

China Property Sector

NBS Sep data: gloomy as expected, no strong rebound, only mild recovery in 4Q in our view

NBS data was as gloomy as we expected, with property investment decline widening to -11.3% YoY in Sep from -11.0% in Aug. Both volume/value of property sales booked >40% MoM growth but the YoY change was still weak at -10/-14% (vs. -12%/-16% in Aug). **We expect no rebound but a mild recovery in 4Q sales given the following.** 1) The policy relaxation is likely to continue, but in small steps, which is just enough to maintain the sales in a slow recovery trend with no sharp turnaround in our view. 2) The surge of [leading indicator](#) in Sep may not represent the rally in Oct sales but proved that demand does exist and is waiting to be converted into transactions. 3) Some buyers with a wait-and-see attitude are expecting more easing policies, and they are likely to enter the market if the more policies are rolled out. 4) Active transactions in the secondary market will release certain demand for new homes. For stocks, we continue to like property brokerage BEKE; PM names CR MixC, CPH, Poly Services, Onowo, and Yuexiu Services; and developers CR Land, Yuexiu Property, and Bingjiang Group.

- NBS property [data of 9M23](#) – REI remained sluggish given weak new starts, good completion growth thanks to housing delivery and low base.
 - **Property investment decline slightly widened to -11.3% YoY in Sep 23 from -11.0% in Aug** and dragged 9M23 decline to -9.1% YoY from -8.8% in 8M23. The lacklustre data was mainly due to still-weak new starts at -15% YoY. GFA completion growth accelerated to 25% YoY from 11% in Aug given consistently strong efforts on housing delivery and a low base in Sep 2022, while the completion volume of 50mn sq m in Sep was still 20% lower than the avg. of 62mn sq m in 2013-2019.
 - **Property sales growth: better volume + worse value = continued ASP decline.** Property sales volume/value reported -10/-14% YoY vs. -12/-16% in Aug, reflecting 4% MoM decline in monthly ASP. The positive side is that **both volume/value grew >40% MoM (vs. 5% in Aug)**, indicating the policy relaxation is taking effect. **As for high-frequency data, [secondary home market](#) showed a sign of rebound** that the MTD sales (as of 17th) recovered to -8%/+40% MoM/YoY (vs. -3%/11% in Sep), YTD growth stayed at +28% YoY. [MTD new home sales](#) booked -2%/-4% MoM/YoY (vs. +8%/-22% in Sep), and the YTD growth was at -7% YoY.
- **We expect no rebound but a mild recovery in 4Q sales.** 1) **The relaxation will continue, but in small steps.** We noticed that recent easing policies in different cities had only 1-2 weeks' positive effect on project visitor flow or sales, but the continuing small steps of relaxation are just enough to maintain sales in a slow recovery trend in our view. 2) **Leading indicator proved demand does exist.** The surge of our leading indicator in Sep pointed to a rally in Oct sales, which is not likely to happen based on MTD data, while the surge could prove that the new policy did release demand and it is quite a lot. 3) **Some buyers in a wait-and-see mood that expect more easing policy are likely to enter the market following the continued relaxation.** In addition to housing price decline that suppresses part of the purchasing demand, some home buyers stay in a wait-and-see mood as they expect more easing policy to come; this part of demand will gradually reflect on sales following the continued policy relaxation. 4) **Secondary market will gradually release demand for new homes.** Many home buyers with the intention to "sell old and buy new" are now stuck in the secondary market and this part of demand will gradually be released when transactions in this market turns more active.

OUTPERFORM
(Maintain)

China Property Sector

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Figure 1: Quick view of national property data in 9M23

	Sep-23	YoY	MoM	Aug-23	YoY	9M23	YoY	2022	YoY
Property GFA sold (mn sqm)	109	-10%	47%	74	-12%	848	-8%	1,358	-24%
Property sales (RMB bn)	1,091	-14%	42%	771	-16%	8,907	-5%	13,331	-27%
New starts (mn sqm)	82	-15%	19%	69	-24%	721	-23%	1,206	-39%
GFA under construction (mn sqm)	8,157	-7%	1%	8,064	-7%	8,157	-7%	9,050	-7%
GFA completion (mn sqm)	49.79	25%	-6%	53	11%	487	20%	862	-15%
Property investment (RMB bn)	1,037	-11.3%	13%	918	-11.0%	8,727	-9.1%	13,290	-10%
Domestic loans of developers (RMB bn)	143	4%	52%	94	-24%	1,210	-11%	1,739	-25%

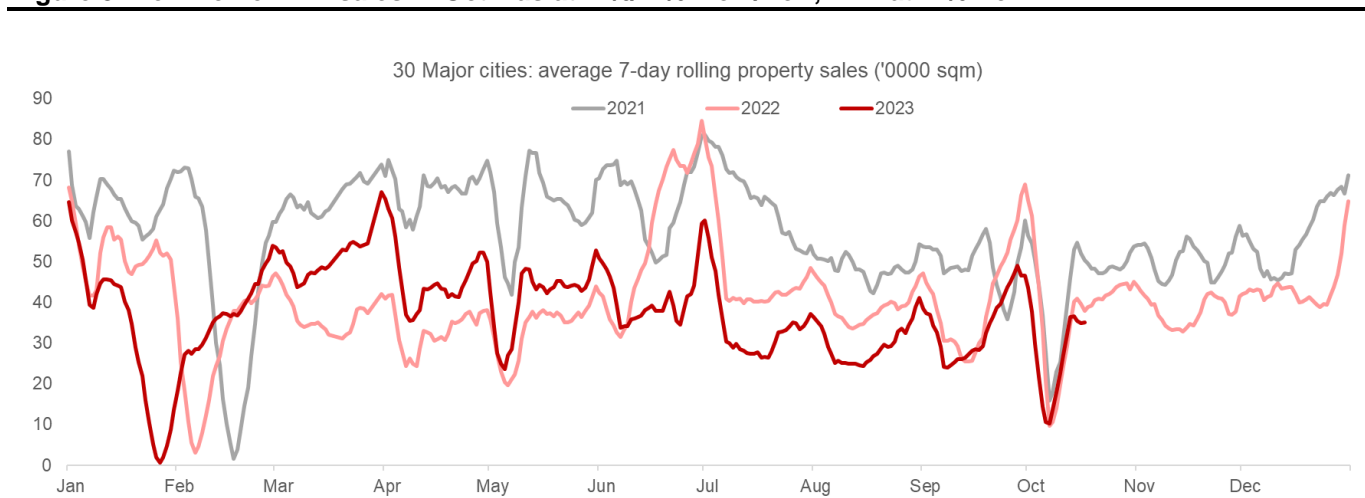
*Red/Green text denotes better/worse than the previous month

Source: NBS, CMBIGM

Figure 2: Calculation on NBS base adjustment - 9M23

	After adjustment		Before adjustment		% adjusted		YoY change without base adjustment	
	Sep-22	9M22	Sep-22	9M22	Sep-22	9M22	Sep-23	9M23
Property GFA sold (mn sqm)	121	917	135	1,014	-11%	-10%	-20%	-16%
Property sales (RMB bn)	1,262	9,336	1,351	9,938	-7%	-6%	-19%	-10%
New starts (mn sqm)	96	942	97	948	-1%	-1%	-15%	-24%
GFA under construction (mn sqm)	8,780	8,780	8,789	8,789	0%	0%	-7%	-7%
GFA completion (mn sqm)	40	407	40	409	-1%	-1%	24%	19%
Property investment (RMB bn)	1,169	9,601	1,275	10,356	-8%	-7%	-19%	-16%
Domestic loans of developers (RMB bn)	137	1,361	138	1,366	-1%	0%	3%	-11%

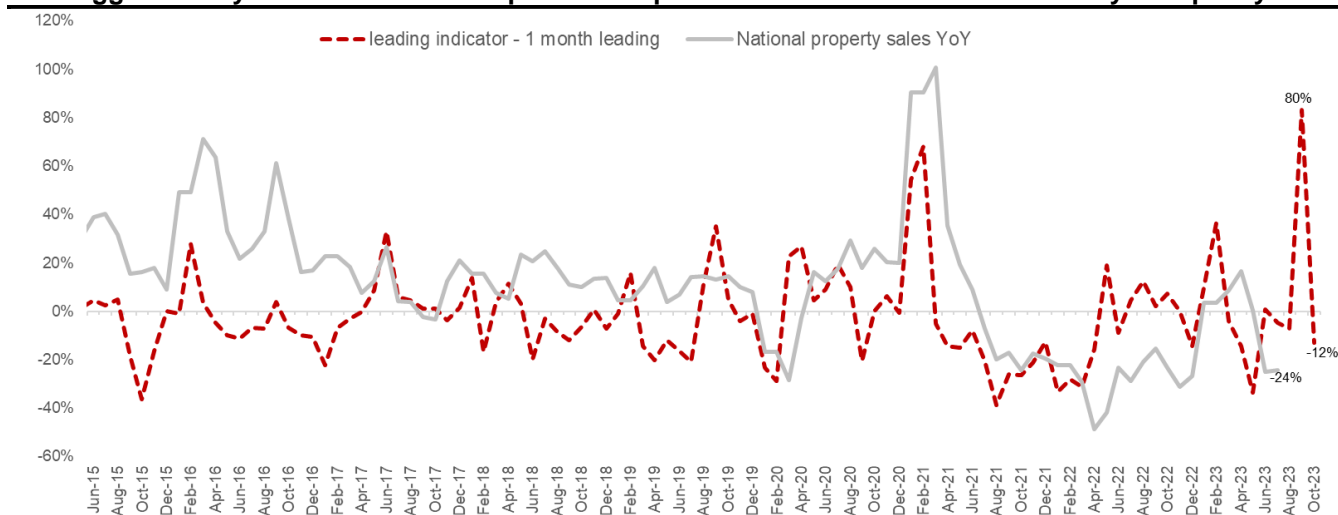
Source: NBS, CMBIGM

Figure 3: New home MTD sales in Oct was at -2%/-4% MoM/YoY, YTD at -7% YoY

Source: Wind, CMBIGM

Figure 4: Secondary home MTD sales in Oct at -8%/+40% MoM/YoY, YTD at +28% YoY

Source: Wind, CMBIGM

Figure 5: Leading indicator shows the property-related search interests surged to 80% YoY in Sep, it may not suggest a rally in Oct sales but did prove that quite a lot of demand was released by new policy

Source: Wind, CMBIGM

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