

# China Property Sector

## NBS Oct data in line, Nov-Dec may continue to be weak on low buying sentiment

NBS data in Oct was in line with market expectation, with property investment decline remaining at -11.3% YoY in Oct (vs. -11.3% in Sep) despite a lower base. Property sales also weakened with volume/value declining 28/26% MoM and showing larger divergence between high- and low-tier cities. **We think Nov-Dec 2023 may continue to be weak** as the buying sentiment remains low and is hard to be lifted with the marginally weakening effect from easing policies. **The property market may not have a strong rebound in 2024E** as: **1)** the market has formed a new understanding of the LT mechanism of property sector where regulators value stability more than growth, so it is hard to recreate strong buying sentiment in 2024 like in Mar/Jun 2023 although policy relaxation continued; **2)** liquidity pressure of developers will continue in 2024 and the news of debt default/extension will keep dragging on new home sales; and **3)** developers' land acquisition in 2023 was significantly lower than in 2022, resulting in less high-quality saleable resources in 2024. For stocks, we prefer property agent BEKE; PJM name Greentown Mgmt., PM names CR MixC, CPH, Poly Services, Onowo, and Yuexiu Services; and developers CR Land, Yuexiu Property, and Binjiang Group.

■ NBS property [data of 10M23](#) – REI continued moving towards the bottom with weakening new starts and slowing growth of completions.

- **Property investment growth remained sluggish at -11.3% YoY in Oct 2023 (flat from -11.3% in Sep)**, which dragged the 10M23 decline to -9.3% YoY from -9.1% in 9M23. The weak data was mainly due to deteriorating new starts at -21% YoY in Oct vs. -15% in Sep. GFA completions went up 29% MoM but the YoY growth slowed down to 13% from 25% in Sep given a higher base in Oct 2022.
- **Property sales weakened with bigger divergence between high- and low-tier cities.** Property sales volume/value reported -11%/-8% YoY vs. -10%/-14% in Sep, reflecting a 4% MoM increase in monthly ASP. It is mainly due to the more obvious sentiment divergence between high- and low-tier cities evidenced by a higher proportion sold in tier-1&2 cities (80.9% in Oct vs. 80.6% in Sep among 30 major cities). GFA sold in 30 major cities in Oct went up 4% YoY in tier-1&2 cities but dropped 23% in tier-3 cities. **As for high-frequency data, [secondary home market](#) continue performing better with MTD sales in Nov (as of 14<sup>th</sup>) booked +56%/+18% MoM/YoY (vs. +6%/31% in Oct), YTD growth was at +27% YoY. [MTD new home sales](#) recorded +18%/-20% MoM/YoY (vs. +3%/-1% in Oct), and the YTD growth was at -7% YoY.**

■ **Sales in Nov-Dec may continue to be weak.** We observed that since the beginning of 2023, the effect of positive policies has been marginally weakening which suggests even relaxation on the demand side continued, it is hard to impose a significant impact on sales in the current economic environment. According to NBS data, only Mar, Jun and Sep in 2023 recorded >100mn sqm GFA sold thanks to the strong policy stimulus, other months with normal buying sentiment only booked an average of 77mn sq.m each. We assume buying sentiment remains at the current level, considering the seasonality that Nov/Dec in the last five years recorded avg. of 11%/45% MoM growth, sales in Nov/Dec 2023 may reach avg. of 100mn sq.m but still represent a 14-15% YoY decline.

**OUTPERFORM**  
(Maintain)

### China Property Sector

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■ **Property market may not have a strong rebound in 2024E** in our view as:

- 1) Even policy relaxation is likely to continue, the market has formed a new understanding of the LT mechanism of property sector where regulators value stability more than growth, so it is hard to recreate strong buying sentiment in 2024 like in Mar/Jun 2023; 2) liquidity pressure of developers will continue in 2024 and the news of debt default/extension will keep dragging on new home sales; and 3) developers' land acquisition in 2023 was significantly lower than in 2022, resulting in less high-quality saleable resources in 2024

**Figure 1: Quick review of national property data in 10M23**

|                                       | Oct-23 | YoY  | MoM  | Sep-23 | YoY    | 10M23 | YoY  | 2022   | YoY  |
|---------------------------------------|--------|------|------|--------|--------|-------|------|--------|------|
| Property GFA sold (mn sqm)            | 78     | -11% | -28% | 109    | -10.1% | 926   | -8%  | 1,358  | -24% |
| Property sales (RMB bn)               | 809    | -8%  | -26% | 1,091  | -13.6% | 9,716 | -5%  | 13,331 | -27% |
| New starts (mn sqm)                   | 71     | -21% | -14% | 82     | -14.6% | 792   | -23% | 1,206  | -39% |
| GFA under construction (mn sqm)       | 8,229  | -7%  | 1%   | 8,157  | -7.1%  | 8,229 | -7%  | 9,050  | -7%  |
| GFA completion (mn sqm)               | 64     | 13%  | 29%  | 50     | 25.3%  | 552   | 19%  | 862    | -15% |
| Property investment (RMB bn)          | 865    | -11% | -17% | 1,037  | -11.3% | 9,592 | -9%  | 13,290 | -10% |
| Domestic loans of developers (RMB bn) | 102    | -10% | -29% | 143    | 4.0%   | 1,312 | -11% | 1,739  | -25% |

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

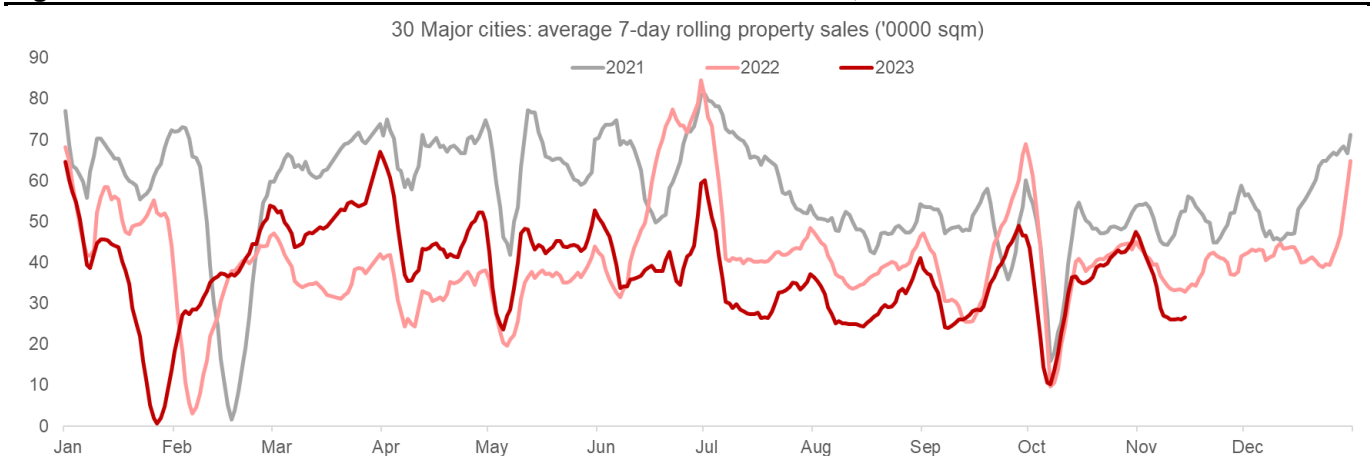
Source: NBS, CMBIGM

**Figure 2: Calculation on NBS base adjustment - 10M23**

|                                       | After adjustment |        | Before adjustment |        | % adjusted |       | YoY change without base adjustment |       |
|---------------------------------------|------------------|--------|-------------------|--------|------------|-------|------------------------------------|-------|
|                                       | Oct-22           | 10M22  | Oct-22            | 10M22  | Oct-22     | 10M22 | Oct-23                             | 10M23 |
| Property GFA sold (mn sqm)            | 87               | 1,004  | 98                | 1,112  | -11%       | -10%  | -20%                               | -17%  |
| Property sales (RMB bn)               | 880              | 10,217 | 945               | 10,883 | -7%        | -6%   | -14%                               | -11%  |
| New starts (mn sqm)                   | 89               | 1,031  | 90                | 1,037  | 0%         | -1%   | -21%                               | -24%  |
| GFA under construction (mn sqm)       | 8,877            | 8,877  | 8,889             | 8,889  | 0%         | 0%    | -7%                                | -7%   |
| GFA completion (mn sqm)               | 57               | 463    | 57                | 466    | 0%         | 0%    | 13%                                | 18%   |
| Property investment (RMB bn)          | 975              | 10,576 | 1,039             | 11,395 | -6%        | -7%   | -17%                               | -16%  |
| Domestic loans of developers (RMB bn) | 113              | 1,474  | 113               | 1,479  | 0%         | 0%    | -10%                               | -11%  |

Source: NBS, CMBIGM

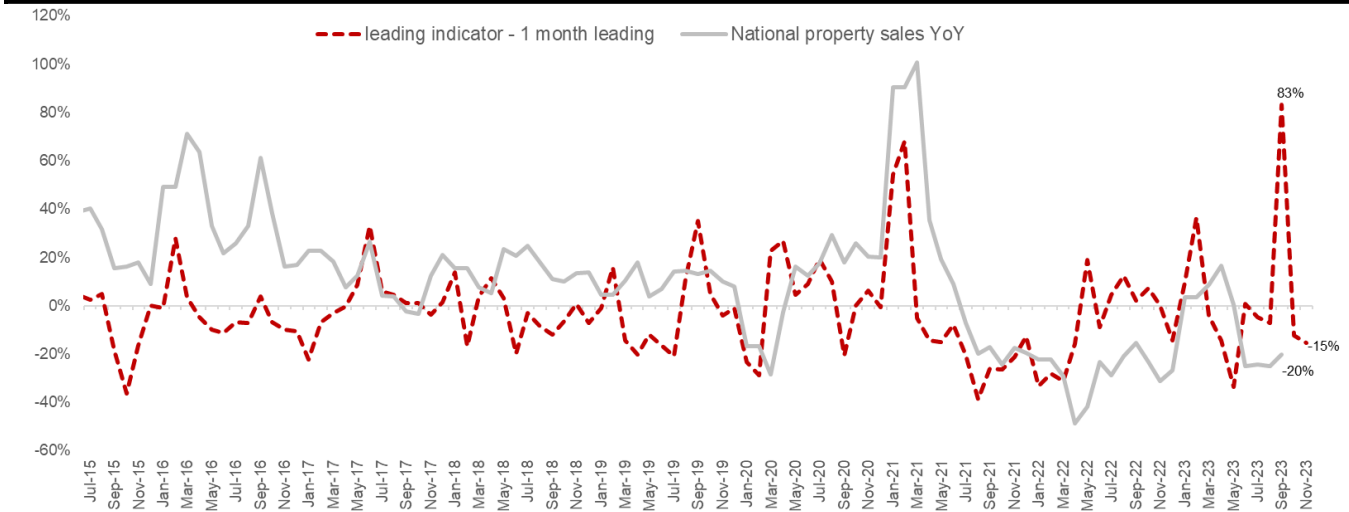
**Figure 3: New home MTD sales in Nov was at +18%/-20% MoM/YoY, YTD at -7% YoY**



Source: Wind, CMBIGM

**Figure 4: Secondary home MTD sales in Nov at +56%/+18% MoM/YoY, YTD at +27% YoY**

Source: Wind, CMBIGM

**Figure 5: Leading indicator shows that the property-related search interest retreated to -15% in Nov MTD, suggesting new home sales may continue weakening in Dec**

Source: Wind, CMBIGM

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