

Property

Weekly highlight: downside pressure in Jul-Aug

Guangzhou's latest policy eases home purchasing restrictions for foreigners, aiming to invigorate the market. Post price cap removal, higher-tier cities are experiencing fervent bidding, while lower-tier cities have lagged behind, underscoring the market bidding mechanism's role in fostering supply-demand equilibrium. [High-frequency data](#) reveals that new home sales volume has dipped from June's peak, yet the secondary market holds firm. Daily avg. transactions for new home sales in 30 major cities have seen a 21% decline, vs. an 11% increase for secondary sales in 17 cities. Our [tier-1 cities watch](#) indicates a WoW decline for both new homes and second-hand homes. In comparison to the weekly avg. in the year, SZ and GZ performed more stably in 27W. Our [leading indicator](#) hints at a potential disruption to the trend of decelerating sales declines in July-Aug. The bleak interim earnings of developers may amplify sectoral correction pressures, suggesting ongoing market volatility for the coming month. With a benign policy outlook, enhanced implementation efforts, encouraging signs in land auction and property sales, we foresee a continued recovery in the sector's performance in the mid- to long-term. For stocks, we recommend asset-light companies benefiting from the existing market such as CR MixC, Poly Services, Binjiang Services, Onewo, BEKE and Greentown Mgmt. For developers, we recommend CR Land with LT value.

- **What is new? 1)** [Guangzhou](#), the most relaxed in tier-1 cities regarding property policies, has further eased purchase restrictions, allowing residents of China's Hong Kong, Macau and Taiwan and foreigners to buy homes >120 sqm without a limit on units, which is expected to bolster the ongoing sales recovery in our view. **2)** [Shanghai](#)'s first land auction post price cap removal was highly competitive, with a market-driven pricing mechanism resulting in an overall price premium of over 8.4%. [Suzhou](#)'s auction was less intense, with a premium rate of 1.44%, highlighting the land resource allocation efficiency gains from a market-based mechanism. **3)** [Vanke](#)'s earnings warning signals net losses of RMB 7-9bn, a plunge of 171-191% YoY. As projects with high land cost come to fruition in 2024, high cash flow pressure leads to steeper discounts on project sales and asset disposals. [Gemdale](#) warns of a net loss of RMB3-3.6bn in 1H24 (vs. RMB1.5bn profit in 1H23), mainly due to a reduction in revenue and GP margin coupled with asset impairment.
- **High-frequency data:** The daily avg. transaction volume went down 21%/up 11% in Jul MTD (vs. daily avg. in June) in primary/secondary markets which indicate the sales momentum went softer after the surge in June for new homes, while that for second-hand homes stayed strong. As of 8 Jul, [secondary home sales volume in 17 cities](#) declined 14% WoW, while the figure MTD went up by 18%/52% MoM/YoY. The YTD decline narrowed to -7% YoY (vs. -8% at end-Jun). The [new home sales volume in 30 major cities](#) as of 8 Jul dropped 58% WoW, while the figure MTD booked +11%/-8% MoM/YoY. The YTD decline narrowed to -36% YoY (vs. -37% at end-Jun). Our leading indicator shows that the property search interest has declined in Jun and Jul MTD, suggesting a slightly widened property sales decline in Jul-Aug, per our estimate.
- **Transaction watch in tier-1 cities (weekly).** During the 27th week of 2024 (1-7 Jul), [units of new homes sold](#) saw 35-88% WoW contraction for four cities. SZ, and GZ surpassed their weekly avg. by 22%, 20%, while BJ, SH underperformed weekly avg. by 8%, 68%. [Units of secondary homes sold](#) contracted 0-44% in four cities. SZ and GZ in 27W surpassed weekly avg. by 21% and 9%. SH and BJ underperformed by 1% and 8%. SZ and GZ performed relatively stable in both new home and secondary markets.

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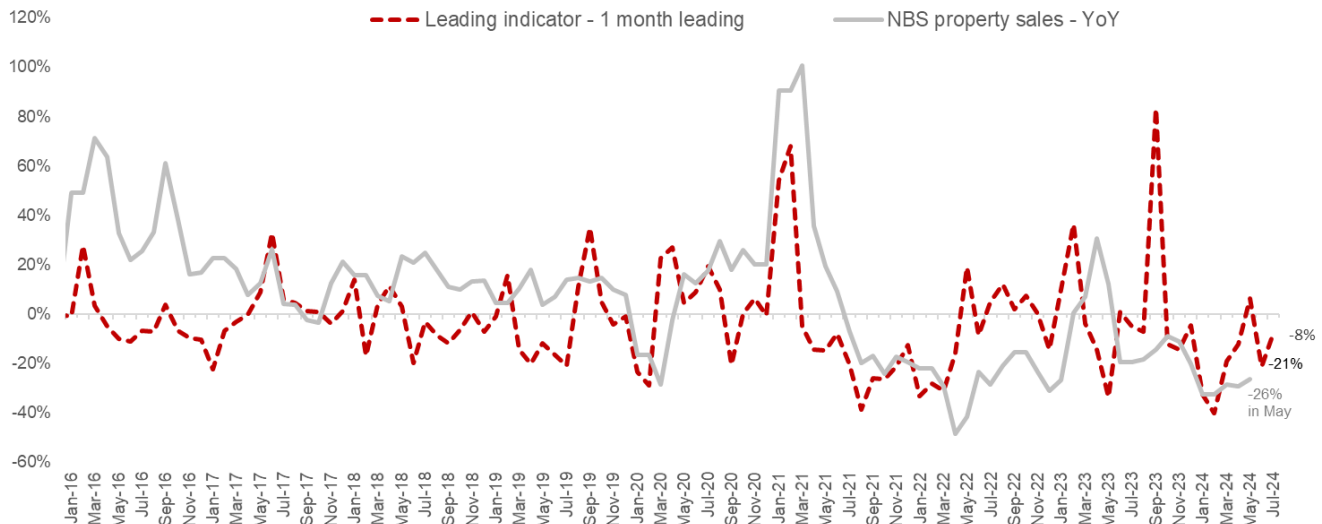
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Figure 1: Leading Indicator



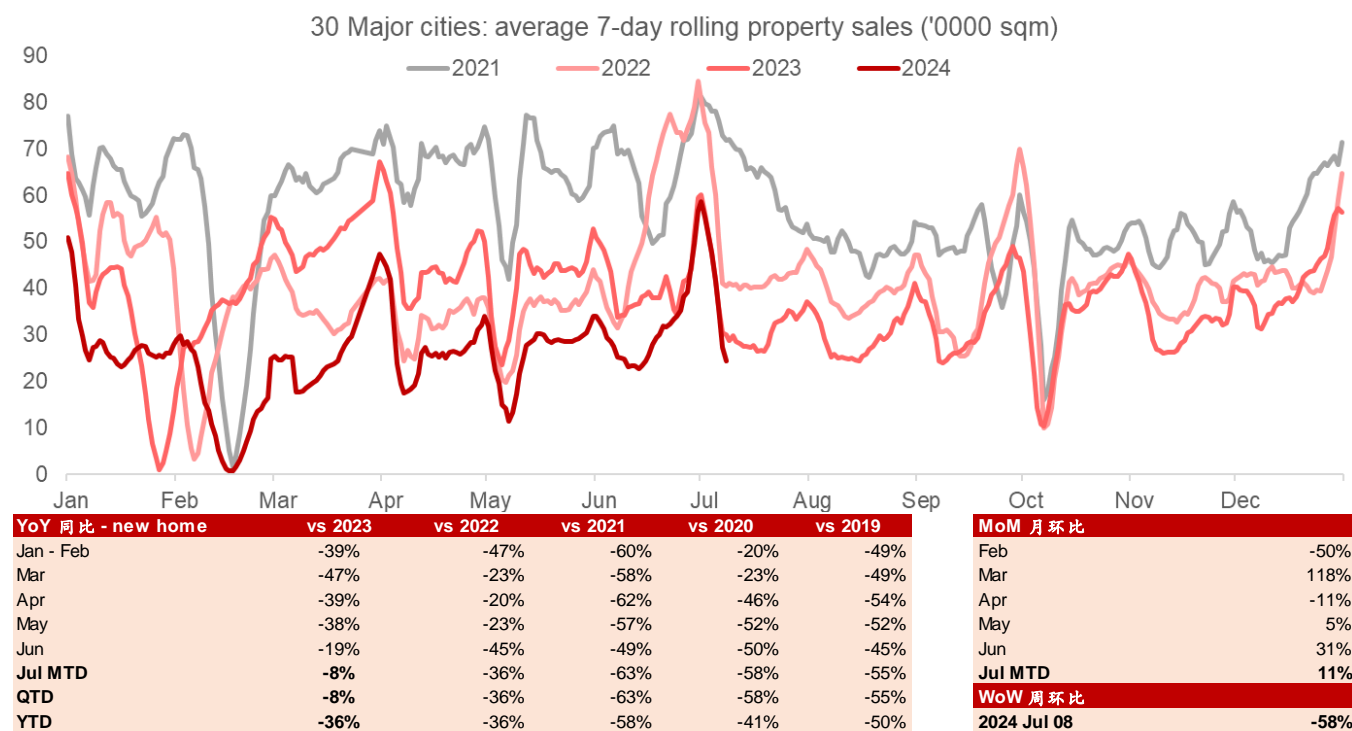
Source: Wind, CMBIGM

Note: Data as of 9 Jul 2024

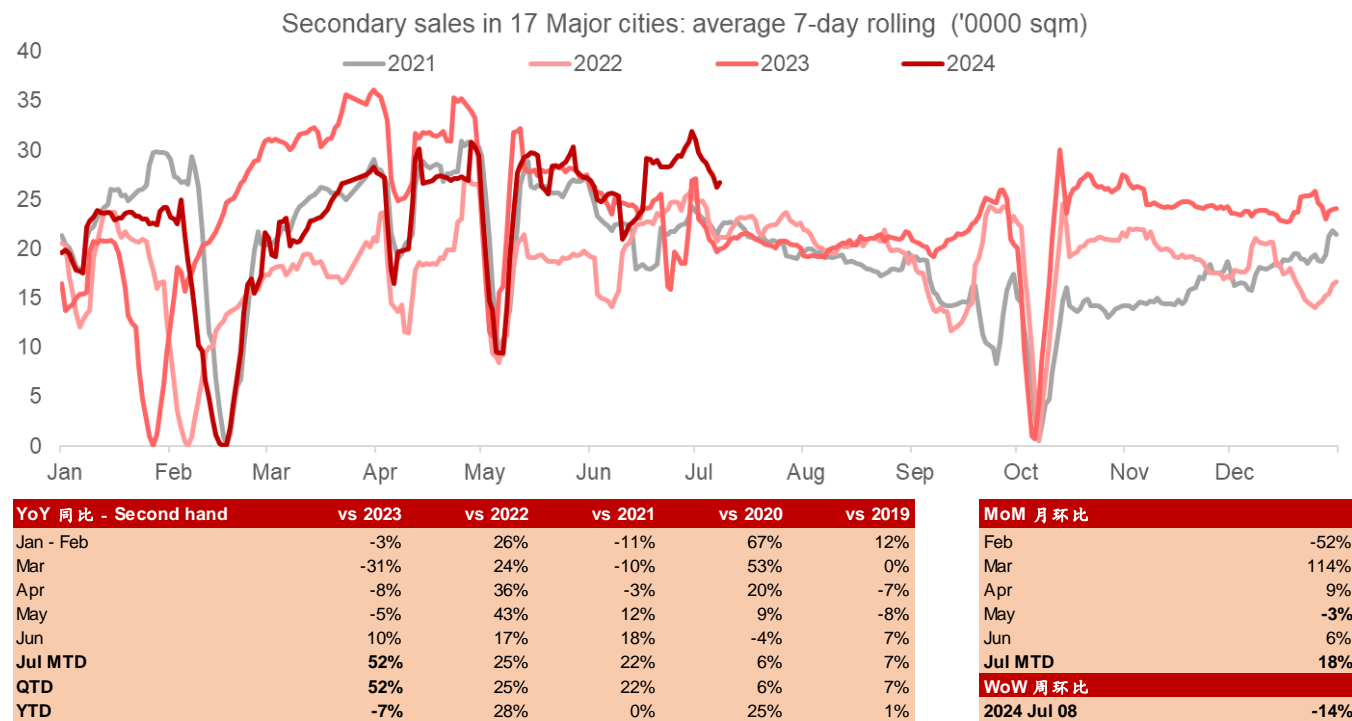
Figure 2: Daily avg. transaction volume ('0000 sqm)

Primary sales	Mar	Apr	May	Jun	Jul MTD	Growth	Pre-517 (1.1-5.16)	Post-517 (5.17-7.08)	Growth	2023 (1.1-7.08)	YTD (1.1-7.08)	YoY Growth
30 major cities	28.41	26.00	26.48	33.81	26.80	-21%	23.72	32.07	35%	40.98	26.06	-36%
Tier 1&2	22.29	20.61	20.70	26.07	20.01	-23%	18.70	24.83	33%	32.17	20.42	-37%
Tier 3	6.12	5.39	5.77	7.74	6.79	-12%	5.02	7.23	44%	8.81	5.64	-36%
Beijing	2.60	2.40	2.00	2.95	3.92	33%	2.54	2.91	15%	3.34	2.64	-21%
Chengdu	5.62	6.14	7.01	6.33	7.66	21%	5.35	7.15	34%	8.45	5.85	-31%
Shenzhen	0.96	1.00	0.79	1.12	1.17	4%	0.79	1.05	33%	1.35	0.86	-36%
Shanghai	4.65	4.23	3.63	4.74	3.88	-18%	3.48	4.51	29%	5.44	3.77	-31%
Guangzhou	2.39	2.38	2.39	3.43	2.73	-20%	1.99	3.11	56%	3.05	2.30	-24%
Suzhou	2.13	1.07	1.55	1.72	1.17	-32%	1.30	1.80	39%	2.20	1.44	-35%
Hangzhou	2.58	1.62	1.96	3.95	1.67	-58%	1.72	3.27	90%	2.95	2.15	-27%
Secondary sales	Mar	Apr	May	Jun	Jul MTD	Growth	Pre-517 (1.1-5.16)	Post-517 (5.17-7.08)	Growth	2023 (1.1-7.08)	YTD (1.1-7.08)	YoY Growth
17 major cities	23.51	26.38	24.66	25.90	27.38	11%	21.44	26.76	25%	24.60	22.93	-7%
Shenzhen	1.34	1.54	1.53	1.63	1.94	19%	1.25	1.68	35%	1.03	1.37	32%
Qingdao	1.87	2.37	1.99	1.88	2.19	17%	1.75	1.96	12%	1.72	1.81	5%
Chengdu	6.56	7.47	6.72	6.60	7.48	13%	6.04	6.90	14%	6.91	6.28	-9%
Dongguan	0.74	0.81	0.75	0.91	1.01	12%	0.74	0.87	17%	1.08	0.78	-28%
Suzhou	1.91	2.60	2.59	2.34	2.40	2%	2.03	2.71	33%	2.33	2.22	-5%
Foshan	2.18	2.17	2.42	2.41	2.45	2%	2.01	2.51	25%	2.43	2.15	-12%
Beijing	4.36	4.30	4.21	4.83	4.42	-9%	3.68	4.82	31%	4.49	4.00	-11%
Hangzhou	1.51	1.47	1.45	1.82	1.53	-16%	1.16	1.76	51%	1.17	1.33	14%
Shanghai	5.20	4.65	4.80	7.12	5.30	-26%	4.10	6.50	58%	0.00	4.77	n.a.

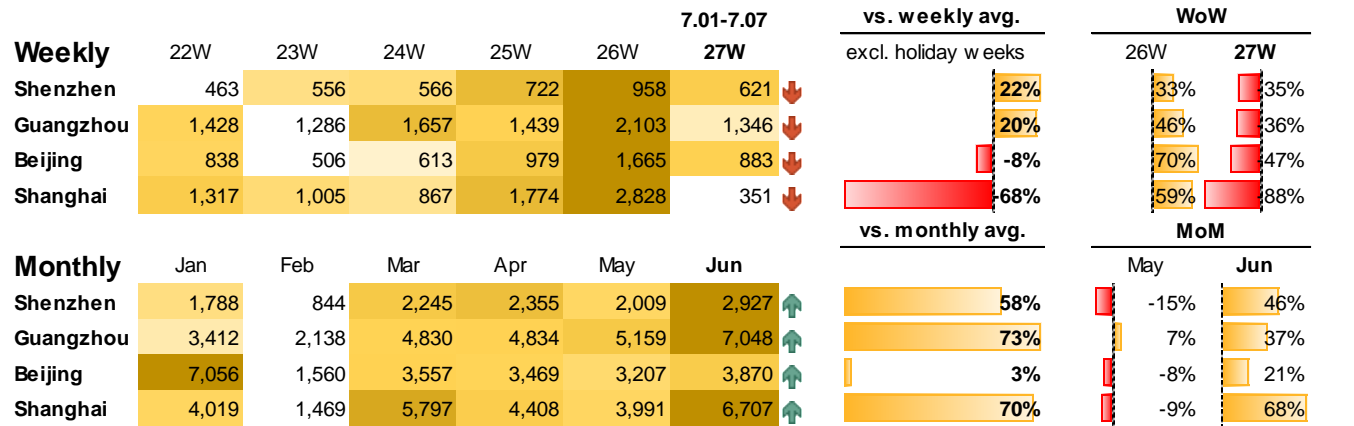
Source: Wind, CMBIGM

Figure 3: YTD new home sales decline narrowed to -36% YoY

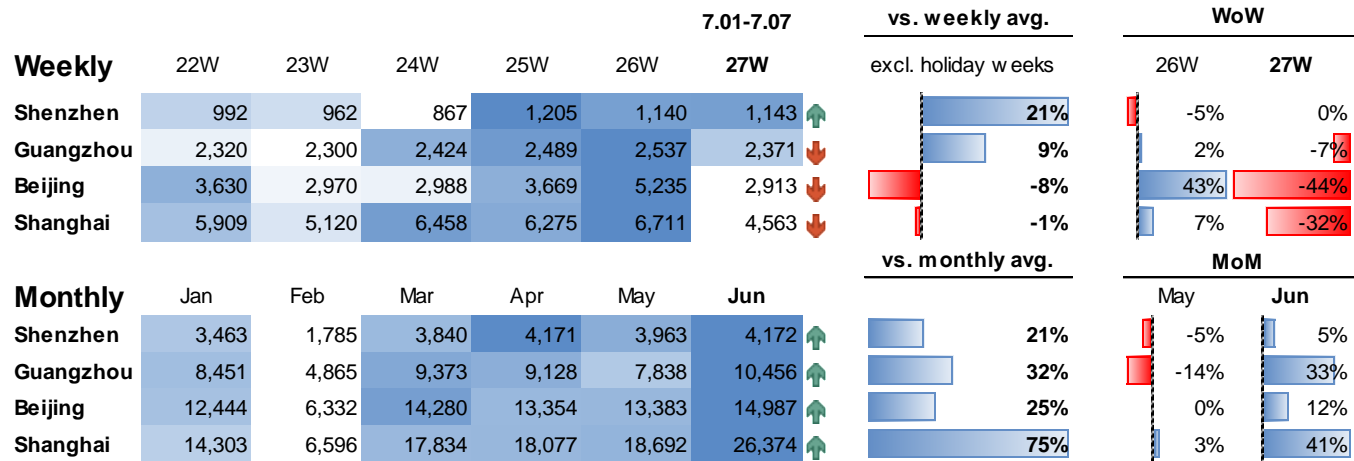
Source: Wind, CMBIGM

Figure 4: YTD secondary sales decline narrowed to -7% YoY

Source: Wind, CMBIGM

Figure 5: Units of new homes sold in tier-1 cities (27W2024)**New home transaction**

Source: Local MOHURD, CMBIGM

Figure 6: Units of secondary homes sold in tier-1 cities (27W2024)**Secondary home transaction**

Source: Local MOHURD, CMBIGM

Figure 7: Valuation comps – Developers

Company	Ticker	Last Price	Mkt Cap	P/E (x)			P/B (x)			Net Profit Growth (%)			Payout ratio	Dividend Yield	
		(LC)	(USD mn)	24E	25E	26E	24E	25E	26E	24E	25E	26E	23A	23A	24E
CR Land	1109.HK	25.95	23,689	5.3 x	4.9 x	4.5 x	0.6 x	0.5 x	0.5 x	1.1	7.6	9.7	33%	6.1%	6.5%
COLI	0688.HK	13.02	18,243	4.8 x	4.5 x	4.3 x	0.3 x	0.3 x	0.3 x	5.5	6.7	5.8	31%	6.1%	5.9%
Poly Developments	600048.SH	8.52	14,296	8.0 x	7.4 x	6.7 x	0.5 x	0.5 x	0.4 x	5.3	9.2	9.2	41%	4.8%	4.6%
CMSK	001979.SZ	8.68	11,024	9.7 x	8.2 x	7.4 x	0.6 x	0.6 x	0.5 x	28.4	17.9	10.7	49%	3.7%	4.2%
Vanke A	000002.SZ	6.65	10,301	8.8 x	8.4 x	8.3 x	0.3 x	0.3 x	0.3 x	(25.5)	4.5	0.4	NA	0.0%	2.7%
Vanke H	2202.HK	4.38	10,301	5.2 x	4.9 x	5.0 x	0.2 x	0.2 x	0.2 x	(24.5)	7.1	(2.4)	NA	0.0%	3.0%
Longfor	0960.HK	10.60	9,183	5.1 x	4.9 x	4.5 x	0.4 x	0.4 x	0.3 x	0.6	3.2	8.9	26%	5.7%	5.7%
C&D International	1908.HK	15.24	3,935	5.6 x	4.8 x	4.1 x	1.0 x	0.9 x	0.8 x	(0.6)	17.1	15.9	45%	8.5%	0.0%
Binjiang Group	002244.SZ	7.78	3,393	8.1 x	7.0 x	6.3 x	0.9 x	0.8 x	0.7 x	17.5	16.7	10.8	11%	1.2%	2.0%
Yuexiu	0123.HK	5.09	2,623	5.4 x	4.9 x	4.5 x	0.3 x	0.3 x	0.3 x	9.7	9.3	10.1	40%	7.5%	8.3%
Huafa	600325.SH	5.94	2,291	8.2 x	7.5 x	7.0 x	0.7 x	0.6 x	0.6 x	NA	NA	NA	NA	0.0%	5.5%
Greentown n China	3900.HK	6.07	1,968	3.9 x	3.7 x	3.6 x	0.3 x	0.3 x	0.3 x	16.1	6.1	0.2	35%	7.8%	9.0%
Midea RE	3990.HK	6.58	1,209	9.5 x	9.7 x	9.1 x	0.3 x	0.3 x	0.3 x	(0.2)	(2.6)	6.5	860%	95.1%	5.5%
COGO	0081.HK	1.85	843	2.7 x	2.6 x	2.3 x	0.2 x	0.2 x	0.2 x	(3.4)	4.9	10.4	22%	8.6%	7.1%
Average				6.4 x	5.9 x	5.5 x	0.5 x	0.4 x	0.4 x	0.9	8.3	6.6	37%	5.4%	4.9%

Source: Company data, Wind, CMBIGM

Note: Data as of 2 Jul 2024

Figure 8: Valuation comps – Property Management

Company	Ticker	Last Price	Mkt Cap	P/E (x)			Net Profit Growth (%)			Payout ratio	Dividend Yield	
		(LC)	(USD mn)	24E	25E	26E	24E	25E	26E	23A	23A	24E
CR MixC	1209.HK	24.10	7,042	14.1 x	11.9 x	10.1 x	22.0	18.6	18.0	55%	3.2%	3.9%
Onewo	2602.HK	22.65	3,409	10.7 x	9.2 x	8.0 x	16.8	15.9	15.2	66%	5.3%	5.9%
Country Garden Services	6098.HK	4.65	1,990	8.3 x	6.4 x	6.3 x	NA	29.0	2.3	337%	7.0%	4.8%
Poly Services	6049.HK	28.15	1,994	8.9 x	7.8 x	6.8 x	16.0	14.5	13.9	40%	3.9%	4.3%
COFH	2669.HK	4.67	1,963	8.6 x	7.3 x	6.2 x	20.8	18.3	17.8	31%	3.0%	3.5%
China Merchant PO	001914.SZ	9.42	1,400	11.4 x	9.6 x	8.2 x	19.5	18.5	17.6	24%	1.8%	2.2%
Greentown Services	2869.HK	3.41	1,381	13.4 x	11.4 x	9.8 x	21.2	18.1	15.8	72%	4.4%	4.4%
Greentown Management	9979.HK	4.65	1,196	6.9 x	5.5 x	4.5 x	27.1	25.1	22.5	100%	11.8%	11.8%
Sunac Services	1516.HK	1.71	669	7.6 x	6.6 x	5.8 x	NA	14.7	14.0	NA	22.9%	9.0%
Binjiang Services	3316.HK	16.56	586	7.3 x	6.2 x	5.3 x	17.0	17.7	16.4	70%	8.3%	8.3%
Yuexiu Services	6626.HK	3.14	612	7.5 x	6.3 x	5.5 x	18.9	18.9	16.0	50%	5.6%	6.7%
Jinke Services	9666.HK	5.85	467	8.2 x	7.1 x	6.0 x	NA	16.0	18.6	NA	0.0%	6.6%
C&D PM	2156.HK	2.90	523	6.8 x	5.6 x	4.5 x	16.8	21.8	25.4	67%	9.0%	NA
A-Living	3319.HK	2.69	489	3.2 x	2.9 x	2.5 x	138.8	8.2	16.1	26%	3.5%	6.6%
Ever Sunshine	1995.HK	1.53	343	5.7 x	4.9 x	0.0 x	(1.6)	15.7	NA	50%	8.9%	10.0%
S-Enjoy	1755.HK	2.84	317	4.5 x	4.1 x	3.8 x	12.5	9.4	7.4	39%	7.9%	NA
Jinmao Services	0816.HK	2.60	301	5.5 x	4.8 x	4.2 x	15.9	14.1	13.7	42%	6.5%	NA
Central China New Life	9983.HK	1.20	200	3.8 x	3.5 x	2.8 x	NA	9.7	26.9	NA	27.3%	14.9%
Powertong Commercial	9909.HK	2.55	210	3.1 x	2.9 x	0.0 x	5.1	8.2	NA	19%	5.9%	9.4%
Excellence CM	6989.HK	1.36	212	4.5 x	4.1 x	3.8 x	10.7	11.3	7.8	69%	14.0%	NA
New Hope Services	3658.HK	1.58	165	5.0 x	4.7 x	4.4 x	9.1	7.5	5.0	59%	11.0%	NA
E-star CM	6668.HK	1.18	153	5.9 x	5.3 x	4.7 x	7.4	11.2	12.9	70%	11.0%	11.1%
Sino-Ocean Services	6677.HK	0.44	67	1.7 x	1.5 x	0.0 x	NA	12.2	NA	40%	3.6%	NA
Average				10.2 x	8.6 x	7.3 x	18.9	18.1	15.3	73%	5.5%	5.0%

Source: Company data, Wind, CMBIGM

Note: Data as of 10 Jul 2024

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