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KL Property Index vs FBMKLCI



Company	Rating	Closing Price (02/10/2026)	TP	Upside
E&O	BUY	0.77	0.97	26.0%
KPPROP	BUY	0.27	0.38	40.7%
PARAMON	BUY	0.99	1.51	52.5%

Eastern & Oriental Bhd	BUY	TP: RM0.97	
FYE Mar (RM m)	FY26	FY27F	FY28F
Revenue (RM'm)	867.6	1,313.6	2,172.9
PATAMI (RM'm)	221.2	338.1	637.7
CNP (RM'm)	272.9	338.1	393.5
EPS - core (sen)	10.8	13.4	25.3
P/E (x)	7.1	5.7	3.0

Kerjaya Prospek Property Bhd	BUY	TP: RM0.38	
FYE Mar (RM m)	FY26	FY27F	FY28F
Revenue (RM'm)	184.7	322.1	461.8
PATAMI (RM'm)	11.3	31.5	41.8
CNP (RM'm)	11.3	31.5	41.8
EPS - core (sen)	1.3	3.7	4.9
P/E (x)	20.5	7.4	5.6

Paramount Corporation Bhd	BUY	TP: RM1.51	
FYE Dec (RM m)	FY25	FY26F	FY27F
Revenue (RM'm)	946.9	1,092.2	1,396.6
PATAMI (RM'm)	118.8	100.3	149.4
CNP (RM'm)	72.3	100.3	149.4
EPS - core (sen)	11.6	16.1	24.0
P/E (x)	8.5	6.1	4.1

Property Sector

Budget 2027 Preview – From Policy to Delivery

Overweight

- **Policy continuity, not major reforms.** Budget 2027 should focus on implementing existing housing policies, led by the NHP 2026–2035.
- **Homeownership remains a key focus.** We expect continued support through stamp-duty exemptions, SJKP and other financing schemes.
- **Affordable housing moves into execution.** RMK13 targets one million affordable homes over 2026–2035, with greater emphasis on local affordability and demand.
- **BTS transition remains gradual.** A phased rollout should limit near-term disruption, while favouring better-capitalised developers.
- **Infrastructure remains a key catalyst.** Penang LRT, RTS Link, ECRL, MRT3 and JS-SEZ should support longer-term property demand.
- **We are Overweight on the sector.** We favour developers with strong unbilled sales, quality landbanks and exposure to structural growth corridors.

Construction Backdrop

Homeownership Support. Homeownership support looks set to stay a centrepiece of Budget 2027, building on the full stamp-duty exemption for first homes up to RM500k and on financing access, where the RM20bn SJKP guarantee ceiling set in Budget 2026 could be extended further to younger Malaysians, the self-employed and those buyers who have no fixed or conventional incomes, alongside continued government backing for Rent-to-Own and shared-ownership schemes.

National Housing Policy. As the first full budget since the National Housing Policy (NHP) 2026–2035 was launched, Budget 2027 should start channelling real resources into implementation, chiefly affordable housing, where RMK13's target of one million affordable homes by 2035 remains the anchor, but delivered through a locality-based lens rather than a single nationwide price benchmark, better reflecting local incomes and development costs. We expect implementation to focus on additional affordable-housing programmes, greater use of public land and stronger private-sector participation, with supply increasingly calibrated to local affordability and demand.

Build-Then-Sell. Build-Then-Sell remains firmly on the policy agenda but is set to stay a phased rather than abrupt shift – a direction Budget 2026 already nudged financial institutions toward (alongside Rent-to-Own) and one the National Housing Policy has since locked in, largely because the underlying 10:90 payment structure forces developers to fund most construction costs upfront before collecting the bulk of buyer payments, a burden that could choke new supply if forced through too quickly on smaller and mid-sized players still dependent on progressive billing.

Penang's LRT. Penang stands out as a direct beneficiary of the state's rail-led transformation, with the Penang LRT Mutiara Line acting as the main catalyst for developers holding landbanks along its corridor. E&O, while less concentrated along the immediate corridor, stands to benefit from the broader uplift in connectivity and economic activity across the island, with its Seri Tanjung Pinang and Andaman Island developments representing one of Penang's largest remaining waterfront landbanks. Kerjaya Prospek Property, with its established residential and mixed-development presence on the island, is similarly positioned to gain from stronger transit-oriented demand and improved accessibility as the line progresses. Paramount, though a smaller player in the state, could see incremental support for its Penang landbank from the broader lift in connectivity, land values and buyer interest that the LRT rollout is expected to generate across the island.

Figure 1: Key Property Project Pipeline

Project	Developers	Est. GDV (RM'm)	Commence	Target Completion
Binastra Cochrane (KL)	Binastra Land	388	2026	2031

SCP Westfield Residences @ USJ 1	SCP Property	598	2026	2031
City of Elmina	Sime Darby Property	30,000	2013	2042
Serenia City	Sime Darby Property	9,320	2013	2035
M Aria	Mah Sing Group	283	2025	2030
M Terra	Mah Sing Group	369	2024	2028
Anthea Township in Rimbayu	IJM Land	381	2024	2028
Stellaris @ Riana Dutamas	IJM Land	821	2025	2029
16 Sierra	IOI Properties Group	208	2023	2027

Source: Various, Apex Securities

Our View on the Sector

Across these four themes, our view is that Budget 2027 will be a policy-continuity budget for property rather than a reform budget, with the government's role shifting from designing the framework to funding and executing it. Homeownership incentives and the SJKP guarantee expansion should keep transaction volumes at the affordable and first-time-buyer end reasonably supported, while the National Housing Policy's move to locality-based affordability pricing is, in our view, a sensible correction that should reduce the mismatch between supply and actual demand that has weighed on parts of the market in prior cycles. We see the Build-Then-Sell transition as the item requiring closest monitoring: a well-calibrated phase-in with financing support would be a manageable adjustment for the larger, better-capitalised developers, but any acceleration without matching relief could disproportionately hit smaller and mid-sized players reliant on progressive billing, and would be a net negative for launch volumes across the sector in 2027 and 2028.

On Penang, we like the setup for landbank-rich developers along and near the Mutiara Line corridor, since transit-oriented uplift in land values tends to be one of the more durable, multi-year demand drivers available to the sector, less exposed to the funding-structure risk inherent in Build-Then-Sell. E&O's waterfront landbank at Seri Tanjung Pinang and Andaman Island gives it a slower-burning but sizeable beneficiary profile as island-wide connectivity improves, while Kerjaya Prospek Property is better placed for a more direct, near-term uplift given its established presence closer to the transit corridor. Paramount's exposure is comparatively marginal given its smaller Penang landbank, and we would treat it as a secondary beneficiary rather than a core reason to own the stock. Overall, we see Penang as a self-reinforcing theme that should keep building through 2027 regardless of what Budget 2027 itself contains, since the rail rollout, rather than fiscal policy, is the primary catalyst here.

Minimum Wages. The current RM1,700 minimum wage remains well below the RM3,100 “Living Wage” benchmark adopted by GLICs and GLCs. With the government seeking to narrow the structural wage gap, **we expect Budget 2027 to potentially announce a revision to the minimum wage, with the new rate potentially falling within the RM1,700–2,000 range.** For property, developer cost exposure runs mainly through administrative, sales and project-management staff, who are largely paid above minimum wage. The bigger risk is indirect, as higher contractor labour and EPF costs feed into tender prices and construction cost of sales with a lag, pressuring margins particularly on fixed-price build contracts after the wage revision. Larger, more diversified developers with stronger bargaining power over contractors should be better placed to absorb this than smaller, mass-housing-focused players.

Figure 2: Sensitivity of Core Net Profit to Minimum Wage Increase

New min. wage (RM)	E&O	Kerjaya Prospek Property	Paramount
1,700	0.0%	0.0%	0.0%

1,800	-0.3%	-0.1%	-0.4%
1,900	-0.7%	-0.2%	-0.9%
2,000	-1.0%	-0.3%	-1.3%

Source: Apex Securities

Property Sector Overweight

We are of Overweight stance on the sector. We expect Budget 2027 to remain supportive of the property sector, with key measures likely centred on first-home incentives, financing support, affordable housing and infrastructure development. The National Housing Policy also provides a clearer implementation framework over the coming years.

Our Top Picks are **E&O (Buy; TP RM0.97)** and **Paramount (Buy; TP RM1.51)**. E&O is favoured because its RM1.72bn unbilled sales and RM356m of 1QFY27 new sales lock in multi-year earnings visibility, the Property segment keeps delivering growth, new diversification moves (Andaman Island hospital JV, KLCC/Pavilion KL redevelopment) add optionality without distracting from the core business. Paramount is favoured mainly because improving margins and profit growth are outpacing softer revenue, and forward visibility is strong, with RM1.5bn in unbilled sales, a growing landbank, and the RM1.6bn 2H2026 launch pipeline which should provide additional sales opportunities in 2H2026 and beyond.

Figure 3: Peers Comparison

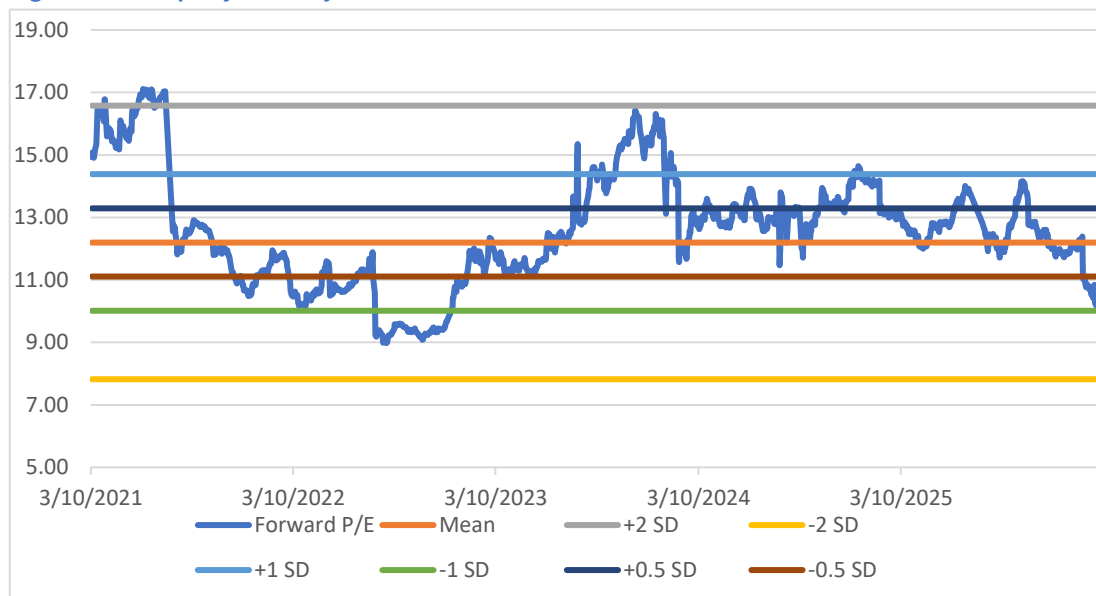
Company	FYE	Market Cap (RM' mil)	Price (RM) as at 2 Oct 2026	P/E (x)		P/B (x)		Dividend Yield (%)		ROE		ESG Rating
				2027F	2028F	2027F	2028F	2027F	2028F	2027F	2028F	
IOI Properties Group Bhd	Jun	18,700	3.40	18.9	17.9	0.7	0.7	3.1%	2.8%	3.9%	3.6%	★★★
SP Setia Bhd	Dec	3,637	0.72	9.0	8.5	0.3	0.3	3.3%	3.6%	2.7%	2.8%	★★★
Sim Darby Property Bhd	Jun	17,000	2.49	10.8	10.1	0.8	0.8	5.7%	6.7%	7.6%	7.9%	★★★
Mah Sing Group Bhd	Dec	2,483	0.97	7.2	7.1	0.6	0.5	6.4%	6.4%	8.0%	7.9%	★★★
Eastern & Oriental Bhd	Mar	1,941	0.77	5.7	3.0	0.6	0.5	3.1%	2.6%	11.3%	17.7%	★★★
Kerjaya Prospek Property Bhd	Mar	232	0.27	7.4	5.6	0.6	0.7	4.8%	6.3%	8.5%	11.7%	★★★
Paramount Corporation Bhd	Dec	613	0.99	4.1	3.3	0.4	0.3	7.1%	7.1%	9.2%	10.4%	★★★
				9.0	7.9	0.6	0.5					

Source: Apex Securities

Valuation

The KL Property Index's forward P/E stands at around 10.0x, approximately 18% below its 5-year mean of c.12.2x. We believe the valuation discount reflects lingering concerns over Build-Then-Sell (BTS) funding requirements, elevated financing costs and broader macroeconomic and geopolitical uncertainties. With developers' earnings momentum improving alongside healthy unbilled sales and resilient property demand, we see scope for the sector's valuation gap to narrow if Budget 2027 provides further support for homeownership and housing affordability. Meanwhile, continued implementation of the National Housing Policy and infrastructure-led demand from Penang and Johor should provide additional medium-term catalysts. However, a faster-than-expected BTS rollout or weaker property demand could delay a re-rating.

Figure 4: KL Property Index 5 years Forward P/E



Source: Apex Securities

Key risks

BTS funding risk. A faster-than-expected mandatory Build-Then-Sell rollout, without financing support, could strain progressive-billing-reliant smaller/mid-sized developers and curb new launches.

Election-cycle overhang. Possible GE timing risks Budget 2027 leaning toward visible near-term relief over the structural reforms the sector needs.

Affordability mismatch. Poorly calibrated locality-based affordable-housing benchmarks risk entrenching oversupply in some segments while undersupply persists elsewhere.

Execution risk on infrastructure catalysts. Property upside near transit corridors hinges on RTS Link, ECRL, Penang LRT and MRT3 staying on schedule; delays push back land-value and TOD benefits.

Recommendation Framework:

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

Sector Recommendations:

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.