

China Property Sector

Property+ Weekly: Sales continued to cheer up the market

The latest high frequency data continues to cheer up the market especially the new home sales which booked +9%/+35% WoW/MTD YoY growth and the YTD decline narrowed to -4% YoY. Secondary home sales remained strong at 83% YoY for MTD in Mar. Together with another RRR cut as we expected ([report](#)) and BEKE's strong guidance ([report](#)), market confidence on sales sustainability was further strengthened. The solid sales recovery has also accelerated the price of basic materials like Cement (+2% WoW), Rebar (+1% WoW), Glass (+2% WoW). **With policy support like RRR cut, we think the sales growth is likely to remain positive in Mar-May** which gives a good opportunity to play on the continuous better-than-expected data and buy quality names. We continue to like CR Land/Yuexiu/Binjiang/Huafa and BEKE.

- **Property sales - new home reported a strong week.** As of Mar 16, new home sales went up 9% WoW and the Mar MTD widened to +35% YoY. YTD decline was further narrowed to -4% YoY. This was mainly driven by the better momentum in Tier 3 cities which grew +16% WoW and expanded MTD to +41% YoY. Tier 1&2 cities also performed solidly at +7% WoW and +33% YoY for Mar MTD. Secondary home sales slightly decreased 4% WoW but MTD in Mar and YTD growth were still high at 83%/52% YoY. We think there is no need to be worried about the WoW correction for secondary homes sales as **1)** it is normal that market will return to a standard level after the strong peak (23 Feb was the highest since 21 May), and **2)** sales in Mar will easily book a flat YoY growth even MoM is expected to drop 20% while MTD MoM growth is now at +48%.
- **Sales growth to stay positive in Mar-May.** We believe sales data will stay positive in Mar-May as **1)** Our leading indicator booked a highest Feb and pointing to a strong Mar. **2)** Mar/Apr are seasonal high months for project launching and our recent channel check saw more demands from buyers who are concerned about potential house price rise. **3)** Low base in Apr/May due to lockdown in 2022. **4)** Continuously good implementation of supportive policies on both demand side (Xuzhou to issue ticket to boost shanty town redevelopment) and financing side (Seazen Hldg to raise money by PP and Agile to issue CDS), as well as just-announced RRR cut of 25bp which was hinted by PBoC's governor Yi Gang on 3 Mar ([report](#)).
- **Cement price went up 2% WoW.** National cement price continued hiking 2%/4% WoW/MoM to RMB471/mt as of 15 Mar while the storage ratio went up to 63 % (+2ppt from the previous week). This is mainly due to uneven recovery pace in different regions where south/east region saw solid demand coming back but north and southwest regions are still lagging behind especially Sichuan, Chongqing and Yunnan provinces. We think the continuous improvement of property sales and construction peak season would give support to future cement price.
- **Steel rebar price up 1%/3% WoW/MoM** at RMB4,417/mt as of 15 Mar mainly driven by overall demand recovery from housing constructions boosted by strong sales. Some rebar suppliers pointed out that the large size rebar, which is used during foundation laying stage, saw more orders. This further confirmed that the good sales momentum has passed to upper stream.
- **Other Materials:** Aluminum price remain stable at RMB 18,310/mt as the upward momentum supported by demand was offset by fluctuating overseas macro. Float glass went up 2% WoW last week. We believe the strong sales recovery momentum will further spread to upper stream and drive up the price of related materials.

OUTPERFORM
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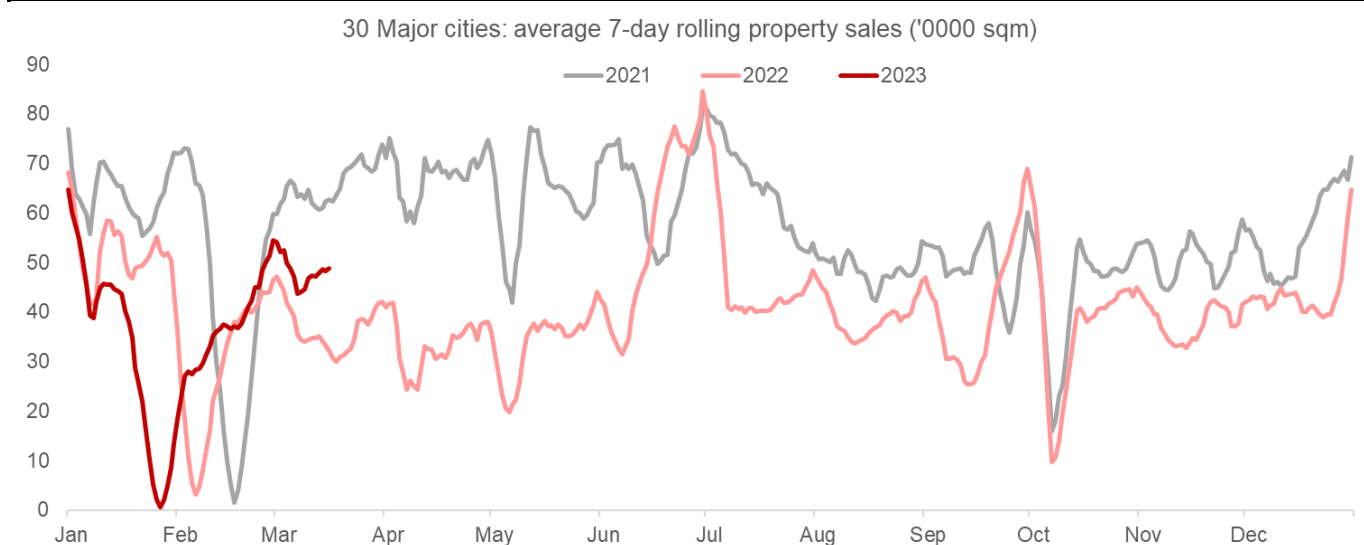
Figure 1: March MTD New home sales surged 35% YoY vs. -14%/-21%/-25% in 2M23/Dec-22/Nov-22

Figure 2: March MTD Secondary home sales raised to 83% YoY vs. 46%/42%/-12% in 2M23/Dec-22/Nov-22

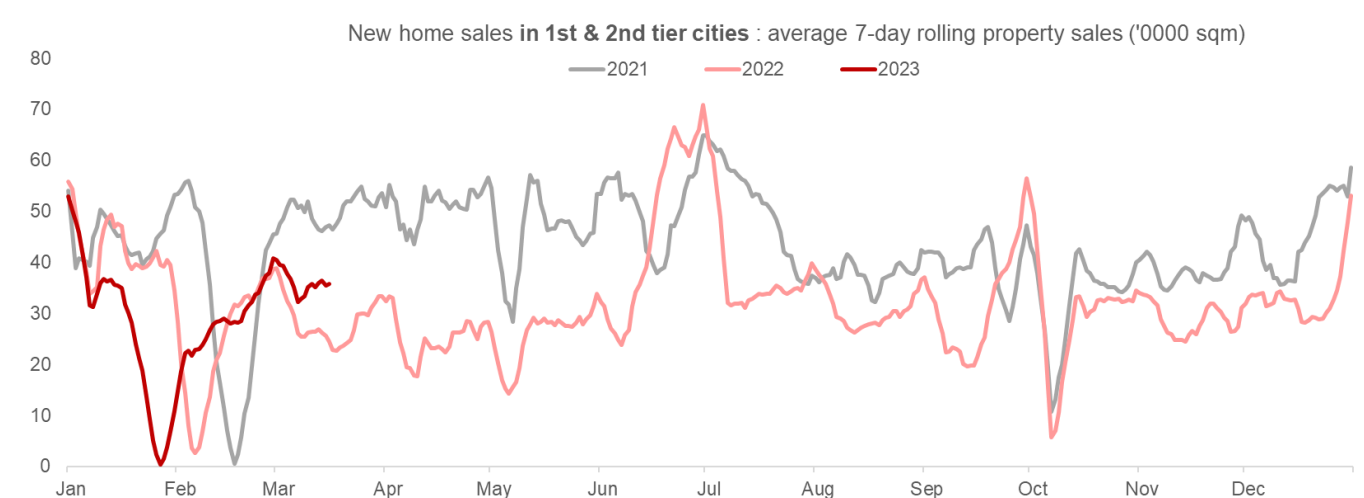
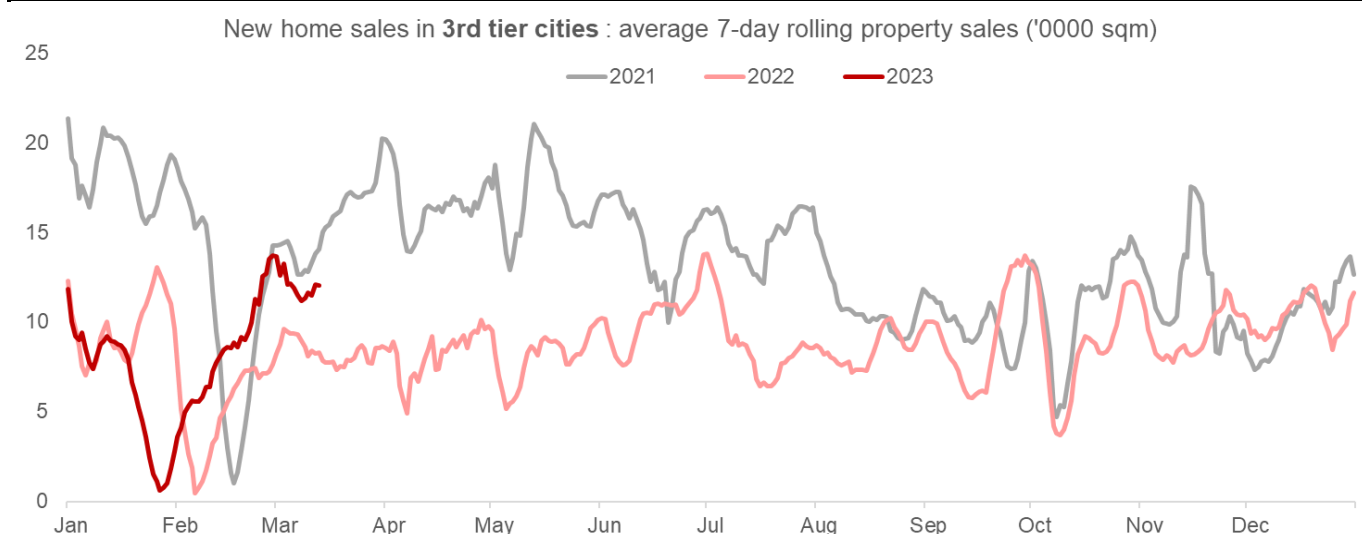
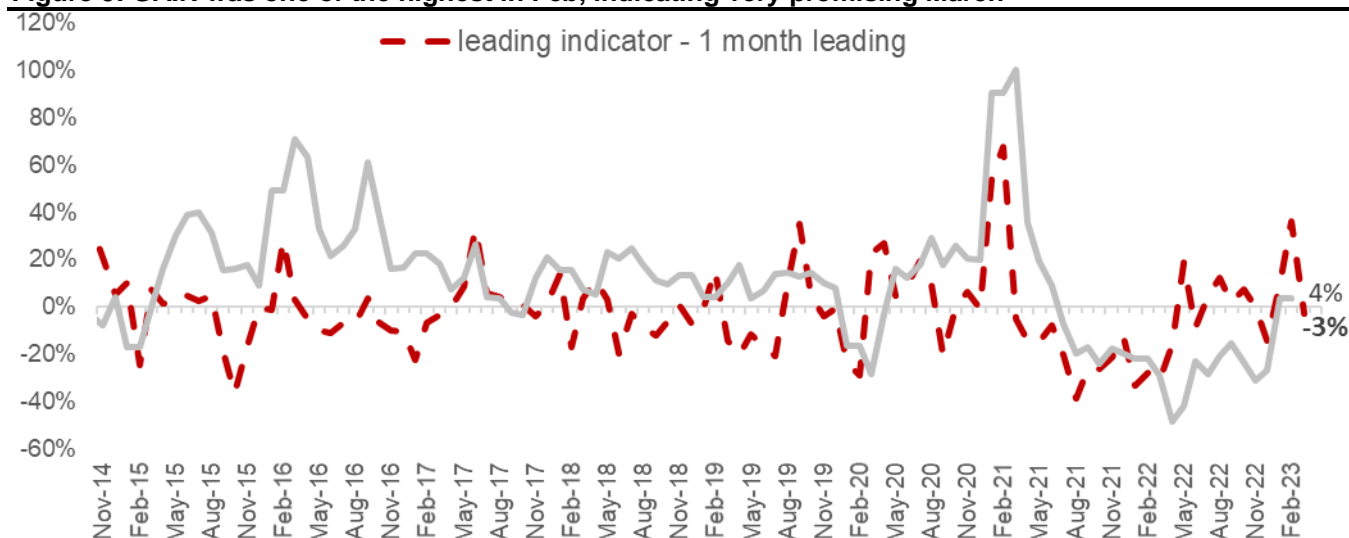
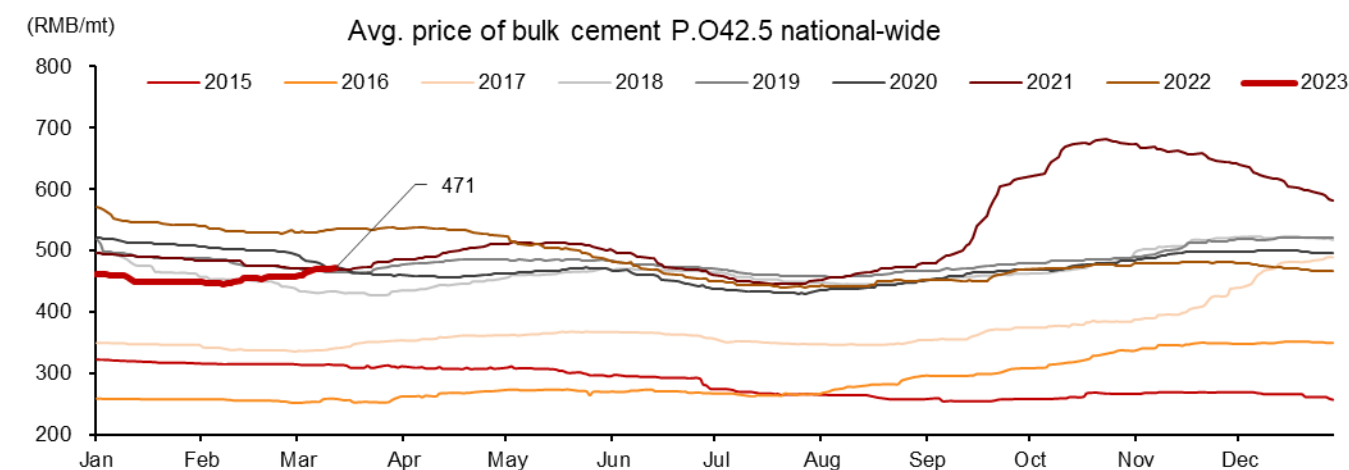
Figure 3: New home sales in Tier 1&2 cities saw +33% YoY in March MTD


Figure 4: New home sales in Tier 3 cities saw +41% YoY in March MTD

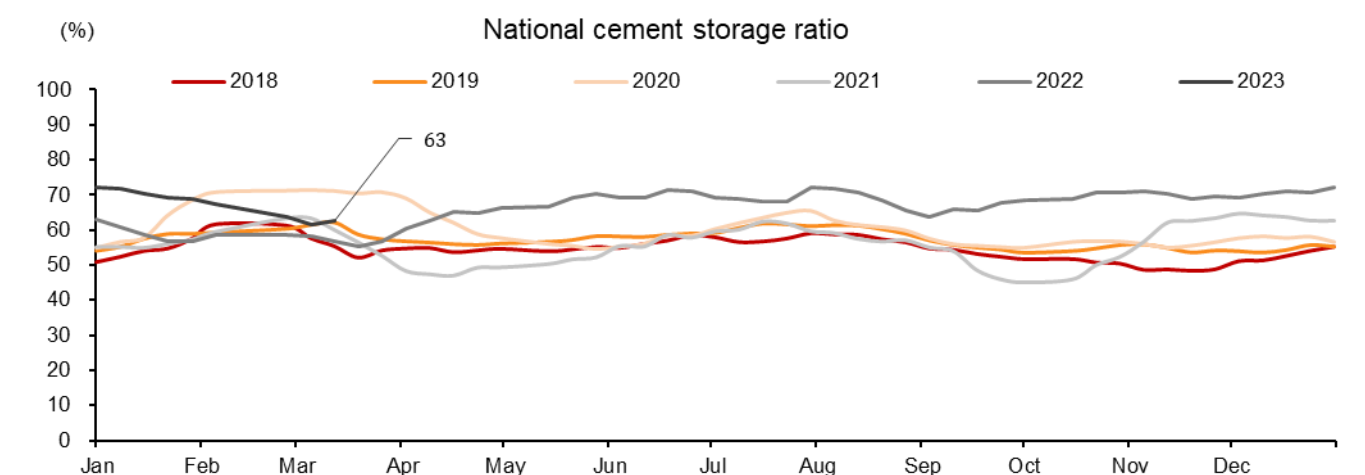
Source: Wind, CMBIGM

Figure 5: GAIN was one of the highest in Feb, indicating very promising March

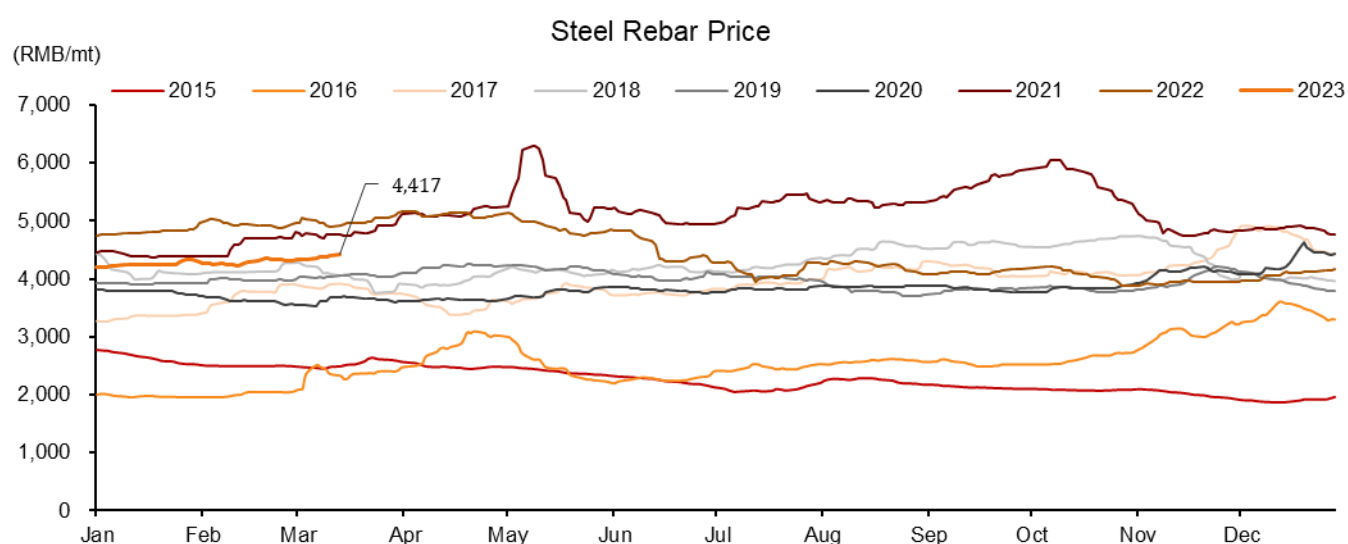
Source: NBS, CMBIGM

Figure 6: Avg. price of bulk cement P.O42.5 national-wide

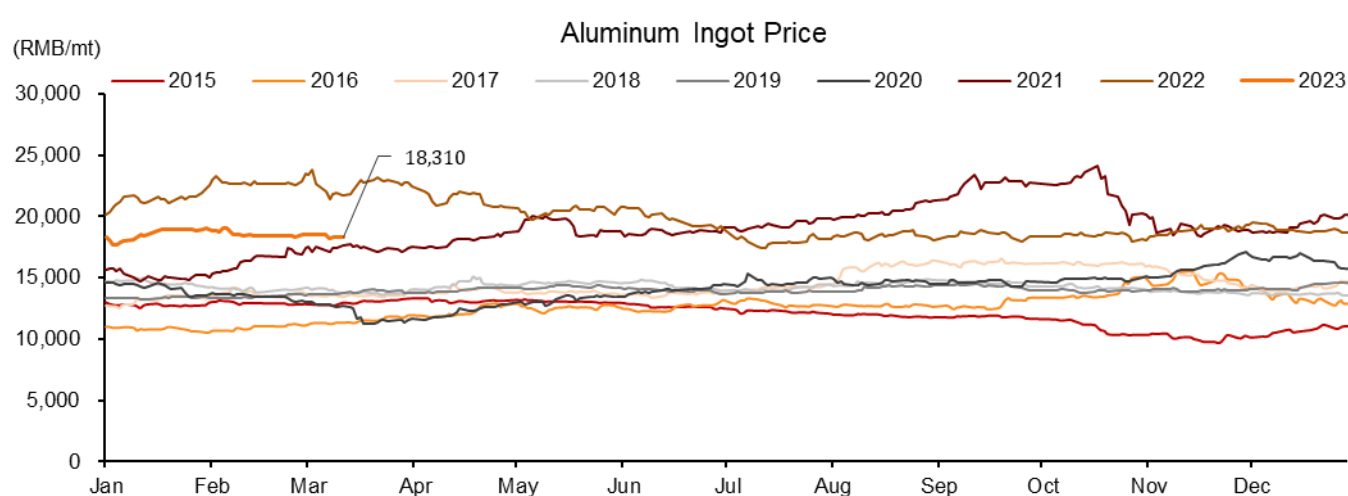
Source: My Steel, CMBIGM

Figure 7: National cement storage ratio

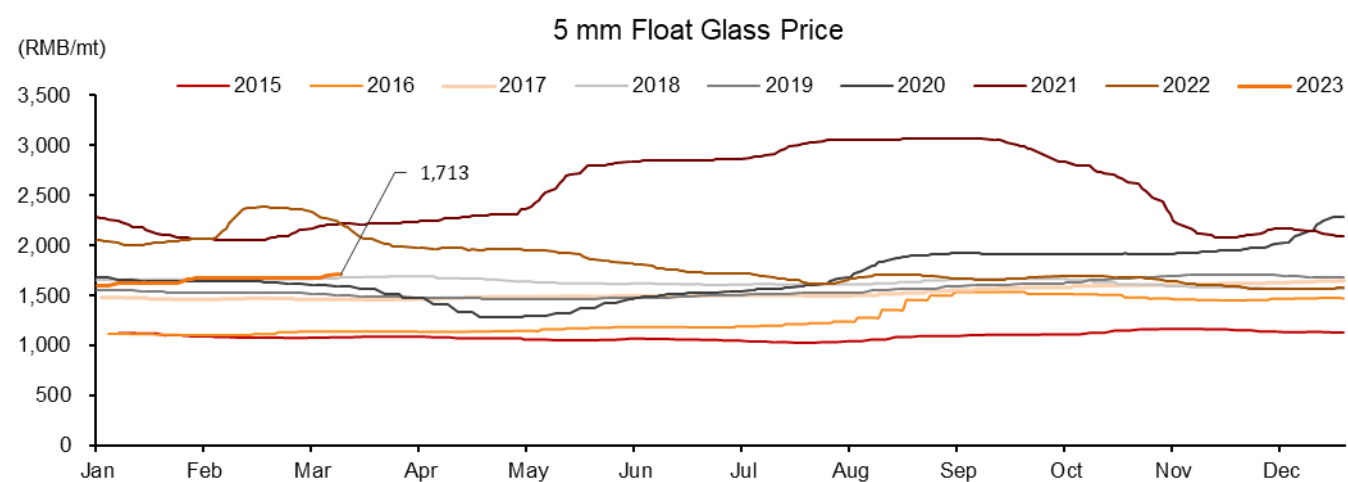
Source: Wind, CMBIGM

Figure 8: Steel rebar price

Source: My Steel, CMBIGM

Figure 9: Aluminum ingot price

Source: My Steel, CMBIGM

Figure 10: 5mm plain float glass price

Source: BBG, CMBIGM

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