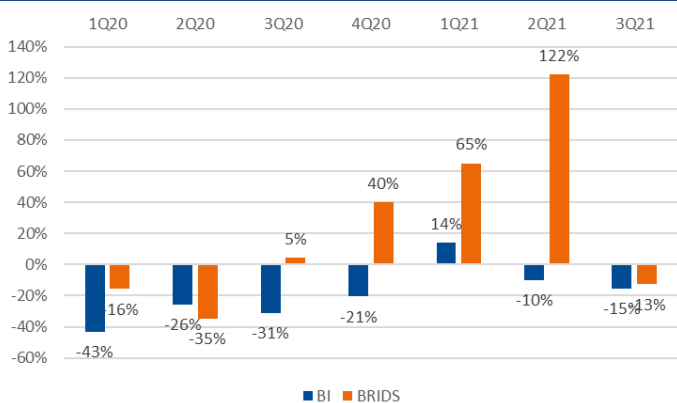
Source: BI, BRI Danareksa Sekuritas

Exhibit 4. Broad money (M2) growth y-o-y



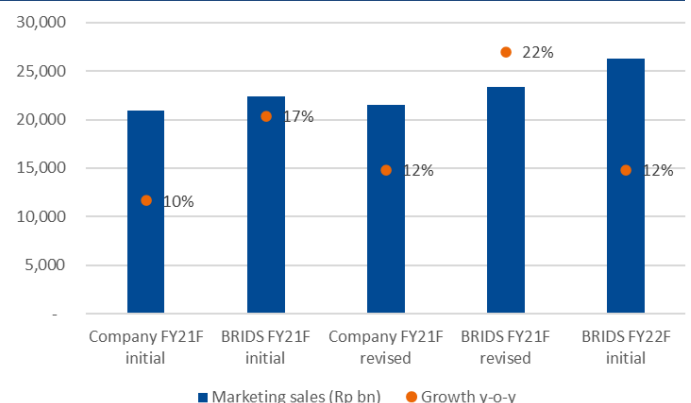
Source: BI, BRI Danareksa Sekuritas

Exhibit 5. Marketing sales growth y-o-y of residential property



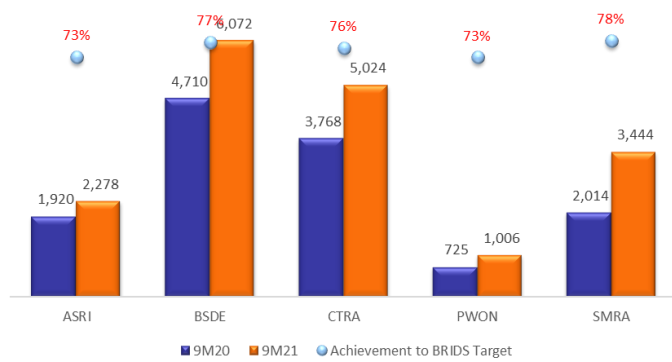
Source: BI, companies, BRI Danareksa Sekuritas

Exhibit 6. Marketing sales target



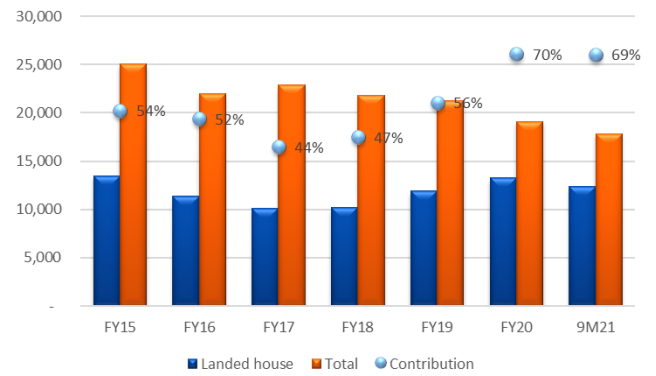
Source: Companies, BRI Danareksa Sekuritas

Exhibit 7. 9M21 marketing sales achievement



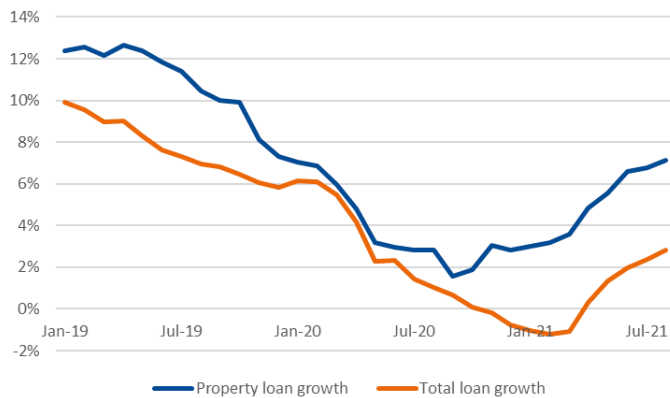
Source: Companies, BRI Danareksa Sekuritas

Exhibit 8. Marketing sales of landed residential vs total



Source: Companies, BRI Danareksa Sekuritas

Exhibit 9. Loans growth y-o-y



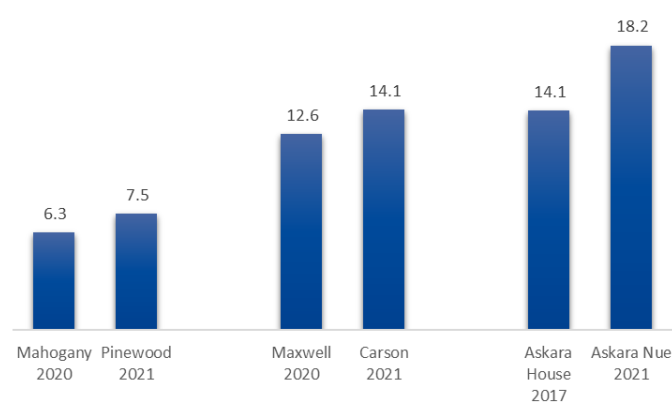
Source: BI, BRI Danareksa Sekuritas

Exhibit 10. Average credit interest rate of commercial banks



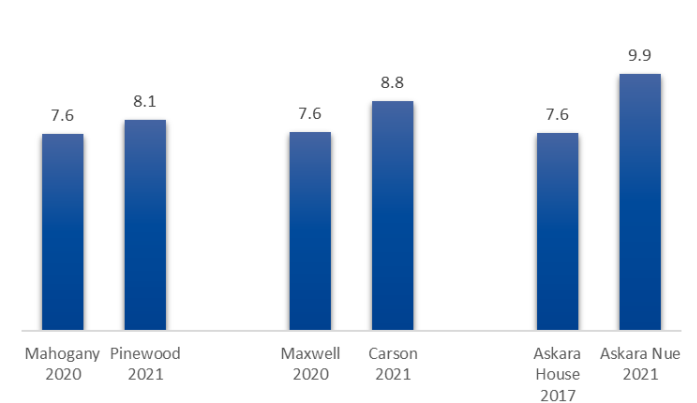
Source: BI, BRI Danareksa Sekuritas

Exhibit 11. Land ASP of landed residential



Source: Various sources, BRI Danareksa Sekuritas

Exhibit 12. Building ASP of landed residential



Source: Various sources, BRI Danareksa Sekuritas

Exhibit 13. Company outlook 2022

Ticker	Target Price	Rating	Summary
ASRI	230	BUY	Strong presence in Greater Jakarta landed residential but has high gearing
BSDE	1,600	BUY	Strong presence in Greater Jakarta landed housing with broad product segmentation
CTRA	1,600	BUY	May benefit from the commodity boom outside Java
PWON	580	HOLD	Limited presence in Greater Jakarta landed residential but high recovery potential from its investment property business
SMRA	1,150	BUY	Strong presence in Greater Jakarta landed housing with successful track record of new development

Source: Company, BRI Danareksa Sekuritas

Exhibit 14. Financial ratios 2022F

Financial ratios	ASRI	BSDE	CTRA	PWON	SMRA
Sales growth (%)	6.7	14.8	3.4	4.7	9.7
EBITDA growth (%)	7.1	19.8	3.5	10.7	16.5
Operating profit growth (%)	7.5	21.5	3.7	11.5	18.0
Net profit growth (%)	62.0	38.7	(2.0)	13.7	44.3
Gross margin (%)	50.0	66.2	49.5	48.9	47.9
EBITDA Margin (%)	39.4	43.8	35.4	51.0	35.4
Operating margin (%)	36.1	38.7	32.5	39.4	29.4
Net margin (%)	8.1	26.8	12.9	26.1	8.8
ROAA (%)	1.3	3.6	2.9	4.3	1.9
ROAE (%)	2.9	6.6	7.1	8.3	6.7
Net gearing (x)	0.8	0.1	0.3	0.0	0.8
Interest Coverage (x)	1.9	3.1	3.5	5.6	2.6

Source: Company, BRI Danareksa Sekuritas

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