

China Property Sector

Property+ Weekly: Facts proved that market is over worried

March MTD sales continued to surprise market on the positive side with new home/secondary home sales up 21%/82% YoY. This is in line with our sales leading index GAIN and our [forecast upgrade report](#) that **sales is more sustainable than what market thinks**. The solid housing recovery has also accelerated the price of basic materials like Cement (+3% WoW), Rebar (+1% WoW), Glass (+0.2%) and Aluminum (+0.3%). We think market **is over concerned** on sales sustainability and less policy easing, which gives a good opportunity to play on the continuously better-than-expected data and buy quality names. We continue to like CR Land/Yuexiu/Longfor/Binjiang/Huafa.

- **Property sales in March further accelerated YoY.** As of 8 Mar, secondary home sales went up 82% YoY in March. This has the pull-up impact on new home sales that saw +21% YoY in March and YTD sales decline narrowing to -10% YoY. In particular, new home sales in Tier 1&2 cities is leading the sales growth at 22% YoY in March, while growth in Tier 3/4 cities was also solid at +19% YoY due to low base. Going forward, we expect sales momentum to continue as 1) our sales leading indicator and channel check suggest good momentum boosted by historically low mortgage rate and stabilized property price; 2) policy would remain supportive as shown below.
- **Policy remains supportive with city-level relaxation almost everyday:** On 9 Mar, Fujian province, Dalian and Zhumadian (Henan) all together announced relaxing measures to support property sales. Especially Fujian province plans to issue housing coupons to boost shanty town redevelopment and considers to lift purchasing restrictions in some areas together with low mortgage rate and down payment ratio. We think this level of housing support would help reverse market's low expectation on policy easing.
- **Cement price up 2% WoW.** National cement price went up strongly 2.3%/4.3% WoW/MoM to RMB467/mt as of 8 Mar or up 5% after CNY. This is in line with the storage ratio drop to 61.5 % (-2ppt) as of 5 Mar. It was mainly caused by the demand recovery in regions like Guangdong, Liaoning and Shaanxi together with material cost hike (coal). We think the continuous improvement on property sales and construction peak season would further push up the cement price.
- **Steel rebar price up 1%/2% WoW/MoM** at RMB4,357/mt as of 9 Mar. This follows the similar trend of the cement price. The reason behind is because the demand pickup has outpaced the resumption rate of millers. As the downstream demand like property would continue to improve, it could continue to give support to the steel rebar price.
- **Other materials:** price for both aluminum and float glass stabilized after the decline of 1.5% and 0.4% WoW last week. We believe the strong sales recovery and better cash collection for developers as well as support from home completion funds will further drive the completion demand and the price of related materials.

OUTPERFORM
(Maintain)

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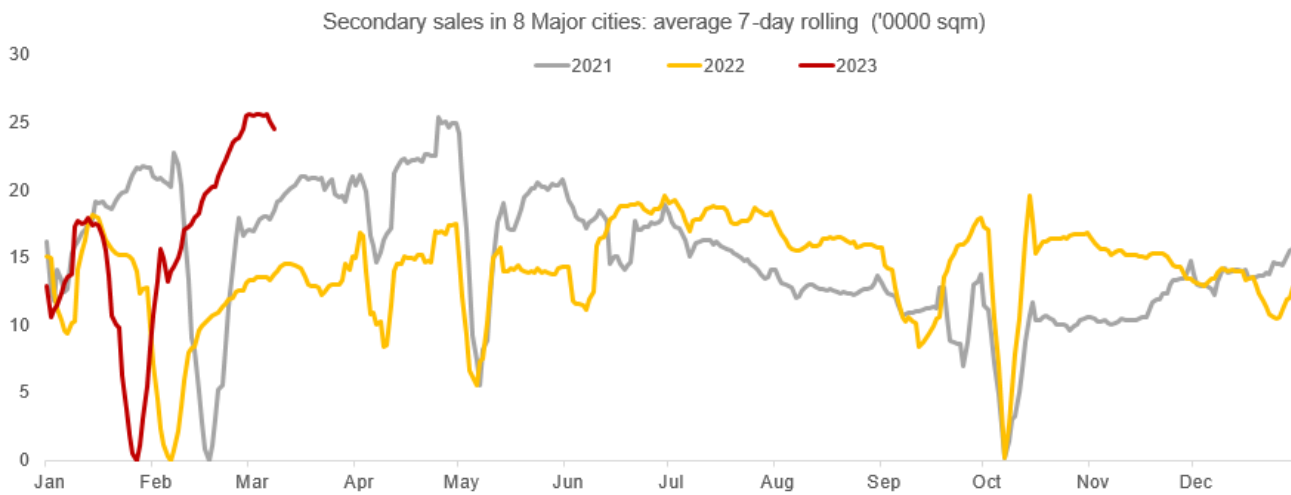
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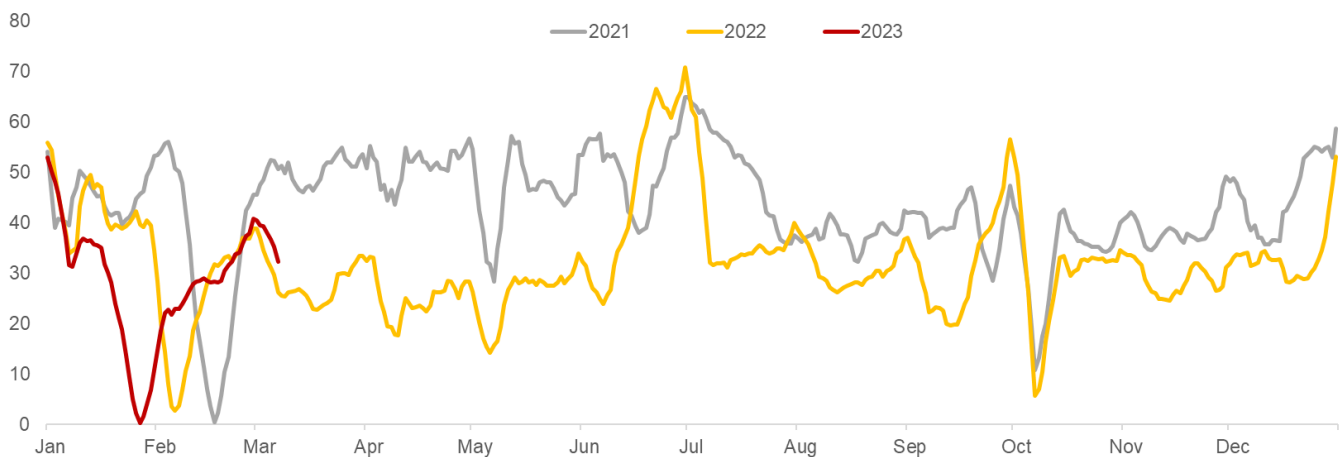
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Figure 1: March MTD new home sales surged 21% YoY vs. -14%/-21%/-25% in 2M23/Dec-22/Nov-22

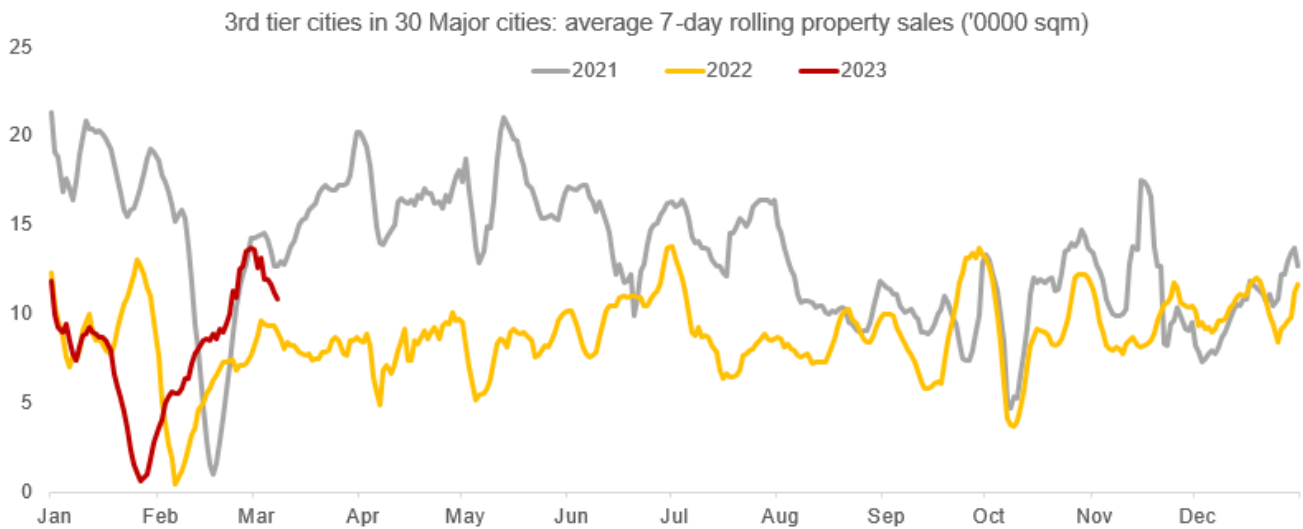

Source: Wind, CMBIGM

Figure 2: March MTD Secondary home sales surged 82% YoY vs. 46%/42%/-12% in 2M23/Dec-22/Nov-22


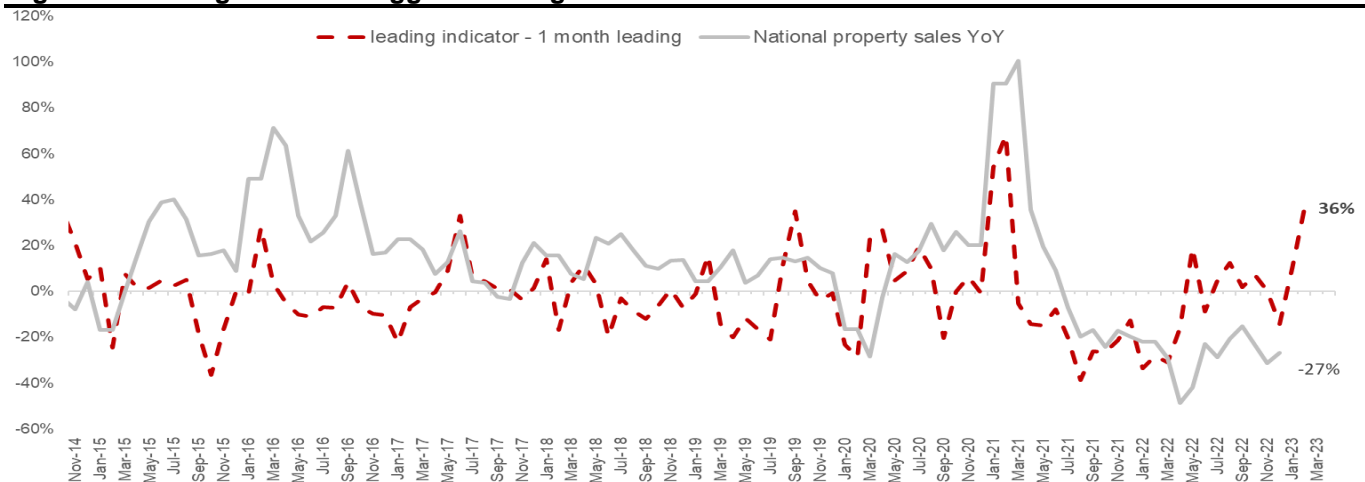
Source: Wind, CMBIGM

Figure 3: New home sales in Tier 1&2 cities saw +22% YoY in March MTD


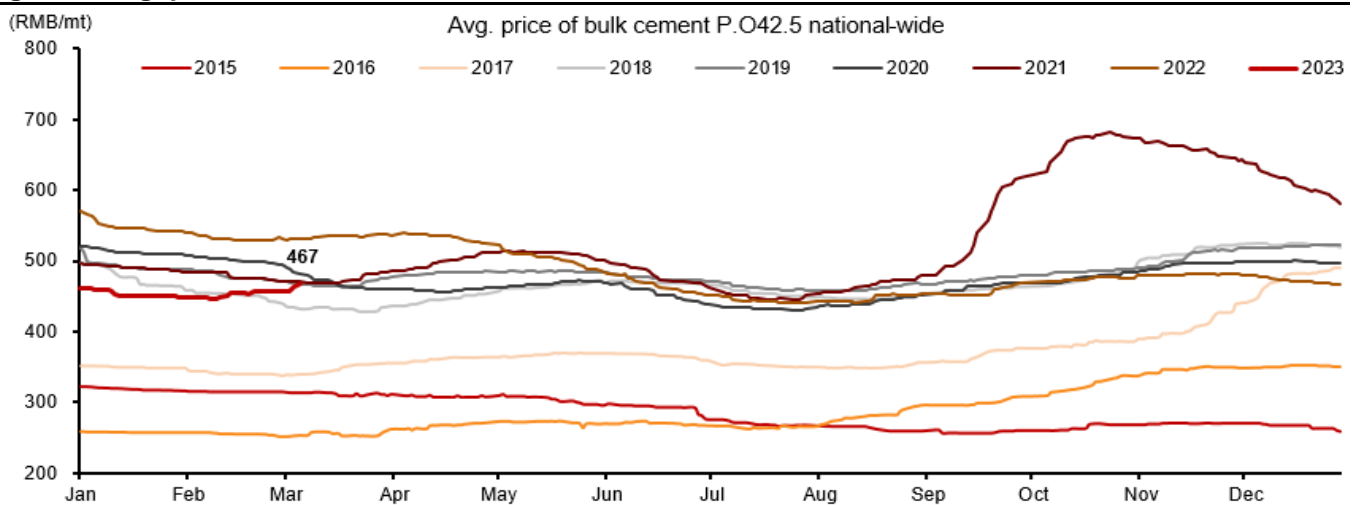
Source: Wind, CMBIGM

Figure 4: New home sales in Tier 3 cities saw +19% YoY in March MTD

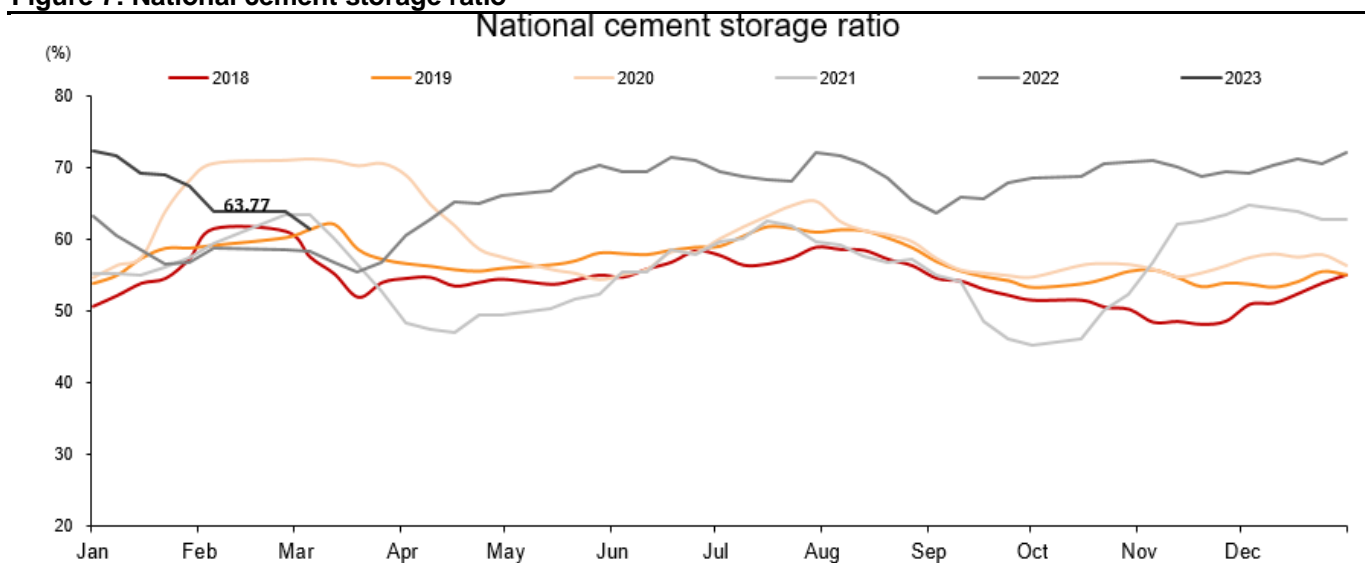
Source: Wind, CMBIGM

Figure 5: Leading indicator suggests strong sales in March

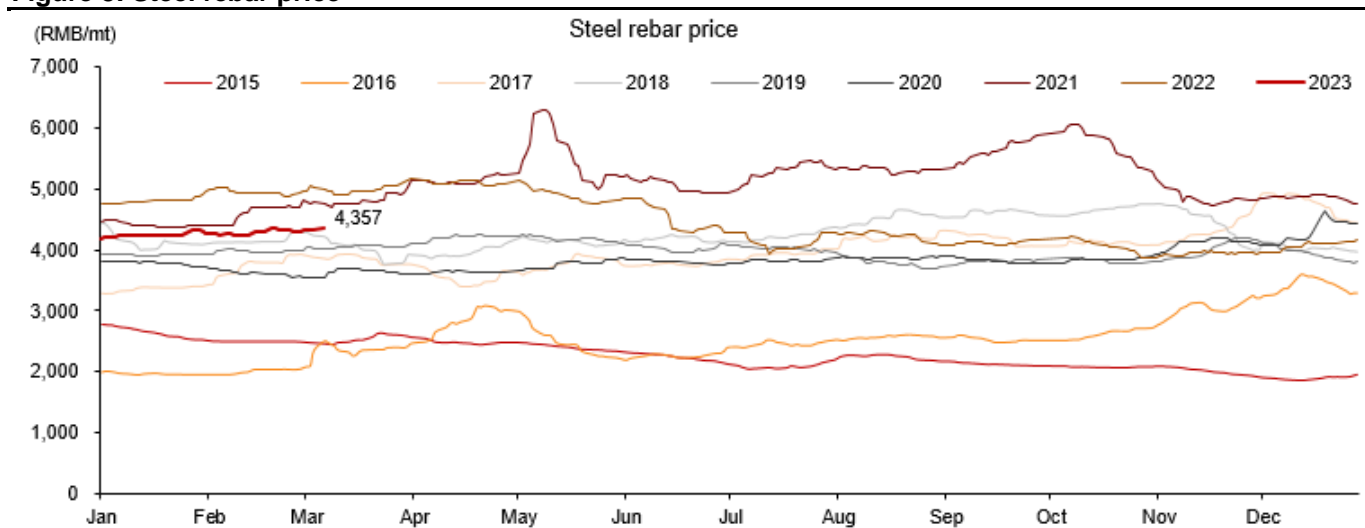
Source: NBS, CMBIGM

Figure 6: Avg. price of bulk cement P.O42.5 nationwide

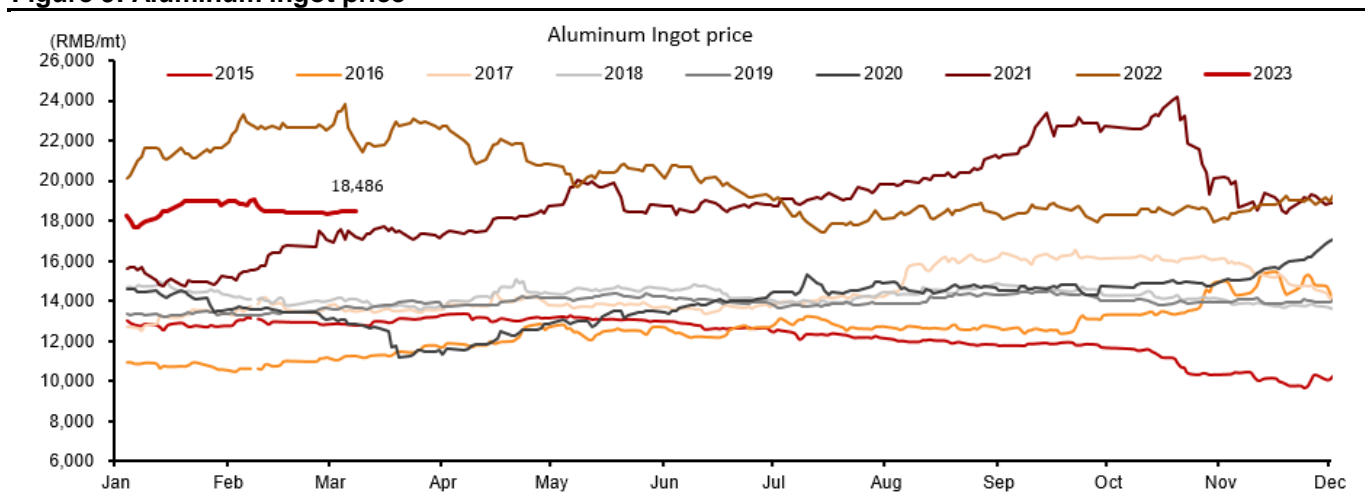
Source: My Steel, CMBIGM

Figure 7: National cement storage ratio

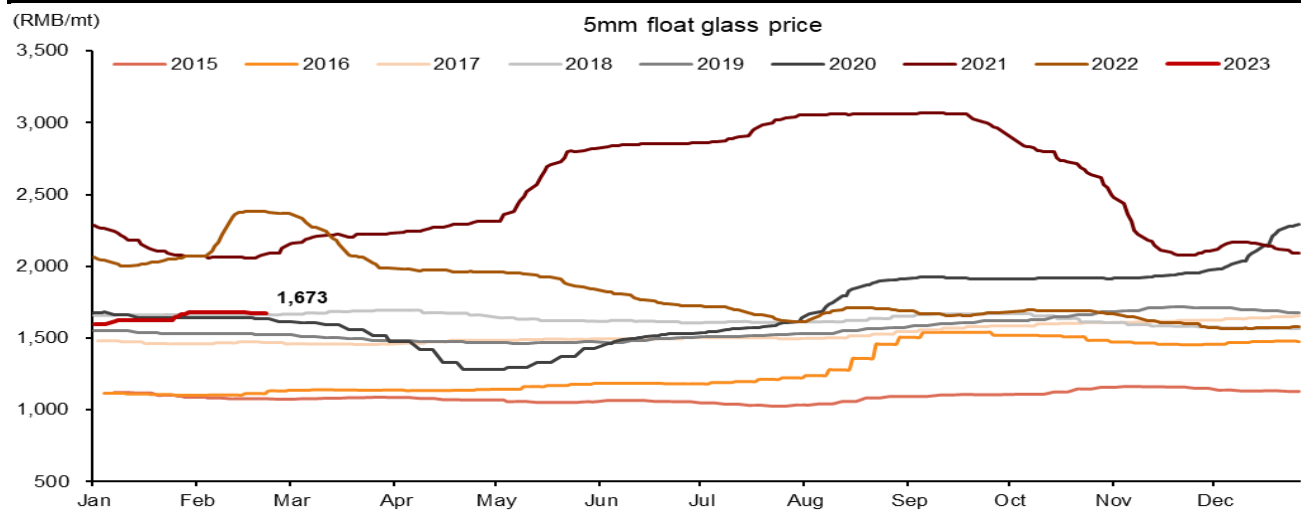
Source: Wind, CMBIGM

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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