

# China Property Sector

## Major policy support may mute for now

NBS today reported in-line Sep property data, with improving sales and completion but worsening property investment and new start. Looking into the rest of the year, we do not expect a major sector turnaround referring to key drivers (sales, policy, financing) as **1) near term sales could be still weak**. Oct MTD sales declined 23% YoY in 30 major cities vs. -19/-14% in Aug/Sep. Also, our leading indicator GAIN forecasts a still sluggish Oct/Nov sales sentiment. **2) 929/930 policy support is partly neutralized by the pandemic disruption**. We also expect that the new leadership may take some time to study the housing issues so is unlikely to roll out major support in the near term. **3) Offshore debt repayment peak is coming in January with POEs under pressure (chart 6)**. Therefore, we suggest to stay cautious for now and wait for a better entry point. Hedge Fund may do pair trades (long first quadrant and hedge by third quadrant according to Figure 5) or [play the difference of completion over new start](#)

### ■ NBS property data in Sep 2022 – In line

- Property investment declined by 12% YoY in Sep (vs. -14% YoY in Aug) on a lower base. This has dragged 9M22 REI YoY decline to 8%, a historical low. From market perspective, the weak REI is well expected partly because the land sales among major 100 cities and new start slid 27%/44% YoY in Sep. As REI and New start are lagging property sales, we do not expect a quick recovery even when sales stabilize.
- Property sales volume and value declined narrowed to -16%/-14% YoY in Sep 2022 (vs. -23%/-20% YoY in Aug 2022) representing a 39%/34% MoM increase on the sales push in golden Sep. This is also in line with the trend of major developers' Sep sales at -14% YoY. Looking into Oct and Nov, our leading indicator is forecasting a weakening trend, partly due to the pandemic disruption and not enough policy support (only 60% of 2015 intensity). This would indicate more POEs under pressure while SOEs are generally better in terms of sellable resources.
- Completion is good shape. The completed GFA saw 6% decline YoY in Sep, vs. -3% in Aug showing a narrowing trend vs. June/July at -41/-36%. We think this is mainly due to the help of “ensuring completion” fund. According to our channel check, a total size of RMB140bn “housing completion” fund has already been distributed to the needed projects. We estimate this to benefit >1mn units which would translate into 100mn sqm of potential completion or 13% of 2021 completion. The second round of RMB60bn fund will also be distributed in the near future. Therefore, we expect housing completion to pick up towards year end.
- Completed but unsold inventory declined slightly: The overall unsold residential inventory was 259mn sqm in Sep 2022 (down 1% MoM). This is mainly because the sold GFA continued to be larger than the new start.

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### China Property Sector

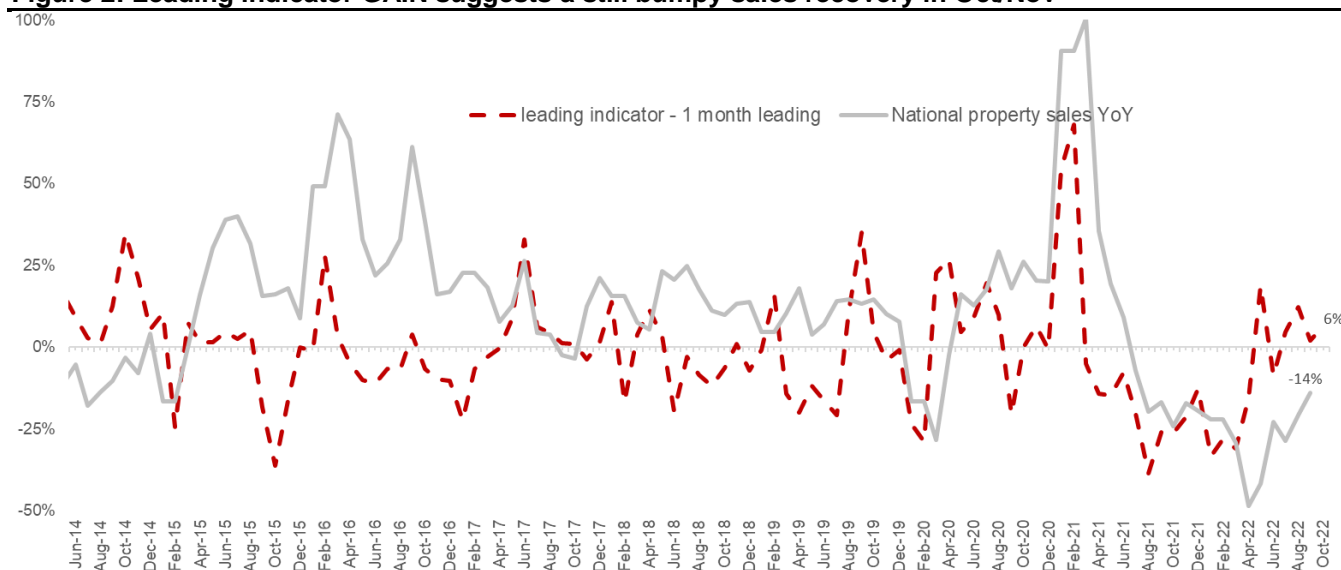
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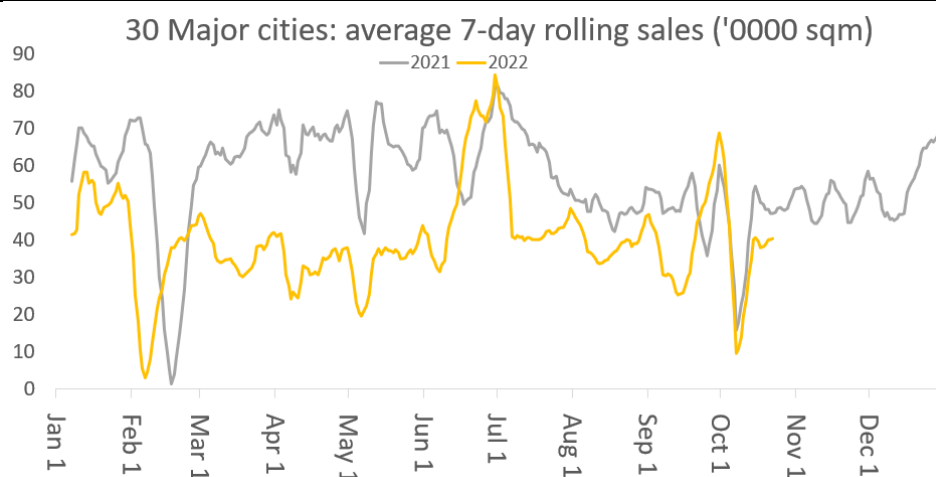
**Figure 1: Quick view of national property data in 9M22**

	Sep-22	YoY	MoM	Aug-22	YoY	9M22	YoY	2021	YoY
Property GFA sold (mn sqm)	135	-16%	39%	97	-23%	1,014	-22%	1,794	2%
Property sales (RMB bn)	1,351	-14%	34%	1,011	-20%	9,938	-26%	18,193	5%
New starts (mn sqm)	97	-44%	8%	90	-46%	948	-38%	1,989	-11%
GFA under construction (mn sqm)	8,789	-5%	1%	8,686	-5%	8,789	-5%	9,754	5%
GFA completion (mn sqm)	40	-6%	-17%	48	-3%	409	-20%	1,014	11%
Property investment (RMB bn)	1,275	-12%	12%	1,135	-14%	10,356	-8%	14,760	4%
Domestic loans of developers (RMB bn)	238	29%	852%	25	-84%	1,366	-27%	2,330	-13%

Source: NBS, CMBIGM

**Figure 2: Leading indicator GAIN suggests a still bumpy sales recovery in Oct/Nov**

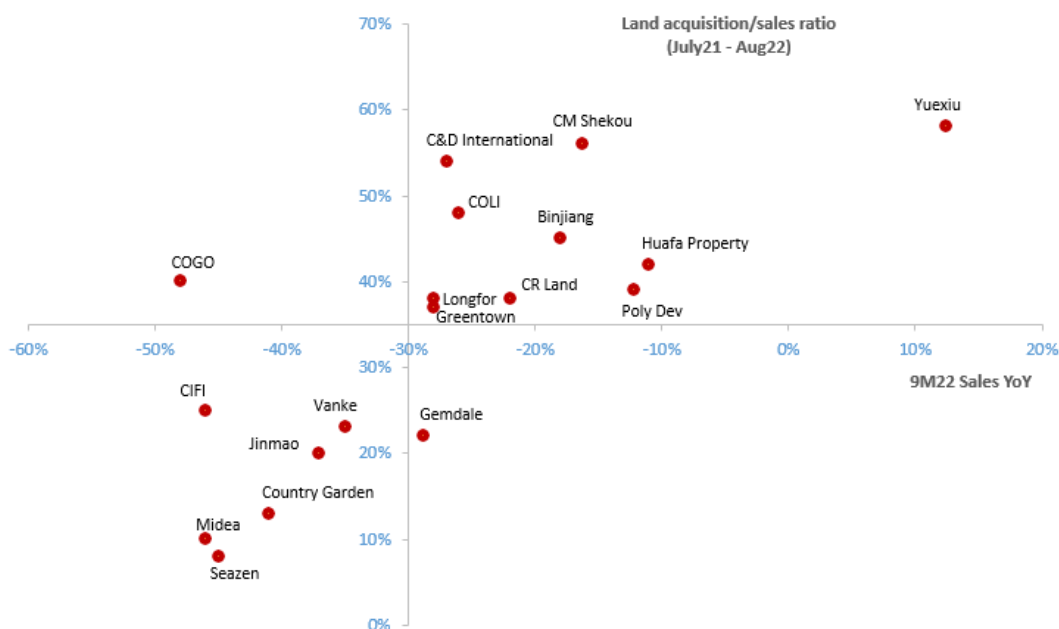
Source: Company, CRIC, CMBIGM

**Figure 3: Oct MTD sales declined 23% YoY in 30 major cities**

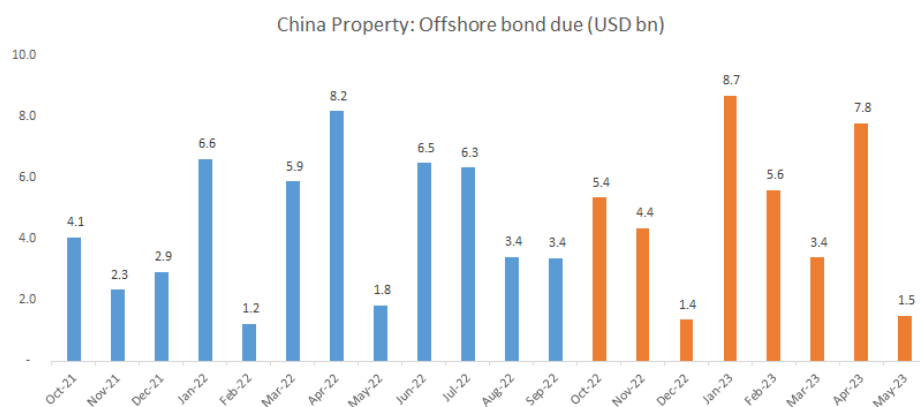
Source: Wind, CMBIGM

**Figure 4: The difference of completion over new start further widened**


Source: Wind, CMBIGM

**Figure 5: Prefer stocks in the first quadrant for its outperforming sales and land acquisitions**


Source: Wind, CMBIGM

**Figure 6: 1Q23 another USD debt payment peak**

Source: Wind, CMBIGM

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