

Property

MOHURD meeting below expectation; expect a volatile uptrend for the sector in 4Q

The MOHURD press conference yesterday highlighted the acceleration of existing policy implementation with few new measures, thus falling short of some investors' expectations. We think that **1)** the routine press conferences held by key government departments indicate regulators' resolve to proactively manage market expectations, anticipation for further easing policies may persist, with upcoming meetings like the NPC Standing Committee in Nov and the Central Economic Work Conference in Dec; and **2)** developers are expected to report decent sales data in Oct, Nov, and Dec due to **a)** the government's favourable policy stance and relaxed restrictions in tier-1 cities sustaining transaction activity and **b)** developers tend to increase new project launching and marketing activities toward year-end. Thus, **we expect a volatile uptrend for the sector's stock performance in 4Q, driven by the interplay of positive policy expectations and decent sales data, continuing at least until the New Year of 2025. More significant policies announced in Dec could extend this trend into 1H25.** For stocks, in the short term, we recommend developers with strong fundamentals such as CR Land, given developers' greater elasticity. In medium to long term, we prefer asset-light companies benefiting from the existing home market such as CR MixC, Greentown Services, Poly Services, Binjiang Service, Onewo, BEKE and Greentown Mgmt. Risks: escalating geopolitical tensions, sharp decline in sales sentiment.

■ **What is new?** MOHURD held a press conference yesterday and the content released fell short of some investors' expectation. Among the investors, some believed that the stimulus impact of "924" policies remain potent and the property transactions remain active. Based on their experience, this is a period for observing the policy effect rather than introducing new measures. So they have little expectation for additional measures from the conference. Meanwhile, another group of investors expected regulators to immediately intensify efforts to stabilize housing prices, thus finding the conference content disappointing. The key points mentioned in the conference and our comments are as follows:

1) Add 1 million units of shanty-town renovation projects using monetary resettlement. Funding sources include: 1) dedicated loans from policy banks, 2) special-purpose bonds issued by local governments, 3) tax relief, and 4) loans from commercial banks. **Our comments:** we estimate that 1mn units require c. RMB1.3tn resettlement fees by assuming an average unit size of 50 sqm, with 30% located in tier-1 cities at a compensation price of RMB40,000/sqm, and 70% in lower-tier cities (new tier-1 and tier 2) at RMB20,000/sqm. (1mn units * 50sqm * (30% * RMB40,000 + 70% * RMB 20,000) = RMB1.3tn). Regulators didn't set a deadline for renovations. Considering the unclear proportions of different funding sources and the existing fiscal pressure on local governments, we think the implementation progress may be slow.

2) Expand credit for "whitelist" projects to RMB4tn by the end of 2024 (approved credit quotas reached RMB2.23tn as of 16 Oct). All eligible property projects should be included in the "whitelist." **Our comments:** currently, it's difficult to quantify the incremental credit within the target. Based on our channel checks with commercial banks, in practice, they are required to put all property projects under the whitelist system, including existing projects from high-quality developers. We believe this could enable commercial banks to quickly achieve the RMB4tn target by transferring high-quality property development projects to the whitelist system without extending credit to new projects.

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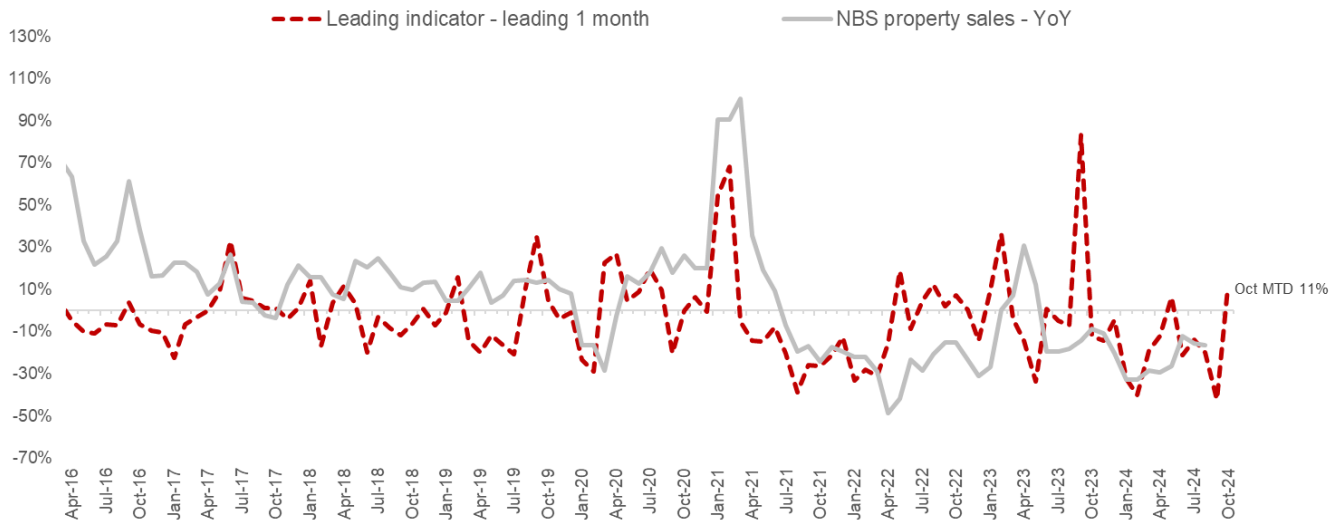
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■ Property sales update

1) High-frequency data: The Oct MTD daily avg. transaction volume went up 2%/ down 14% compared to Sep in primary/secondary markets. Growth in primary market was mainly driven by lower-tier cities. Decline in secondary market was due to a high base in Sep. Our channel checks suggest a lifted home purchase sentiment boosted by 924 policy especially in Guangzhou. The newly released purchasing demand is primarily for residential purposes rather than investment, which also can be evidenced by the situation in Guangzhou that most buyers are still local residents rather than non-residents even without purchasing restrictions.

As of 16 Oct, [secondary home sales volume in 17 cities](#) recorded -8%/+16% MoM/YoY (vs +4% YoY in Sep). The YTD decline narrowed to -1% YoY from Sep. The [new-home sales volume in 30 major cities](#) in Oct MTD booked +33%/-4% MoM/YoY (vs. -32% YoY in Sep). The YTD decline narrowed to -33% YoY vs. Sep. Our leading indicator suggests a recovering property sales trend in Oct-Nov.

2) Transaction watch in tier-1 cities (weekly). During the 41th week of 2024 (7-13 Oct), [units of new homes sold](#) in GZ/BJ surpassing their weekly avg. in 1H by 70%/35%, while SH/SZ underperformed by 24%/36%. [Units of secondary homes sold](#) saw improvement with SZ/GZ/SH/BJ surpassing their weekly avg. in 1H by 55%, 44%, 39% and 18%.

Figure 1: Leading Indicator

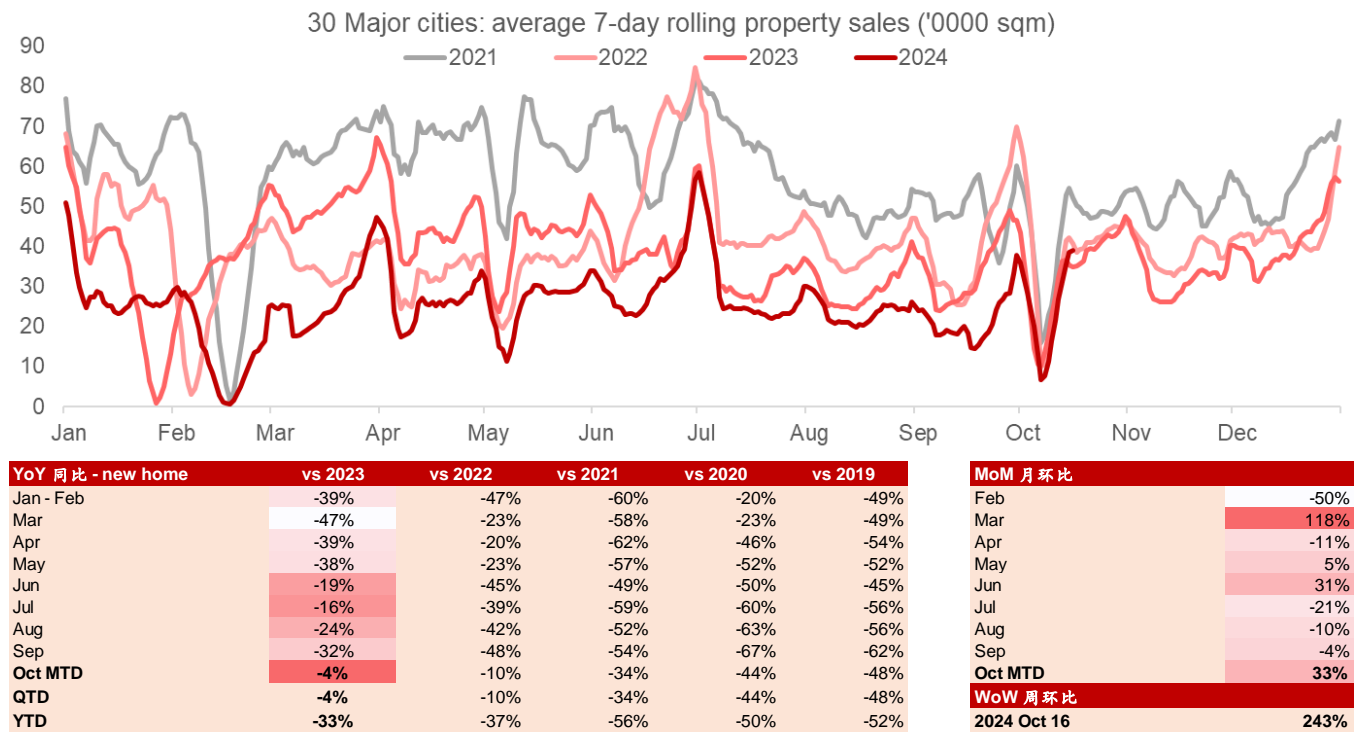
Source: Wind, CMBIGM

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

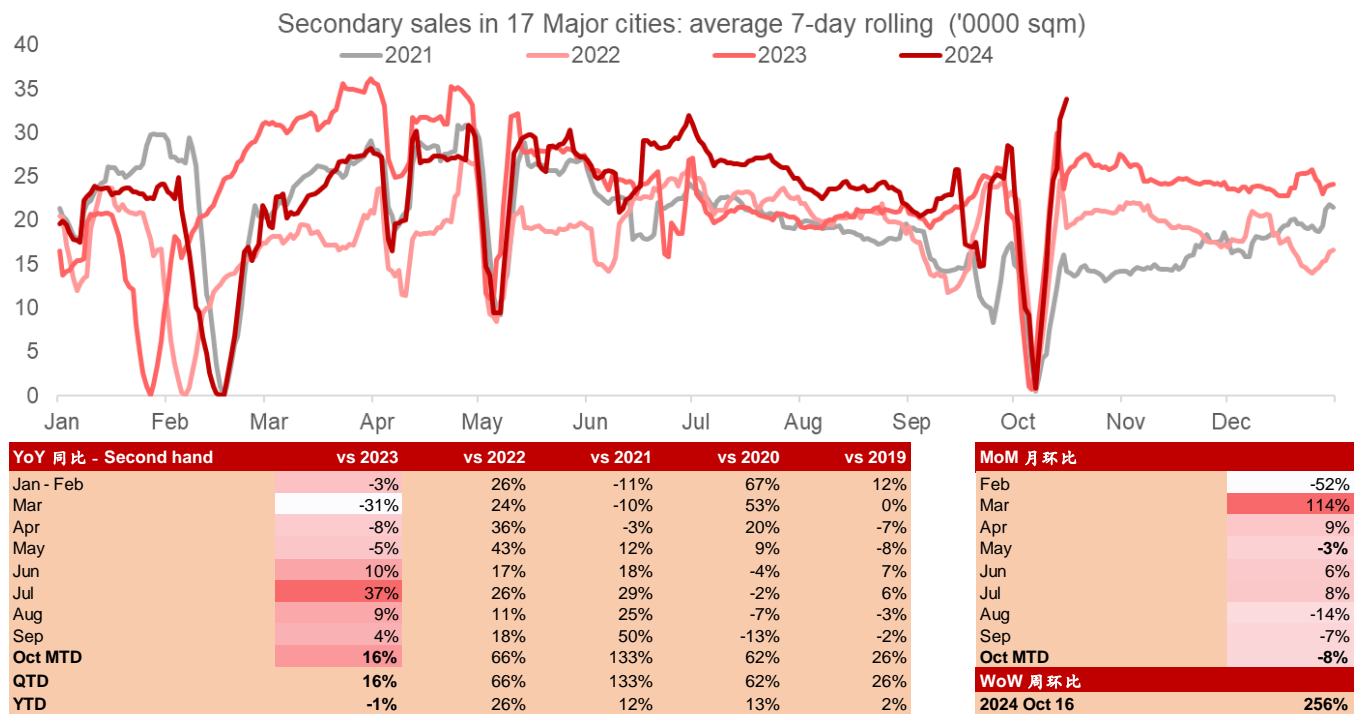
Primary sales	Jun	Jul	Aug	Sep	Oct MTD	Oct MTD vs. Sep	Pre-924 (1.1-9.24)	Post-924 (9.24-10.16)	Growth	2023 YTD (1.1-10.16)	2024 YTD (1.1-10.16)	YoY Growth
30 major cities	33.81	25.82	23.20	23.04	23.44	2%	25.04	27.73	11%	37.49	25.25	-33%
Tier 1&2	26.07	20.20	18.09	17.03	16.26	-5%	19.56	19.70	1%	29.56	19.57	-34%
Tier 3	7.74	5.62	5.11	6.01	7.18	20%	5.48	8.03	46%	7.92	5.67	-28%
Guangzhou	3.43	2.36	2.78	2.28	3.09	36%	2.32	3.27	41%	2.83	2.39	-15%
Shanghai	4.74	4.39	4.23	3.73	2.99	-20%	3.82	3.96	4%	5.11	3.83	-25%
Suzhou	1.72	1.13	1.37	1.87	1.40	-25%	1.36	2.46	81%	1.94	1.45	-25%
Chengdu	6.33	5.54	4.45	4.14	3.04	-27%	5.38	4.16	-23%	7.75	5.28	-32%
Beijing	2.95	2.84	2.54	2.52	1.81	-28%	2.56	2.53	-1%	3.18	2.56	-19%
Hangzhou	3.95	1.75	1.39	1.97	1.24	-37%	1.93	2.39	24%	2.95	1.97	-33%
Shenzhen	1.12	1.05	1.10	0.99	0.57	-42%	0.89	0.95	6%	1.23	0.90	-27%

Secondary sales	Jun	Jul	Aug	Sep	Oct MTD	Oct MTD vs. Sep	Pre-924 (1.1-9.24)	Post-924 (9.24-10.16)	Growth	2023 YTD (1.1-10.16)	2024 YTD (1.1-10.16)	YoY Growth
17 major cities	25.90	26.96	23.18	22.16	19.09	-14%	23.11	21.27	-8%	23.11	22.97	-1%
Shenzhen	1.63	1.73	1.44	1.29	1.60	24%	1.40	1.51	8%	0.98	1.40	43%
Shanghai	7.12	5.41	4.79	4.33	5.22	20%	4.77	5.28	11%	0.45	4.81	n.a.
Hangzhou	1.82	1.56	1.12	1.11	1.33	20%	1.31	1.27	-3%	1.15	1.30	13%
Qingdao	1.88	2.04	1.67	1.62	1.80	11%	1.80	1.66	-8%	1.63	1.79	10%
Chengdu	6.60	7.53	6.22	5.73	4.79	-16%	6.32	5.25	-17%	6.45	6.24	-3%
Beijing	4.83	4.92	4.54	4.30	3.58	-17%	4.14	4.27	3%	4.19	4.15	-1%
Foshan	2.41	2.39	1.92	1.94	1.56	-19%	2.11	1.80	-15%	2.35	2.09	-11%
Dongguan	0.91	0.90	0.91	0.91	0.68	-26%	0.81	0.81	1%	0.99	0.81	-18%
Suzhou	2.34	2.26	2.07	1.89	1.17	-38%	2.15	1.67	-22%	2.11	2.11	0%

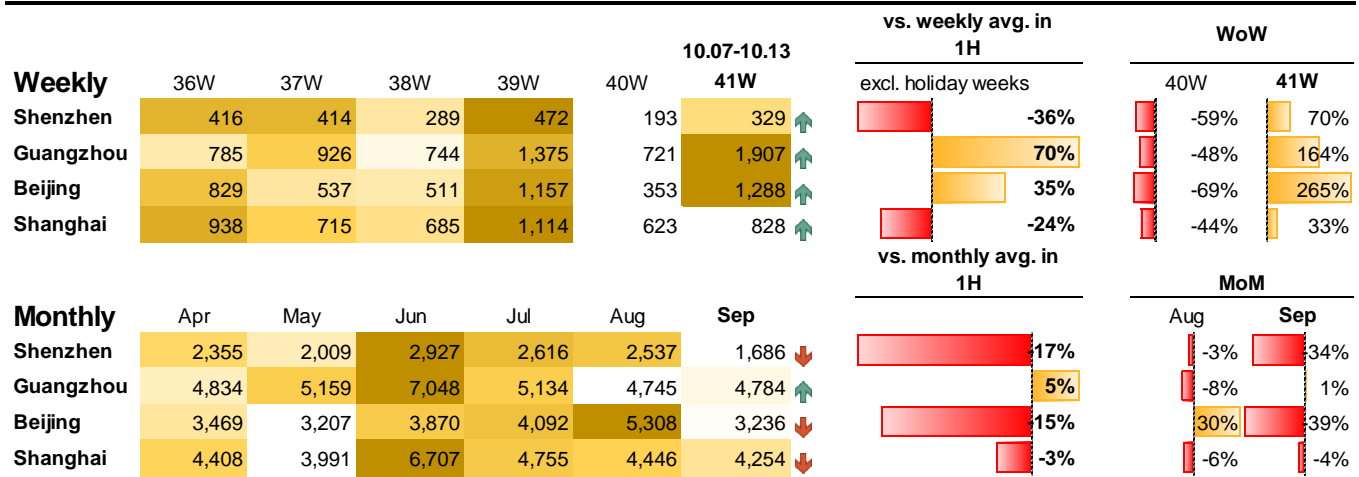
Source: Wind, CMBIGM

Figure 3: YTD new home sales have declined 33% YoY

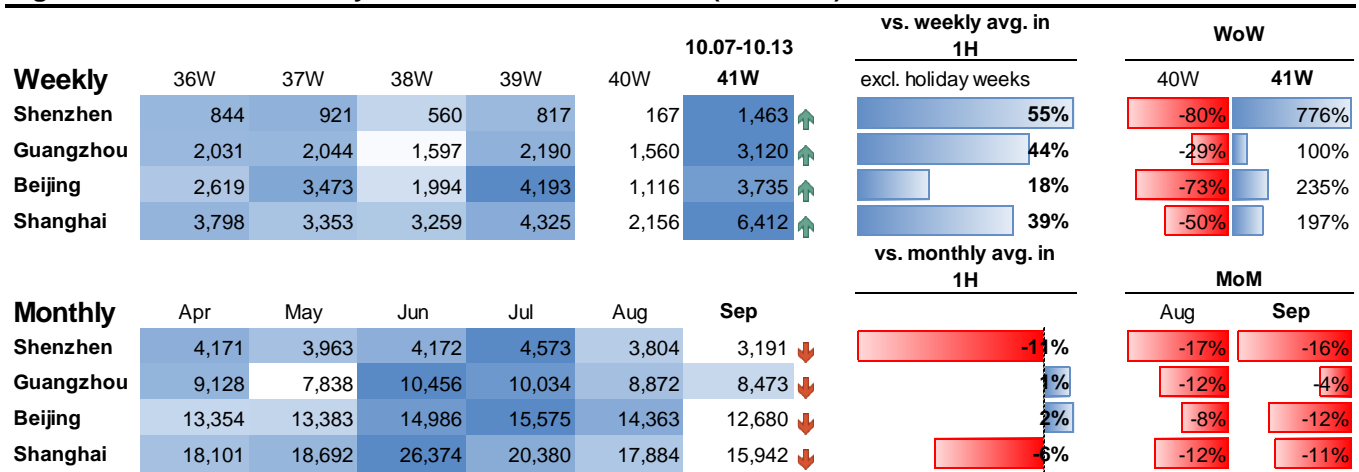
Source: Wind, CMBIGM

Figure 4: YTD secondary sales have declined 1% YoY

Source: Wind, CMBIGM

Figure 5: Units of new homes sold in tier-1 cities (41W2024)

Source: Local bureaus of MOHURD, CMBIGM

Figure 6: Units of secondary homes sold in tier-1 cities (41W2024)

Source: Local bureaus of 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)		24E	25E	26E	24E	25E	26E	24E	25E	26E		23A	24E
CR Land	1109.HK	25.20	23,122	5.7 x	5.5 x	5.1 x	0.6 x	0.5 x	0.5 x	(7.3)	3.6	7.3	33%	6.3%	5.9%
COLI	0688.HK	14.44	20,335	5.9 x	5.7 x	5.4 x	0.4 x	0.3 x	0.3 x	(4.4)	4.3	5.6	31%	5.5%	5.3%
Poly Developments	600048.SH	10.32	17,346	10.3 x	9.6 x	9.0 x	0.6 x	0.6 x	0.5 x	(0.3)	6.5	7.4	41%	4.0%	3.5%
CMSK	001979.SZ	10.62	13,511	15.1 x	13.8 x	12.2 x	0.8 x	0.8 x	0.8 x	1.0	9.2	13.4	49%	3.0%	2.7%
Longfor	0960.HK	11.92	10,557	6.6 x	6.4 x	6.0 x	0.4 x	0.4 x	0.4 x	(11.3)	3.0	6.6	26%	5.1%	4.3%
C&D International	1908.HK	14.18	3,680	5.4 x	4.8 x	4.4 x	0.7 x	0.7 x	0.6 x	(3.3)	12.7	7.8	45%	9.2%	0.0%
Binjiang Group	002244.SZ	9.84	4,299	11.0 x	9.6 x	8.7 x	1.1 x	1.0 x	0.9 x	10.4	14.7	9.8	11%	0.9%	1.5%
Yuxiu	0123.HK	5.96	3,087	6.9 x	6.4 x	5.7 x	0.4 x	0.4 x	0.4 x	0.7	7.7	11.4	40%	6.4%	7.0%
Huafa	600325.SH	6.66	2,574	9.8 x	9.0 x	8.5 x	0.8 x	0.7 x	0.7 x	NA	NA	NA	NA	0.0%	4.8%
Greentown China	3900.HK	8.76	2,854	6.3 x	5.6 x	5.3 x	0.5 x	0.5 x	0.4 x	2.7	13.6	5.2	35%	5.4%	4.5%
Midea RE	3990.HK	3.23	597	6.2 x	5.4 x	3.9 x	0.3 x	0.3 x	0.1 x	(24.9)	15.3	38.1	860%	194%	8%
COGO	0081.HK	2.19	1,003	3.9 x	4.0 x	3.6 x	0.2 x	0.2 x	0.2 x	(20.4)	(2.5)	11.1	22%	7.3%	4.5%
Average				8.2 x	7.7 x	7.0 x	0.6 x	0.5 x	0.5 x	(3.5)	6.0	7.9	39%	6.0%	4.3%

Source: Company data, Wind, CMBIGM

Note: Data as of 17 Oct 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	31.20	9,163	18.1 x	15.4 x	13.2 x	23.2	17.8	16.5	99%	4.5%	3.5%
Onewo	2602.HK	23.30	3,512	13.3 x	11.7 x	10.4 x	(4.1)	13.7	13.1	66%	5.2%	5.7%
Country Garden Services	6098.HK	5.60	2,409	10.8 x	8.7 x	8.2 x	NA	24.5	5.7	NA	5.8%	5.6%
Poly Services	6049.HK	31.35	2,232	10.2 x	9.2 x	8.2 x	12.4	11.9	11.2	40%	3.5%	3.7%
COPH	2669.HK	5.91	2,497	11.4 x	9.8 x	8.6 x	16.4	15.6	15.1	31%	2.4%	2.7%
China Merchant PO	001914.SZ	10.79	1,606	14.0 x	12.5 x	11.2 x	11.2	12.0	11.9	24%	1.6%	2.4%
Greentown Services	2869.HK	4.18	1,702	16.5 x	14.0 x	12.1 x	21.0	18.3	15.4	72%	3.6%	3.7%
Greentown Management	9979.HK	3.38	874	5.7 x	5.1 x	4.5 x	11.3	13.4	12.1	100%	16.2%	13.7%
Binjiang Services	3316.HK	18.40	654	8.2 x	7.0 x	6.0 x	15.6	17.8	15.7	70%	7.5%	8.7%
Yuxiu Services	6626.HK	3.34	651	8.2 x	7.1 x	6.1 x	15.6	16.9	15.3	50%	5.3%	6.0%
C&D PM	2156.HK	2.69	487	6.9 x	5.7 x	4.8 x	7.3	22.1	17.7	67%	9.7%	NA
Ever Sunshine	1995.HK	2.30	512	7.6 x	6.9 x	0.0 x	10.7	10.2	NA	50%	5.9%	9.0%
S-Enjoy	1755.HK	3.35	376	5.4 x	5.2 x	4.9 x	10.4	4.4	5.4	39%	6.7%	NA
Jinmao Services	0816.HK	2.90	337	6.0 x	5.5 x	5.1 x	18.6	10.0	7.3	42%	5.9%	NA
Central China New Life	9983.HK	1.35	226	3.8 x	3.4 x	3.1 x	NA	10.4	10.3	NA	24.3%	13.2%
Powerlong Commercial	9909.HK	2.62	217	3.9 x	3.7 x	0.0 x	(12.6)	4.0	NA	19%	5.7%	7.5%
Excellence CM	6989.HK	1.30	204	4.5 x	4.0 x	3.7 x	7.0	11.7	9.1	69%	14.6%	NA
New Hope Services	3658.HK	1.98	207	6.3 x	5.6 x	5.0 x	9.5	11.9	11.7	59%	8.7%	NA
E-star CM	6668.HK	1.32	172	7.6 x	6.7 x	5.9 x	(5.4)	12.7	13.9	70%	9.8%	6.4%
Average				13.3 x	10.9 x	9.4 x	12.6	15.4	12.7	63%	5.1%	4.4%

Source: Company data, Wind, CMBIGM

Note: Data as of 17 Oct 2024

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