

# China Property Sector

## Property+ Weekly: Sales momentum accelerated on lower tier cities

We saw another week of strong property data where new home/secondary home sales went up 23%/12% WoW. This is in line with our sales leading index GAIN and our [upgrade report](#) that **sales is more sustainable than what market thinks**. The solid housing recovery has also accelerated housing construction activities that its construction resumption rate recovered to 84.1%, higher than 2022 already, and only slightly lagging behind the infrastructure (87.3%) and government projects (88.2%). Looking forward, with still supportive policy (no surprise from two session), we expect a sustainable sales would further pull up the demand side of constructions, so new start names like cement may see opportunities due to market's low expectation. For developers, we continue to like CR Land/Yuexiu/Longfor/Binjiang/Huafa.

- **Another strong week for property sales.** As of 2 Mar, secondary home sales went up 12% WoW and lifted YTD sales to 44% YoY. This has the pull-up impact on new home sales that saw 23% WoW and YTD sales decline narrowed to -13% YoY. In particular, new home sales in Tier 3 cities (+1% YoY YTD) picked up faster than Tier 1-2 cities (-16% YoY) due to much lower base. Going forward, we expect sales momentum to continue as 1) our sales leading indicator and channel check suggests good momentum boosted by historically low mortgage rate and stabilized property price. 2) Policy would remain supportive, evidenced by city-level relaxations in Nanjing/Zhuhai and the mentioning of RRR cut by PBoC's Governor Yi Gang.
- **Construction activities further accelerated.** According to 100NJZ, the overall construction resumption rate climbed to 86.1% as of 1 Mar, higher than 80% in 2022. The improvement is supported by all round demand pick up from government (88%), infrastructure (87%) and housing (84%). We think housing activities will further speed up after the recovery of sales and more funds to support housing completion. By region, Yangtze River Delta performed the best (93%) especially Shanghai. Laggards like Henan/Shanxi were pushed up to 50% from 30% mostly incited by capital inflow of home completion funds.
- **Cement price was driven up by accelerated demand.** National cement price is getting into upward trend and climbed 3% to RMB457/mt from the trough on 10 Feb. The storage ratio dropped to 63.8% as of 24 Feb. East and South China saw larger price increase due to expanded off-peak production halt and the demand recovery was accelerated. Price was weak in northern region due to slower construction resumption given weather conditions.
- **Steel rebar price was relatively steady** at RMB4,312/mt as of 28 Feb (-0.7% WoW). It is likely to be stable at this range in ST as on the supply side, coal prices surged after the mine accident in Inner Mongolia. The accident may lead to more inspections on other mines and slightly affect coal production in ST. This puts more pressure on profits of steel companies and limits the supply expansion. However, the accelerating demand recovery will gradually offset the upward pressure on prices.
- **Other Materials:** price for both aluminum and float glass were supported by demand recovery but limited by inventory accumulation. Aluminum Ingot price was also influenced by the Fed interest outlook and went down 1.5%/3.5% WoW/MoM to RMB 18,324/mt as of 28 Feb. Float glass price saw -0.4%/+4% WoW/MoM on 24 Feb to RMB 1,673/mt. We believe the strong sales recovery and better cash collection for developers as well as support from home completion funds will further drive up the completion demand and the price of related materials.

**OUTPERFORM**  
(Maintain)

### China Property Sector

#### Jeffrey Zeng

(852) 3916 3727

jeffreyzeng@cmbi.com.hk

#### Miao Zhang

(852) 3761 8910

zhangmiao@cmbi.com.hk

#### Bella Li

(852) 3757 6202

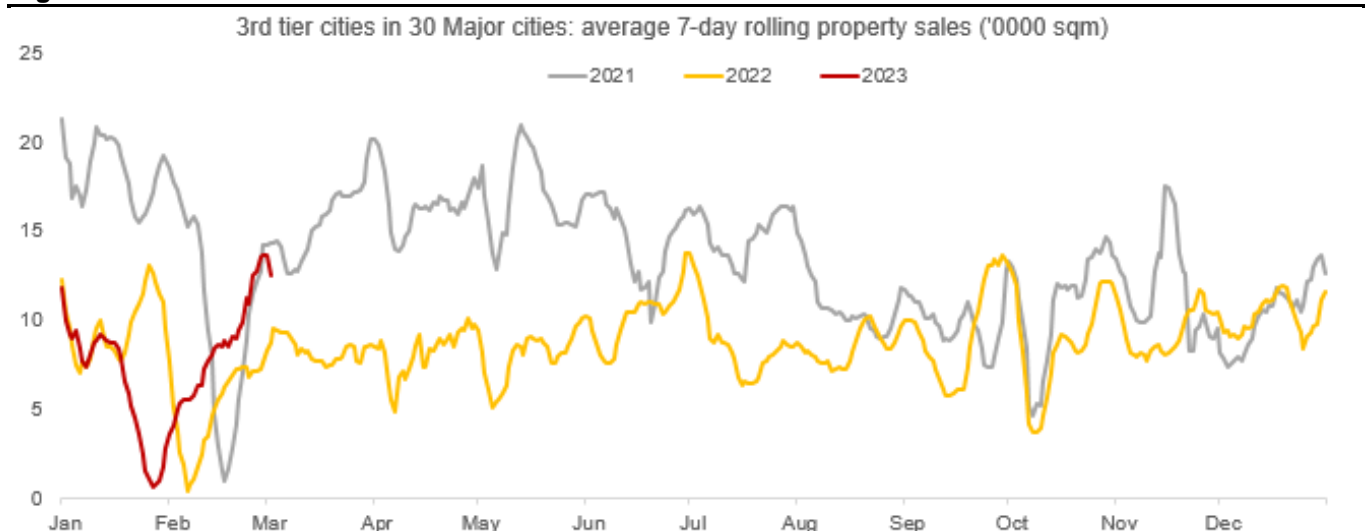
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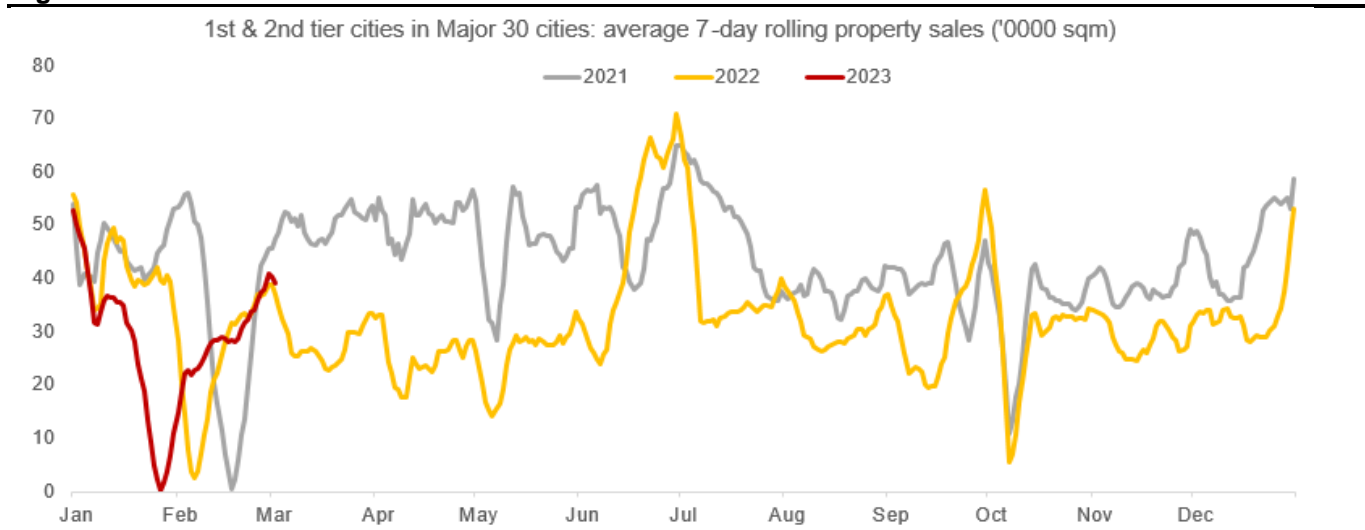
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**Figure 1: YTD new home sales declined 14% YoY vs. -22%/-25% in Dec/Nov 2022**

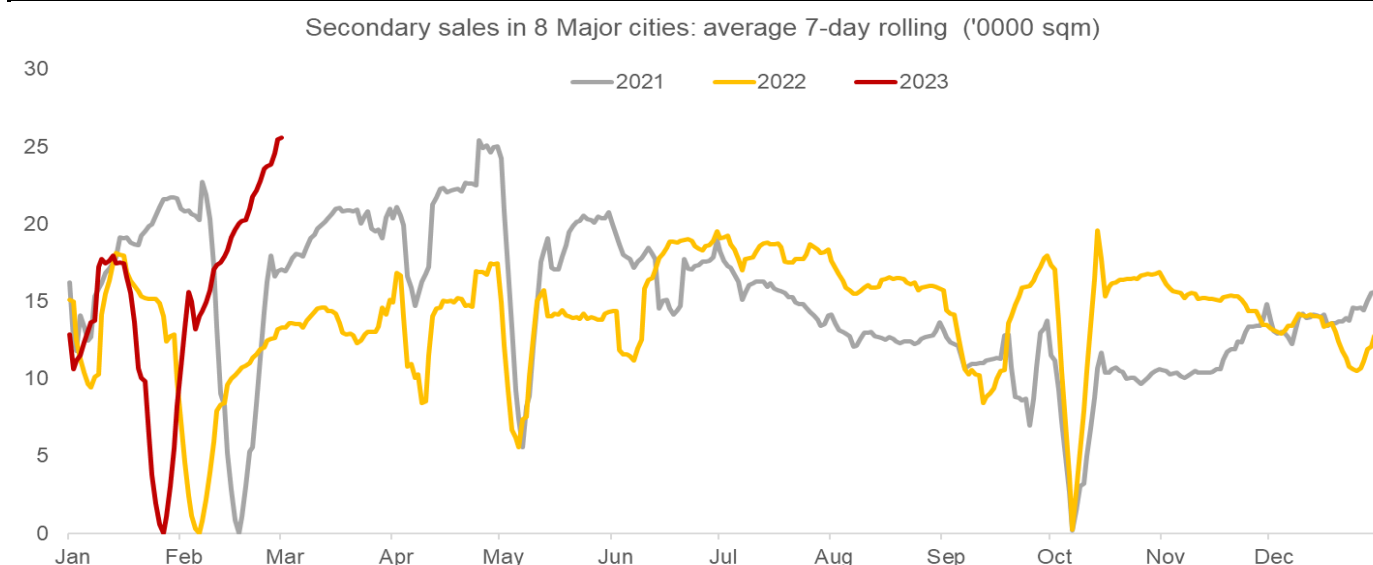

Source: Wind, CMBIGM

**Figure 2: YTD new home sales in Tier 3 cities saw +1% YoY**


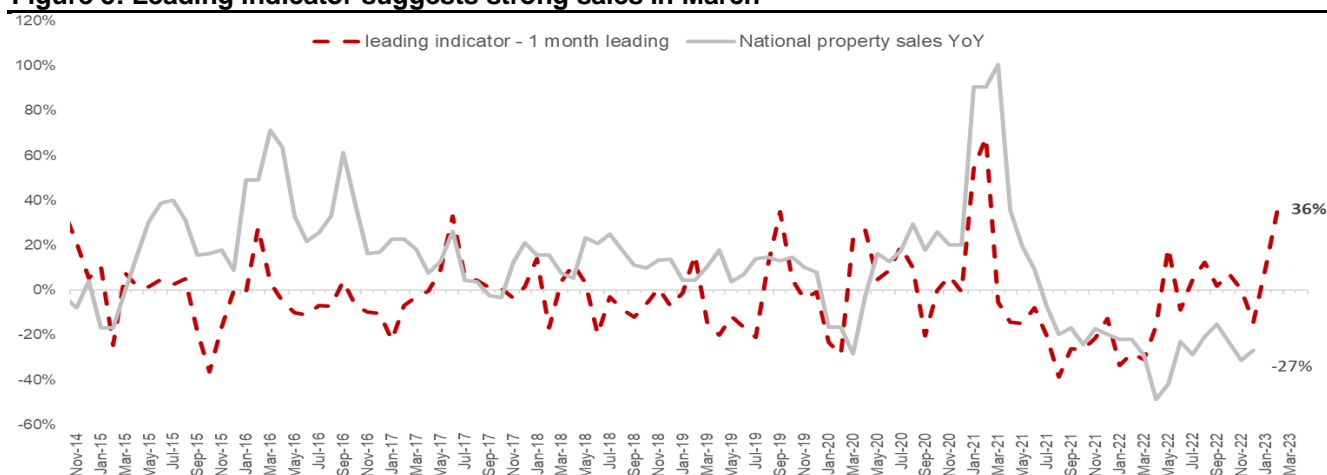
Source: Wind, CMBIGM

**Figure 3: YTD new home sales in Tier 1&2 cities saw -16% YoY**


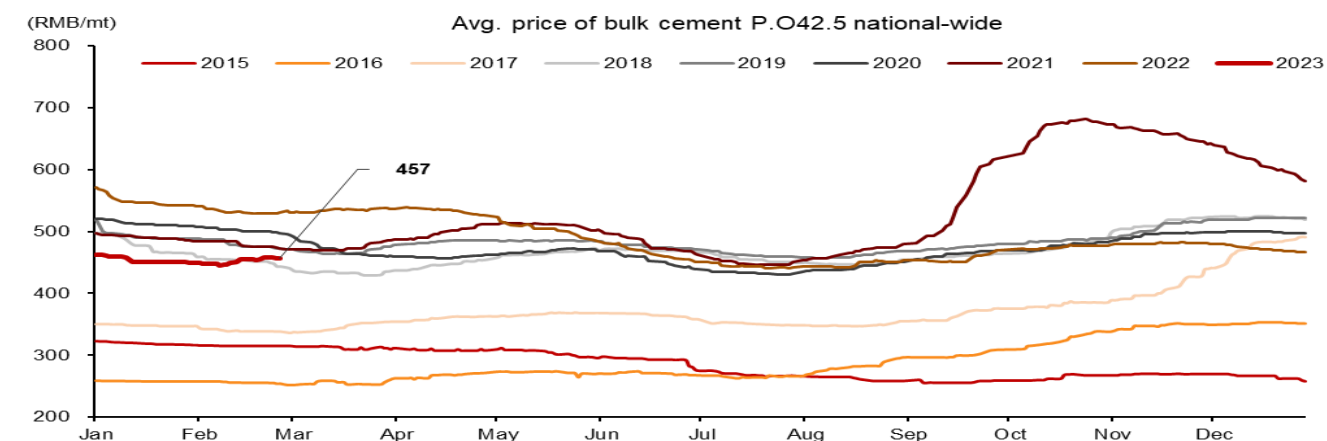
Source: Wind, CMBIGM

**Figure 4: YTD secondary sales increased 43% YoY vs. -12%/+25% in Dec/Nov 2022**

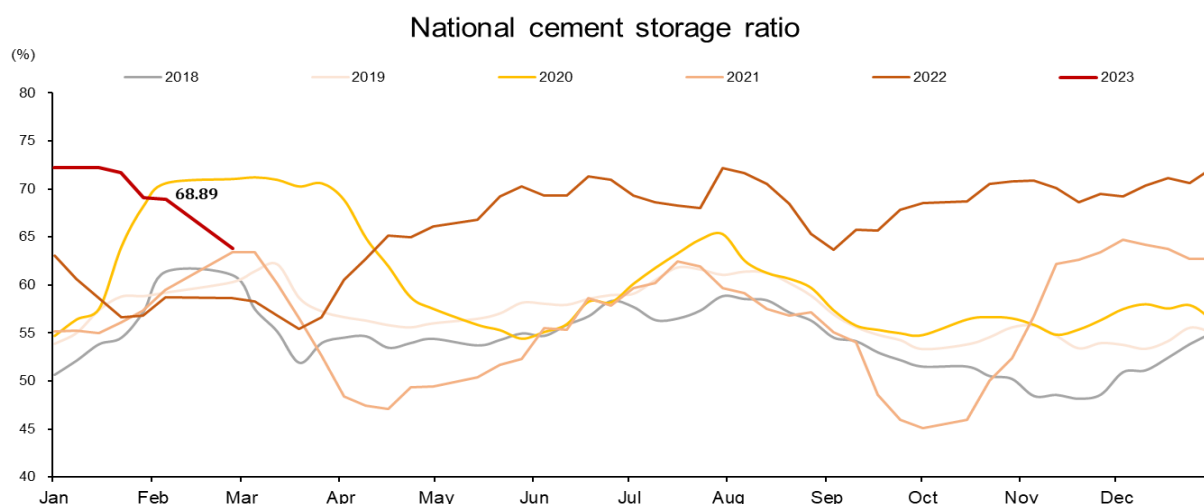
Source: Wind, CMBIGM

**Figure 5: Leading indicator suggests strong sales in March**

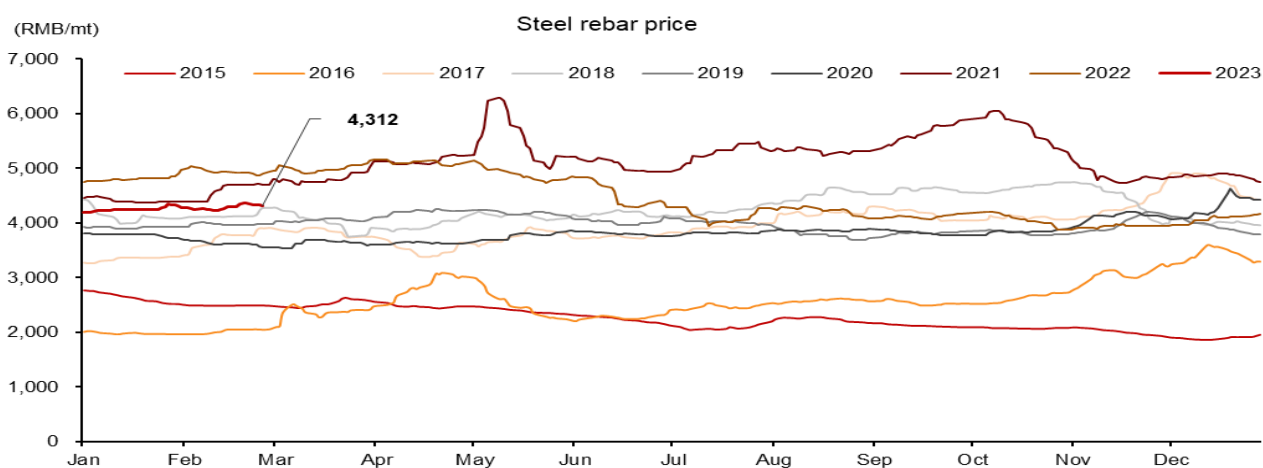
Source: NBS, CMBIGM

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

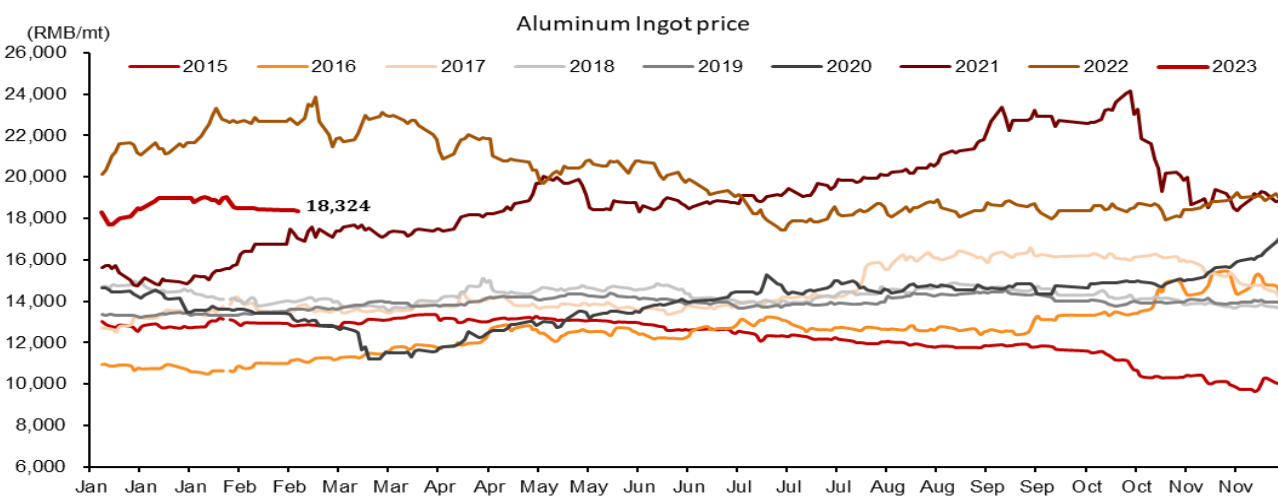
Source: My Steel, CMBIGM

**Figure 7: National cement storage ratio**

Source: Wind, CMBIGM

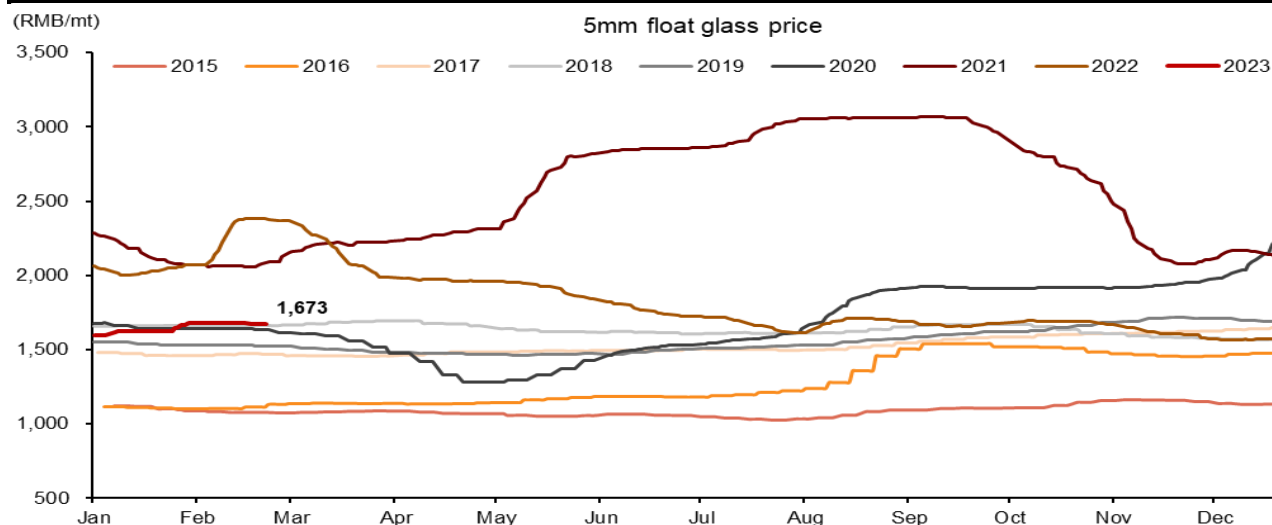
**Figure 8: Steel rebar price**

Source: My Steel, CMBIGM

**Figure 9: Aluminum ingot price**

Source: My Steel, CMBIGM

Figure 10: 5mm plain float glass price



Source: BBG, CMBIGM

Figure 11: Comp sheet of developers

Company	Ticker	Last price (LC)	Mkt Cap (LC mn)	TP (LC)	P/E				PB 22E	Dividend Yield	
					20A	21A	22E	23E		21A	22E
Vanke - H	2202 HK	13.22	210,348	33.92	3.2	5.6	6.0	5.8	0.5	9%	6%
COLI	688 HK	20.05	219,445	27.90	5.1	5.0	5.8	5.5	0.5	7%	5%
Country Garden	2007 HK	2.58	71,306	13.36	1.5	1.7	3.8	4.0	0.3	15%	4%
CR Land	1109 HK	36.30	258,853	45.10	9.5	8.1	8.1	7.5	0.9	5%	4%
Longfor	960 HK	24.75	156,957	52.59	6.9	5.4	5.6	5.4	0.9	8%	6%
Shimao	813 HK	4.42	16,786	NA	1.1	1.1	1.3	1.3	0.1	26%	29%
Agile	3383 HK	2.23	10,481	NA	0.8	2.8	2.0	2.1	0.1	27%	0%
KWVG	1813 HK	1.73	5,914	NA	0.8	1.1	2.5	1.9	0.1	26%	0%
Times China	1233 HK	1.18	2,480	NA	0.4	0.6	2.2	0.9	0.1	8%	0%
China SCE	1966 HK	0.93	3,927	NA	1.0	1.0	1.3	1.4	0.1	21%	0%
CIFI	884 HK	0.88	9,164	NA	0.8	0.9	1.4	1.4	0.2	21%	7%
Seazen	1030 HK	2.65	18,724	NA	1.7	1.5	3.2	2.9	0.3	0%	0%
Midea	3990 HK	10.30	13,961	NA	2.6	2.7	4.1	4.0	0.5	19%	10%
Vanke - A	000002 CH	16.73	184,833	NA	4.6	8.6	8.3	8.0	0.8	6%	5%
Poly Development	600048 CH	14.92	178,599	NA	6.2	6.5	7.5	7.0	0.9	4%	4%
Binjiang Real Estate	002244 CH	10.33	32,141	NA	13.8	10.6	8.5	7.3	1.4	2%	2%
<b>Average</b>					<b>3.8</b>	<b>4.0</b>	<b>4.5</b>	<b>4.1</b>	<b>0.5</b>	<b>12.7%</b>	<b>5.2%</b>

Source: BBG, CMBIGM

Figure 12: Comp sheet of property supply chain

Company	Ticker	Last price (LC)	Mkt Cap (LC mn)	1-day chg	YTD chg	P/E			PB	Dividend Yield	
						21A	22E	23E	22E	21A	22E
New Start											
CNBM	3323 HK	7.43	62,670	2.5%	15.9%	3.2	5.5	4.4	0.5	14%	7%
China Res Cement	1313 HK	4.48	31,284	2.1%	8.2%	4.0	12.8	9.5	0.6	16%	4%
Anhui Conch Cement	600585 CH	31.64	161,383	1.3%	15.6%	4.2	8.6	7.6	0.8	9%	4%
Maanshan Iron & Steel	600808 CH	3.12	21,716	1.0%	11.0%	3.7	15.8	9.6	0.7	14%	1%
Baoshan Iron & Steel	600019 CH	6.73	149,825	1.7%	20.4%	5.2	8.6	7.3	0.7	13%	6%
Completion											
Aluminum Corp of China	601600 CH	5.70	90,035	0.4%	27.5%	16.5	15.0	15.0	1.4	1%	0%
Xinyi Glass	868 HK	15.68	64,517	4.4%	7.8%	5.5	10.2	9.2	1.7	11%	0%
Zhuzhou Kibing	601636 CH	11.50	30,860	3.7%	1.0%	6.1	18.9	11.6	2.0	10%	0%
Keshun Waterproof	300737 CH	14.04	16,580	2.9%	11.6%	19.7	32.4	17.8	2.6	0%	0%
Kinlong Hardware	002791 CH	99.30	31,929	1.3%	-4.5%	29.7	80.7	38.5	5.7	0%	0%
Beijing New Building Materials	000786 CH	31.90	53,895	2.4%	23.3%	12.7	15.0	12.4	2.2	0%	0%
Oriental Yuhong	002271 CH	36.66	92,327	1.5%	9.2%	17.5	29.3	19.7	2.8	1%	1%
Robam appliances	002508 CH	31.43	29,828	0.1%	13.2%	16.2	16.1	14.1	3.0	2%	2%
3Trees	603737 CH	130.98	49,306	3.5%	15.1%	-97.9	90.3	44.0	17.5	0%	0%
Oppein Home	603833 CH	142.99	87,103	1.0%	17.7%	27.0	28.1	23.8	4.7	1%	1%
Average				2.0%	12.9%	4.9	25.8	16.3	3.1	6.2%	4.7%

Source: BBG, CMBIGM



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

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