

Property

2M24 NBS data: Piling up inventory with poor sales, hope lies in Mar

The NBS's 2M24 sales data remain sluggish as expected. However, the piling up of completed-but-unsold inventory was slightly beyond foreign funds' expectation, thus driving yesterday's sector dip for quality names. High frequency data showed an early recovery as both new home and secondary home market sales went up 23% /13% WoW as of 17th Mar respectively. We think the sustainability of positive momentum remains uncertain given new home recovery was mainly driven by project supply and secondary sales were boosted by price declines as we illustrated in our previous reports ([Link 1](#), [Link 2](#)). We believe developers' debt crisis will continue to affect sector performance in Mar and Apr. For stocks, we prefer beneficiaries in the secondary market like BEKE and PM companies with stable cash flows and high dividend yields like CR MixC, CPH, Poly Services, Yueshi Service and Onewo. For others, we like PJM company Greentown Mgmt. with good fulfilment on results guidance. For developers, we recommend CR Land with long-term value.

- **NBS property data of 2M24 – continuously weakening investment with both new starts and completion performed worse.** Property investment delivered -9% YoY in 2M24 comparing to -9.6% YoY in full year of 2023 and -12.5% in Dec 2023. The improvement was mainly attributed to a -4.8% adjustment in the base number last year; excluding this impact, the decline of property investment in 2M24 widened to -13.4% YoY. New starts further declined to -29.7% YoY from -10.3% YoY in Dec 2023 given fund shortages among developers. GFA completion growth turned negative (-20.2% YoY in 2M24 vs. 15.3% YoY in Dec 2023) given a high base supported by "housing delivery funds" last year.
- **Property sales volume remains sluggish** at -20.5% YoY in 2M24 (vs. -12.7% YoY in Dec 2023) which was well-expected given grim data released by developers at the end of Feb. The weak data was primarily due to the lower seasonal supply in Jan-Feb. According to CRIC, the supply of residential housing in 30 major cities decreased by 22% YoY in Jan-Feb. The sales value decline was at -29.3% YoY in 2M24, performing worse than the volume, reflecting further home price declines. The avg. price of property sold in 2M23 was at RMB 9,294/sq.m, marking an 11% decline from avg. price of RMB 10,437/sq.m in 2023. **High frequency data** showed an early recovery as [new home sales/secondary home sales](#) went up 23% /13% WoW as of 17th Mar, while the YTD growth was still at -45%/-15% YoY respectively. The sustainability of the positive momentum remains uncertain as we mentioned in our previous [report](#) that new home recovery was mainly driven by project supply and secondary home recovery was boosted by price decline.
- **Completed but unsold inventory has reached a historical new high** of 760mn sq.m, attributed to accumulation of GFA completion driven by nearly a year of high growth in 2023, coupled with a progressively slower sales pace. The general inventory month has reached 31 month, the highest since Feb 2015 ([Figure 6](#)).
- **GFA under construction dropped 11% YoY** in 2M24, a historical low given slow new starts mentioned above and a still low resumption rate of property projects post the CNY. According to 100NJZ, the resumption rate of property projects was at 35.7% as of 27th Feb 2024, while the rate was at 84.1% as of 20th Feb in last year given an earlier CNY ([Figure 7](#)).

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Figure 1: Quick review of national property data in 2M24

	2M24	YoY	Dec-23	YoY	Nov-23	YoY	2023	YoY
Property GFA sold (mn sqm)	114	-20.5%	112	-12.7%	79	-10.3%	1,117	-8.5%
Property sales (RMB bn)	1,057	-29.3%	1,130	-17.1%	816	-8.6%	11,662	-6.5%
New starts (mn sqm)	94	-29.7%	79	-10.3%	83	4.9%	954	-20.4%
GFA under construction (mn sqm)	6,669	-11.0%	8,384	-7.2%	8,313	-7.2%	8,384	-7.2%
GFA completion (mn sqm)	104	-20.2%	346	15.3%	101	12.2%	998	17.0%
Unsold Inventory (mn sqm)	760	15.9%	673	19.0%	654	18.0%	673	19.0%
Property investment (RMB bn)	1,184	-9.0%	687	-12.5%	812	-10.6%	11,091	-9.6%
Domestic loans of developers (RMB bn)	314	-10.3%	137	-10.9%	111	7.3%	1,560	-9.9%

*Red/Green text denotes better/worse than the previous month

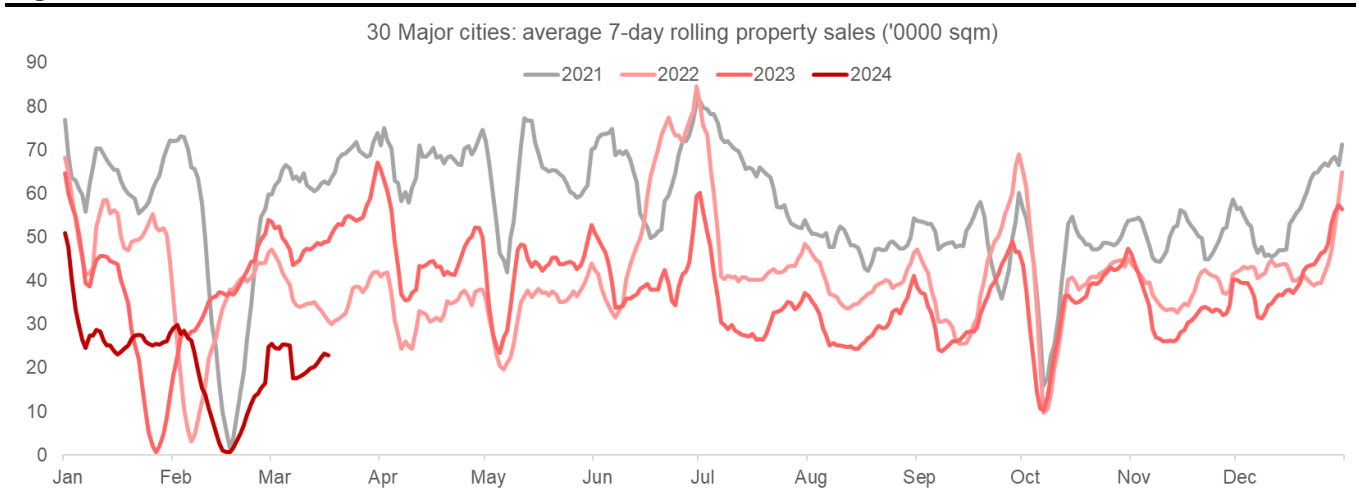
Source: Wind, CMBIGM

Figure 2: Calculation on NBS base adjustment % - 2M24

	After adjustment		Before adjustment		% of base adjusted	YoY change without base adjustment
	2M24	YoY	2M23	2M23	2M23	Jan-00
Property GFA sold (mn sqm)	114	-20.5%	143	151	-6%	-24.9%
Property sales (RMB bn)	1,057	-29.3%	1,494	1,545	-3%	-31.6%
New starts (mn sqm)	94	-29.7%	134	136	-1%	-30.5%
GFA under construction (mn sqm)	6,669	-11.0%	7,493	7,502	0%	-11.1%
GFA completion (mn sqm)	104	-20.2%	130	132	-1%	-21.1%
Unsold Inventory (mn sqm)	760	15.9%	655	655	0%	15.9%
Property investment (RMB bn)	1,184	-9.0%	1,301	1,367	-4.8%	-13.4%
Domestic loans of developers (RMB bn)	314	-10.3%	351	349	0%	-9.9%

*Red/Green text denotes better/worse than the previous month

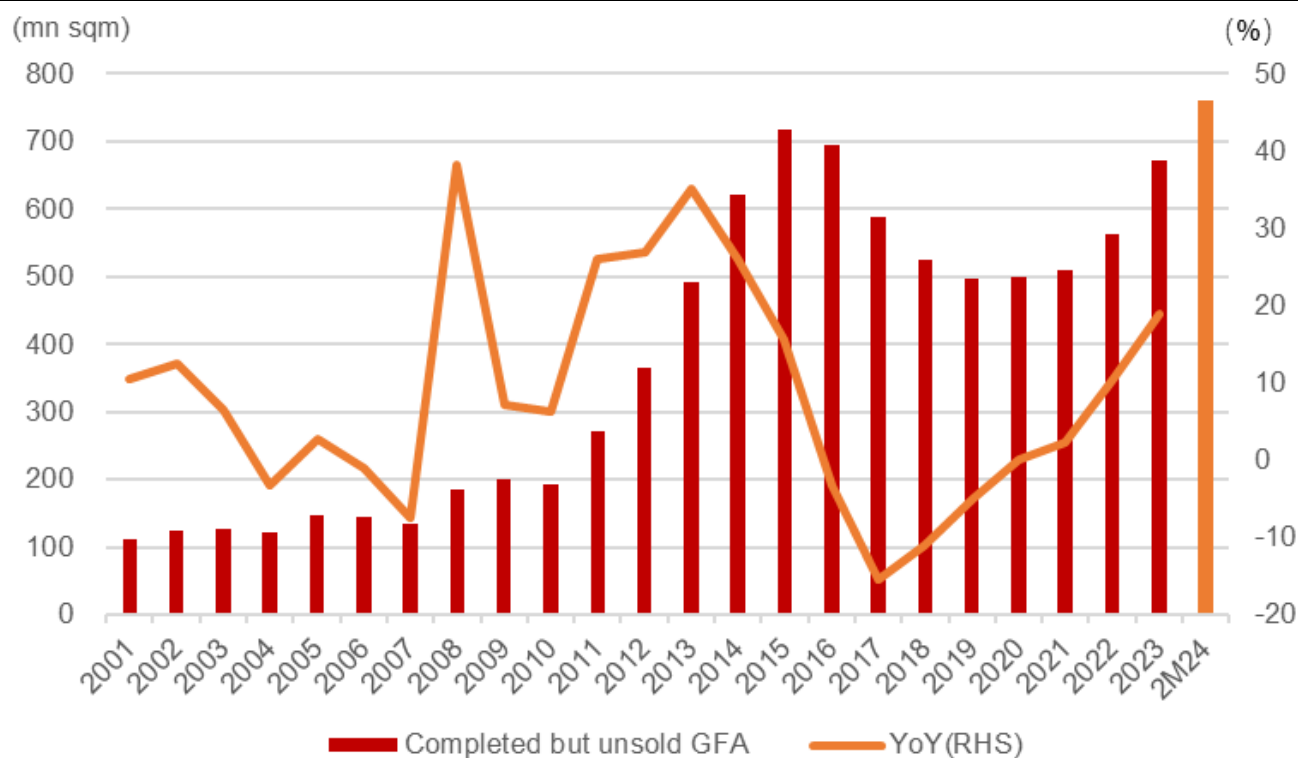
Source: Wind, CMBIGM

Figure 3: YTD new home sales declined 45% YoY as of end of 17 Mar 2024

Source: Wind, CMBIGM

Figure 4: YTD secondary sales declined 15% YoY as of end of 17 Mar 2024

Source: Wind, CMBIGM

Figure 5: Completed-but-unsold inventory came to new high

Source: NBS, CMBIGM

Figure 6: General inventory month

Source: NBS, CMBIGM

Figure 7: Property projects resumption rate post CNY

	1st week post-CNY	2nd week post-CNY	3rd week post-CNY	4th week post CNY
2024	02.20	02.27	03.05	03.12
	13.10%	35.70%	55.10%	68.20%
2023	01.31	02.06	02.14	02.20
	8.2%	39.2%	77.1%	84.1%

Source: 100NJZ, CMBIGM

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