

China Property Sector

NBS July data in-line; expecting a better Aug

NBS July data **further weakened on property investment** which has slid to -12% and dragged 7M to -6% YoY, the worst YTD number in the recent history except 2M20 when COVID first broke out. July's sales unsurprisingly fell back to MoM decline from June's short glory given delivery risk is still a worry of homebuyers as rescue plans for construction halt were not strong and quick as expected. More developers' debt overdue and their tight liquidity increased homebuyers concern on housing quality, together with more frequent negative news on quality developers spread by short sellers further hurt the market confidence. High frequency data in 1H Aug shows still weak sales. While PBOC surprisingly cut 10bps on key policy rates suggesting a further cut in LPR and the market expects it happens on 5-yr LPR rather than 1-yr one. The extra liquidity may help sales in Aug to some extent. And our leading indicator also suggests slightly better Aug sales.

■ NBS property data in July 2022 – continue weakening investment and new starts, completion slightly better on “delivery securing” policies

- **Property investment further weakened to 12% YoY in July (vs. -9% YoY in June)** partly driven by the continuous and widening decline in new starts (-45.4% YoY vs. -45.1% in June 22). This has led to a REI YoY decline of 6% in 7M22, the worst in recent history except 2M20 when COVID first broke out.
- **Property sales volume and value decline widened** to -29%/28% YoY in July 22 (vs. -18%/-21% YoY in June 22) representing a -49%/-45% MoM decrease partly due to the seasonality reason which may exist in Aug as well. we see home-purchasing policies kept loosening even in stronger tier-2 cities like Nanjing, Wuxi and Suzhou etc. suggesting sentiment remains low. Not much strong/quick-as-expected policy coming out to solve construction halting problem, more developers' debts overdue together with massive negative news spread by short sellers targeting quality developers triggered more wait-and-see mentality of home buyers. High frequency data in first two weeks of Aug was still weak in primary market. PBOC surprisingly cut 10bps on key policy rate suggesting a LPR cut on 20 Aug, many expects more opportunity to cut 5-yr LPR than 1-yr LPR. The extra liquidity may help sales recovery to some extent and our leading indicator also shows a slightly better Aug prop sale.
- **Completion decline narrowed in July.** The completed GFA saw 36% decline YoY, vs. -41% in June. We think this is mainly due to the “delivery securing” activity triggered by mortgage halting campaign. “Secure the delivery” was firstly mentioned on Political Bureau meeting and soon became the key focus of many local governments.
- **Completed but unsold inventory continued to decline MoM:** The overall unsold residential inventory was 261mn sqm in June 2022 (down 1% MoM). We think this is due to the sales > new starts causing inventory digestion.

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(Maintain)

China Property Sector

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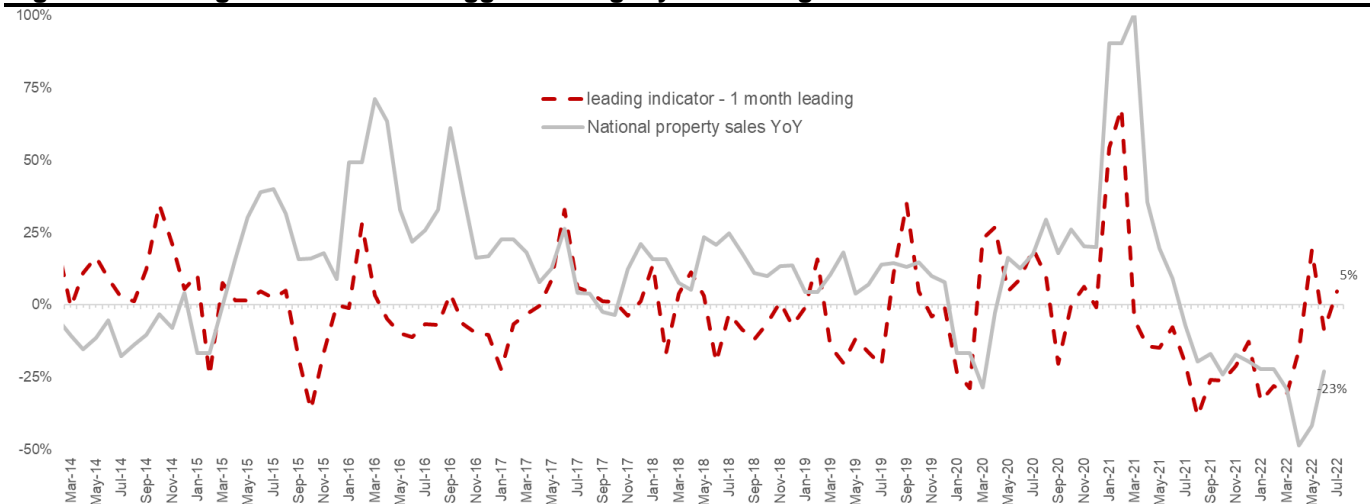
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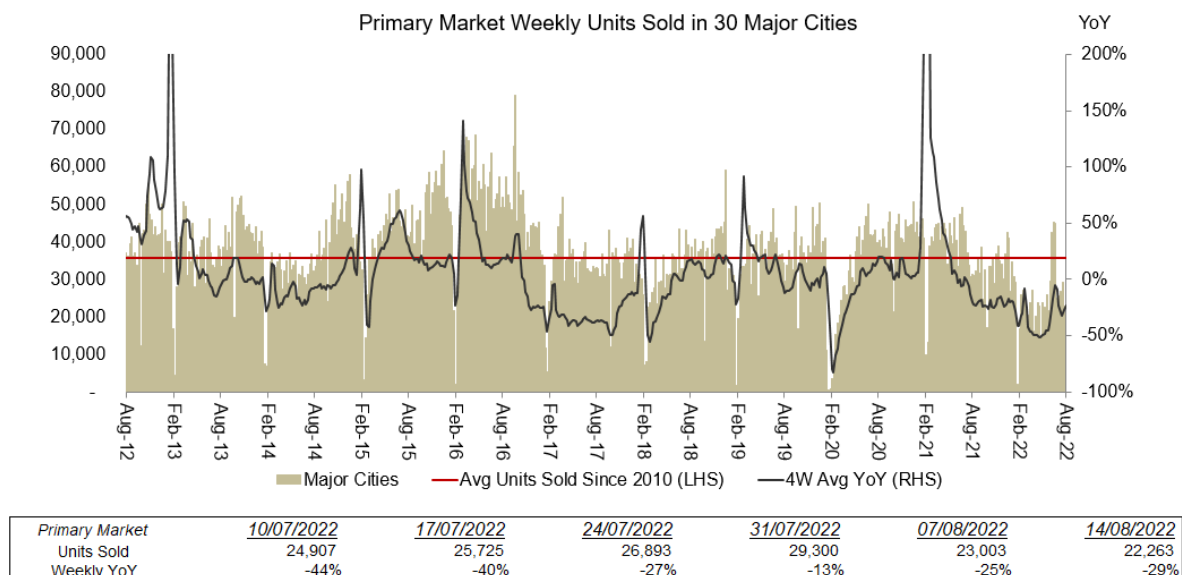
Figure 1: Quick view of national property data in 7M22

	Jul-22	YoY	MoM	Jun-22	YoY	7M22	YoY	2021	YoY
Property GFA sold (mn sqm)	93	-28.9%	-49.1%	182	-18.3%	782	-23.1%	1,794	1.9%
Property sales (RMB bn)	969	-28.2%	-45.4%	1,774	-20.8%	7,576	-28.8%	18,193	4.8%
New starts (mn sqm)	96	-45.4%	-34.8%	148	-45.1%	761	-36.1%	1,989	-11.4%
GFA under construction (mn sqm)	8,592	-3.7%	1.2%	8,488	-2.8%	8,592	-3.7%	9,754	5.2%
GFA completion (mn sqm)	34	-36.0%	-35.7%	53	-40.7%	320	-23.3%	1,014	11.2%
Property investment (RMB bn)	1,115	-12.3%	-31.1%	1,618	-9.4%	7,946	-6.4%	14,760	4.4%
Domestic loans of developers (RMB bn)	122	-36.8%	-30.5%	176	-32.1%	1,103	-28.4%	2,330	-12.7%

Source: NBS, CMBIGM

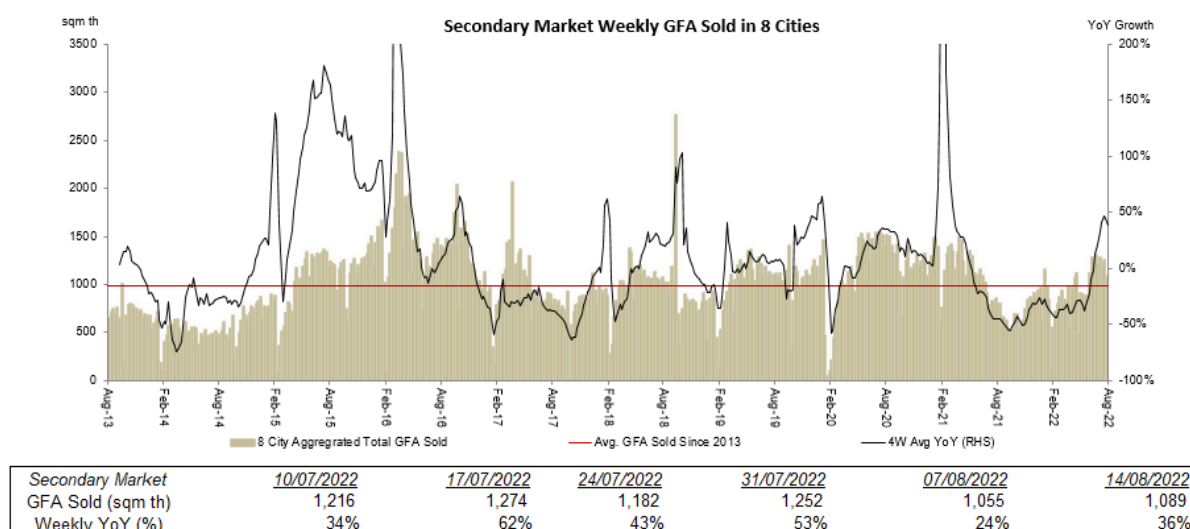
Figure 2: Leading indicator GAIN suggests a slightly better Aug

Source: Company, CRIC, CMBIGM

Figure 3: Primary market weekly units sold in 30 cities

Source: Wind, CMBIGM

Figure 4: Secondary market weekly GFA sold in 8 cities



Source: Wind, CMBIGM

Figure 5: Property sector comps

Company	Ticker	Last price (LC)	Mkt Cap (LC mn)	TP (LC)	P/E				PB	Dividend Yield	
					20A	21A	22E	23E		22E	21A
Vanke - H	2202 HK	13.98	209,920	33.92	3.4	6.0	5.5	5.2	0.6	8%	7%
COLI	688 HK	19.50	213,425	30.49	5.0	4.4	4.7	4.5	0.5	6%	6%
Country Garden	2007 HK	2.32	56,596	13.36	1.4	1.6	1.7	1.7	0.2	15%	13%
CR Land	1109 HK	29.70	211,789	44.79	7.8	5.4	6.1	5.5	0.7	6%	6%
Longfor	960 HK	22.15	134,629	52.59	6.2	4.8	4.6	4.2	0.8	9%	10%
Shimao	813 HK	4.42	16,786	NA	1.1	1.1	1.1	1.1	0.1	26%	29%
Agile	3383 HK	2.44	9,558	NA	0.9	3.1	1.6	1.7	0.1	24%	0%
KWG	1813 HK	1.46	4,648	NA	0.6	1.3	1.0	1.0	0.1	29%	0%
Times China	1233 HK	1.22	2,564	NA	0.4	0.6	0.6	0.6	0.1	7%	0%
China SCE	1966 HK	0.68	2,871	NA	0.8	0.8	0.7	0.7	0.1	31%	0%
CIFI	884 HK	1.86	17,008	NA	1.7	1.7	1.9	1.8	0.3	9%	12%
Seazen	1030 HK	2.62	17,045	NA	1.7	1.5	2.0	2.1	0.3	0%	0%
Midea	3990 HK	8.28	11,223	NA	2.2	2.2	2.3	2.1	0.4	23%	17%
Vanke - A	000002 CH	16.29	181,371	31.36	4.5	8.4	7.4	6.9	0.8	6%	5%
Poly Development	600048 CH	15.64	187,218	NA	6.5	6.8	6.6	6.2	0.9	4%	4%
Binjiang Real Estate	002244 CH	8.39	26,105	NA	11.2	8.6	6.8	6.0	1.1	3%	3%
Average					3.5	3.7	3.5	3.2	0.4	12.9%	7.0%

Source: BBG, CMBIGM

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