

# Property

## Encouraging signs on both policy implementation and property sales, Reiterate buy

China's destocking scheme showed encouraging progress, with Guangzhou announcing to purchase developers' unsold inventory at cost prices, which could serve as an example for other cities. We think the scheme currently may only benefit SOEs/semi-SOEs as LGFVs may need to divest their financing function at first. A number of regions actively implemented mortgage rate related policies after 17 May, and we think there is still room for further adjustment in Beijing, Shanghai and Shenzhen. Noticeable recovery on property sales was shown with the daily transaction volume post-517 policy for new/second hand home increasing by 23%/21% compared to pre-517 policy. (Figure 2). Based on the assessment of the impact of policies on buying sentiment, potential relaxation in tier 1 cities, the sales boost from destocking, and the diminishing impact of NBS's statistical criteria adjustment, we revised down [property sales forecast](#) in 2024E to a YoY change of -20%/+1% to RMB 8.2/7.1tn for primary/secondary markets. Our adjustment is mainly to fine-tune the overly optimistic attitude at the beginning of the year, without changing our positive LT outlook for the sector. We believe that the stock price for the sector will continue the recovery trend on a medium to long-term basis, and the ST pullbacks may provide opportunities to enter the market. We reiterate our advice for investors to buy the dip. For stocks, we prefer PM companies like CR MixC, Poly Services, Binjiang Services and Onowo, property agents BEKE, and PJM company Greentown Mgmt. For developers, we recommend CR Land with LT value.

■ **What is new?** 1) As we anticipated, the "destocking" scheme showed progress with the government of Zengcheng District in Guangzhou announced to purchase unsold inventory from independent developers at cost prices to convert into affordable housing. Such companies as Jinmao and Vanke already registered to participate. **Our read:** a) this initiative is highly proactive because it may provide a reference for other local governments in terms of acquisition models and pricing, thereby accelerating the overall progress of destocking. b) The scheme may currently only benefit independent developers with state-owned capital background. Previously, the market believed that LGFVs would be the beneficiaries. However, for these companies to gain substantial benefits on a large scale, they may still need to further divest from their functions as government financing vehicles to meet the local fiscal requirements of "separation of income and expenditures". 2) A number of regions implemented new policies announced by PBOC on 17 May. According to Beike's data in May, mortgage rates for major 100 cities have fallen to 3.45%/3.9% for first/second home, down by 12/26 bps respectively from the previous month. More than 80 cities out of 100 have adopted the minimum down payment ratio of 15%/25% for first/second home. Only top-tier cities like Beijing, Shanghai and Shenzhen still apply higher requirements with 20-30% / 30-50% for first/second home which **we think** that there is potential to be adjusted down given the policy's adeptness at managing buying sentiment (Figure 4).

Figure 1: Property sales forecast in 2024E

(RMB tn)	Bull case	Base case	Bear case
<b>Primary market</b>	<b>8.72</b>	<b>8.20</b>	<b>7.93</b>
YoY	-15%	-20%	-23%
<b>Secondary market</b>	<b>7.45</b>	<b>7.14</b>	<b>6.90</b>
YoY	5%	1%	-3%
<b>Combined</b>	<b>16.17</b>	<b>15.35</b>	<b>14.83</b>
YoY	-7%	-12%	-15%

Source: NBS, Beike, CMBIGM estimates

**OUTPERFORM**  
(Maintain)

### China Property Sector

**Miao ZHANG**

(852) 3761 8910

zhangmiao@cmbi.com.hk

**Bella LI**

(852) 3757 6202

bellali@cmbi.com.hk

### Related Reports

1. [Ke Holdings \(BEKE US\) - Takeaways from 2024 Investor Day](#)
2. [Weekly highlight: Awaiting more positive signs on property sales](#)
3. [Weekly highlight: Chengdu & Hangzhou show initial improvement after removal of purchase restrictions](#)
4. [Will RMB 300bn re-lending facility be a turning point?](#)
5. [NBS 4M24: REI continued weakening as expected; BJ's relaxation showed noticeable effect](#)
6. [Weekly highlight: Holiday sales update and takeaway from channel check in Beijing](#)
7. [Weekly highlight: hope +ve policy tone and better trading sentiment to help fundamental recovery](#)
8. [Weekly highlight: +ve progress on policy implementation, no remarkable recovery on sales](#)
9. [Property - NBS 1Q24: weakness was well expected, expecting more financing-side policies](#)
10. [Weekly highlight: WoW sales recovery interrupted by public holiday; further observation is needed](#)
11. [Weekly highlight: Strong WoW recovery at Mar end, policy relaxation continued](#)
12. [New Hope Services \(3658 HK\) - 12% dividend yield with cash balance > mkt cap: Maintain BUY](#)

- **Property Sales:** We have observed a remarkable rise in the transaction volume of both primary and secondary markets in several cities following the 517 policy. According to the [High-frequency data](#) we are tracking, **as of 3 June**, the daily transaction volume of new home in 30 major cities post 517 policy went up 20%/23% compared to that of pre-517 policy/YTD, in which Suzhou, Hangzhou and Chengdu delivered 37-45% growth. Daily transaction volume of second-hand home in 17 major cities post-517 policy increased 21%/18% compared to that of pre-517 policy/YTD. Suzhou, Hangzhou and Nanjing saw 26-46% growth. Our transaction watch in tier-1 cities (weekly) witnessed a considerable recovery for second hand house in the 22 nd week of 2024 (27 May - 02 June) with [units of secondary homes sold](#) in SH, BJ, GZ and SZ in 22W surpassing their weekly avg. by 42%, 21%, 10% and 8%.
- **We revised down our 2024E property sales forecast to -20%/+1% for primary/secondary markets.** We have revised our sales forecasts for both primary and secondary markets, primarily as an adjustment to the overly optimistic stance at the beginning of the year. Having assessed the impact of proactive policies on boosting sales through recent data, and considering that 1) the top-level policy direction will keep accommodative and may further loosen (such as the reduction of down payment ratios in tier-1 cities and the further cancellation of purchase restrictions), 2) the continued implementation of inventory reduction measures to stimulate sales, and 3) the gradual dissipation of the impact from NBS's base adjustments, we estimate the full-year primary/secondary sales value to change by -20%/+1% YoY in 2024E. This implies sales volume changes of -15%/+12% YoY, and sales price changes of -6%/-10% YoY, respectively. In our bull case and bear case scenarios, we estimate the primary/secondary sales value to change by -15%/+5% and -23%/-3% YoY, respectively ([Figure 1](#)).

**Figure 2: Property sales forecast details**

Property sales value (RMB tn)	2022	2023	2024E	2025E	2026E
<b>Primary market</b>	<b>10.96</b>	<b>10.30</b>	<b>8.20</b>	<b>8.44</b>	<b>8.42</b>
YoY	-33%	-6%	-20%	3%	0%
<b>Secondary market</b>	<b>5.50</b>	<b>7.10</b>	<b>7.14</b>	<b>7.64</b>	<b>7.94</b>
YoY	-21%	29%	1%	7%	4%
<b>Combined</b>	<b>16.46</b>	<b>17.40</b>	<b>15.35</b>	<b>16.07</b>	<b>16.36</b>
YoY	-29%	6%	-12%	5%	2%
Property sales volume ('00 mn sqm)	2022	2023	2024E	2025E	2026E
<b>Primary market</b>	<b>10.33</b>	<b>9.48</b>	<b>8.01</b>	<b>8.41</b>	<b>8.48</b>
YoY	-34%	-8%	-15%	5%	1%
<b>Secondary market</b>	<b>3.84</b>	<b>5.59</b>	<b>6.25</b>	<b>7.03</b>	<b>7.54</b>
YoY	-21%	46%	12%	13%	7%
<b>Combined</b>	<b>14.17</b>	<b>15.07</b>	<b>14.26</b>	<b>15.44</b>	<b>16.02</b>
YoY	-29%	6%	-5%	8%	4%
Property price (RMB/sqm)	2022	2023	2024E	2025E	2026E
<b>Primary market</b>	<b>10,610</b>	<b>10,864</b>	<b>10,238</b>	<b>10,033</b>	<b>9,933</b>
YoY	2%	2%	-6%	-2%	-1%
<b>Secondary market</b>	<b>14,328</b>	<b>12,698</b>	<b>11,428</b>	<b>10,857</b>	<b>10,531</b>
YoY	n.a.	-11%	-10%	-5%	-3%
<b>Combined</b>	<b>11,617</b>	<b>11,545</b>	<b>10,760</b>	<b>10,408</b>	<b>10,215</b>
YoY	n.a.	-1%	-7%	-3%	-2%

Source: NBS, Beike, CMBIGM estimates

**Figure 3: 2024E property sales forecast revision**

2024E forecast revision (RMB tn)	Old	New
<b>Primary market</b>	<b>9.27</b>	<b>8.20</b>
YoY	-10%	-20%
<b>Secondary market</b>	<b>7.81</b>	<b>7.14</b>
YoY	10%	1%
<b>Combined</b>	<b>17.08</b>	<b>15.35</b>
YoY	-2%	-12%

Source: Beike, local MOHURD, CMBIGM estimates

**Figure 4: Mortgage rate and down payment ratio in May 2024**

Province/City		1st home Mortgage rate	2nd home Mortgage rate	1st home Down payment ratio	2nd home Down payment ratio
Beijing	Core area*	4.05	4.55		50%
	Non-core area	3.95	4.50	30%	40%
Shanghai	Core area		3.90		35%
	Non-core area**	3.50	3.70	20%	30%
Shenzhen		3.50	3.90	20%	30%
Guangzhou		3.40	3.80	15%	25%
Yunnan		3.60	3.95	15%	25%
Chongqing		3.55	3.90	15%	25%
Guizhou		3.55	4.15	15%	25%
Shaanxi		3.55	3.90	15%	25%
Sichuan		3.55	4.05	15%	25%
Jiangxi		3.50	4.05	15%	25%
Anhui		3.45	3.45	15%	25%
Shandong		3.45	3.95	15%	25%
Jilin		3.40	4.10	15%	25%
Tianjin		3.35	3.70	15%	25%
Hebei		3.35	4.10	15%	25%
Henan		3.35	3.45	15%	25%
Shanxi		3.35	3.75	15%	25%
Fujian		3.30	3.75	15%	25%
Guangxi		3.25	4.15	15%	25%
Hubei		3.25	3.35	15%	25%
Jiangsu		3.25	3.75	15%	25%
Zhejiang		3.15	3.25	15%	25%
Guangdong		3.15	3.15	15%	25%
Hunan		3.00	3.95	15%	25%

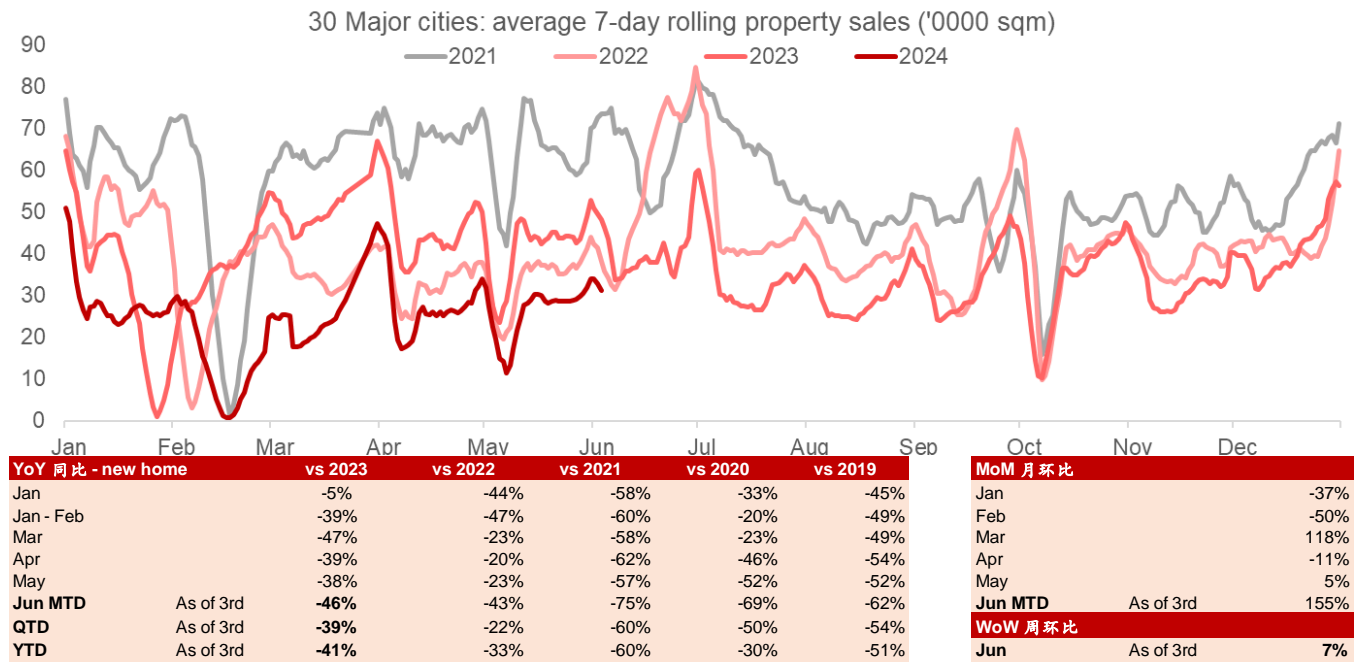
Source: Beike, local MOHURD, CMBIGM

Note: 1) Lowest rate/ratio with regard to provincial capital city was reported. 2) \* Core areas include Dongcheng District, Xicheng District, Haidian District, Chaoyang District, Fengtai District, and Shijingshan District. 3) \*\* Non-core areas include FTZ Lingang New Area, Jiading District, Qingpu District, Songjiang District, Fengxian District, Baoshan District, and Jinshan District

**Figure 5: Daily transaction volume ('0000 sqm)**

Primary sales	Pre-517 policy	Post-517 policy	Growth	YTD	Post-517 policy vs. YTD
<b>30 major cities</b>	<b>23.72</b>	<b>29.23</b>	<b>23%</b>	<b>24.36</b>	<b>20%</b>
Suzhou	1.30	2.00	55%	1.38	45%
Hangzhou	1.72	2.60	52%	1.82	43%
Chengdu	5.35	7.71	44%	5.62	37%
Guangzhou	1.99	2.53	27%	2.05	23%
Shanghai	3.48	3.93	13%	3.53	11%
Shenzhen	0.79	0.82	3%	0.79	3%
Beijing	2.54	2.16	-15%	2.49	-13%
Secondary sales	Pre-517 policy	Post-517 policy	Growth	YTD	Post-517 policy vs. YTD
<b>17 major cities</b>	<b>23.49</b>	<b>28.50</b>	<b>21%</b>	<b>24.08</b>	<b>18%</b>
Suzhou	2.02	3.16	56%	2.16	46%
Hangzhou	1.16	1.76	51%	1.23	43%
Nanjing	2.06	2.69	31%	2.13	26%
Foshan	2.01	2.52	26%	2.07	22%
Beijing	3.68	4.55	24%	3.78	20%
Shenzhen	1.25	1.53	23%	1.28	19%
Chengdu	6.04	6.55	8%	6.10	7%
Qingdao	1.75	1.89	8%	1.77	7%

Source: Wind, CMBIGM

**Figure 6: YTD new home sales declined 41% YoY**

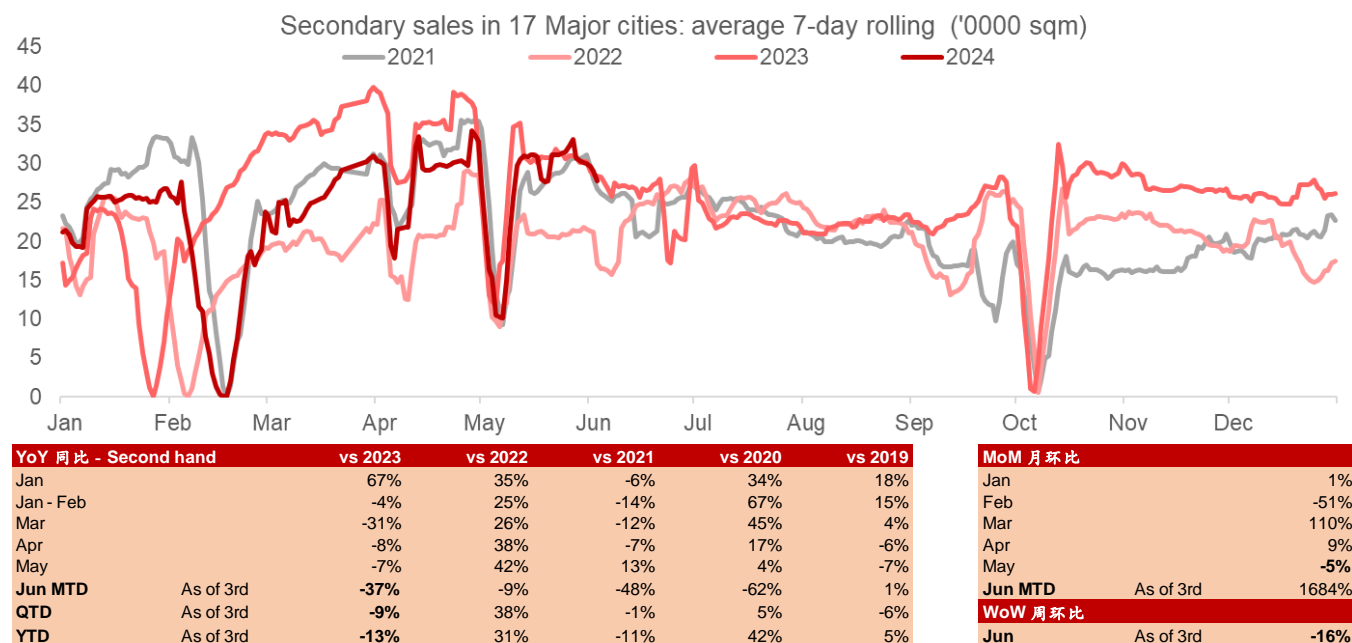
Source: Wind, CMBIGM

**Figure 7: New home sales by city tier**

YoY 同比 - Tier 1&2		vs 2023	vs 2022	vs 2021	vs 2020	vs 2019	MoM 月环比		
Jan - Feb		-37%	-49%	-56%	-12%	-42%	Feb		-52%
Mar		-45%	-22%	-57%	-10%	-43%	Mar		121%
Apr		-38%	-15%	-60%	-39%	-50%	Apr		-11%
May		-40%	-21%	-54%	-47%	-45%	May		4%
Jun MTD	As of 3rd	-49%	-41%	-76%	-69%	-49%	Jun MTD	As of 3rd	173%
QTD	As of 3rd	-39%	-19%	-58%	-45%	-48%	WoW 周环比		
YTD	As of 3rd	-40%	-32%	-58%	-21%	-45%	Jun	As of 3rd	10%

YoY 同比 - Tier 3		vs 2023	vs 2022	vs 2021	vs 2020	vs 2019	MoM 月环比	
Jan - Feb		-43%	-42%	-70%	-39%	-65%	Feb	-43%
Mar		-53%	-28%	-62%	-49%	-63%	Mar	110%
Apr		-42%	-34%	-67%	-62%	-67%	Apr	-15%
May		-29%	-29%	-66%	-66%	-67%	May	11%
Jun MTD	As of 3rd	-36%	-47%	-72%	-67%	-80%	Jun MTD	As of 3rd
QTD	As of 3rd	-36%	-32%	-67%	-64%	-67%	Jun MTD	109%
YTD	As of 3rd	-43%	-35%	-67%	-51%	-65%	WoW 周环比	
							Jun	As of 3rd
								-5%

Source: Wind, CMBIGM

**Figure 8: YTD secondary sales declined 13% YoY**

Source: Wind, CMBIGM

**Figure 9: Units of new homes sold in tier-1 cities (22W2024)**

New home transaction						5.27-6.02		vs. weekly avg.		WoW	
Weekly	18W (Holiday)	19W	20W	21W	22W	excl. holiday weeks		21W		22W	
Shenzhen	24	450	550	483	463	-1%		-12%		-4%	
Guangzhou	136	1,470	1,149	904	1,428	45%		-21%		58%	
Beijing	845	840	705	790	838	-13%		12%		6%	
Shanghai	744	660	992	1,004	1,317	37%		1%		31%	
Monthly	Jan	Feb	Mar	Apr	May	vs. monthly avg.		MoM		Apr	
Shenzhen	1,788	844	2,245	2,355	2,009	11%		5%		-15%	
Guangzhou	3,412	2,138	4,830	4,834	5,159	36%		0%		7%	
Beijing	7,056	1,560	3,557	3,469	2,988	-24%		-2%		-14%	
Shanghai	4,019	1,469	5,797	4,408	3,991	2%		-24%		-9%	

Source: Local MOHURD, CMBIGM

**Figure 10: Units of secondary homes sold in tier-1 cities (22W2024)****Secondary home transaction**

Weekly	18W (Holiday)	19W	20W	21W	5.27-6.02		vs. weekly avg. excl. holiday weeks	WoW	
					22W			21W	22W
Shenzhen	164	1,336	1,053	977	992	↑	8%	-7%	2%
Guangzhou	1,145	2,202	1,930	2,108	2,320	↑	10%	9%	10%
Beijing	1,520	3,313	3,112	3,398	3,630	↑	21%	9%	7%
Shanghai	1,904	4,503	4,597	4,642	5,909	↑	42%	1%	27%

Monthly	Jan	Feb	Mar	Apr	May		vs. monthly avg.	MoM	
								Apr	May
Shenzhen	3,463	1,785	3,840	4,171	3,963	↓	20%	9%	-5%
Guangzhou	8,451	4,865	9,373	9,128	7,873	↓	-1%	-3%	14%
Beijing	12,444	6,332	14,280	13,354	13,383	↑	15%	-6%	0%
Shanghai	14,303	6,596	17,834	18,077	18,692	↑	32%	1%	3%

Source: Local MOHURD, CMBIGM



# Disclosures & Disclaimers

## Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report. Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

## CMBIGM Ratings

**BUY** : Stock with potential return of over 15% over next 12 months  
**HOLD** : Stock with potential return of +15% to -10% over next 12 months  
**SELL** : Stock with potential loss of over 10% over next 12 months  
**NOT RATED** : Stock is not rated by CMBIGM

**OUTPERFORM** : Industry expected to outperform the relevant broad market benchmark over next 12 months  
**MARKET-PERFORM** : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months  
**UNDERPERFORM** : Industry expected to underperform the relevant broad market benchmark over next 12 months

## CMB International Global Markets Limited

**Address:** 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

**CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)**

## Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.