

China Property Sector

Property+ Weekly: Can we expect post-CNY recovery?

Due to COVID and early CNY this year, we have not seen any meaningful sign of recovery in property and its supply chain. In terms of breakdown, property completion>sales>new start shown by 1) Completion-driven materials Aluminum and float glass saw WoW price up 2.9%/0.3%. This is partly helped by direct funding support for home completion. 2) Property sales declined by 12% YoY in MTD Jan. 3) New Start-driven materials Cement saw 3% WoW weakening. Looking beyond CNY, we expect a short-term rebound in property sales in February mainly due to pent-up demand and lower base. **Our leading indicator GAIN Index also forecasted a quick sales sentiment lift in February.** Whether the sentiment can last longer than that, the key lies on potential policy relaxation in Tier 1 cities after "Two Session".

- **Property sales declined 12% YoY in Jan:** MTD property sales in 30 major cities (updated to 18 Jan) was still sluggish at -12% YoY (vs. -21%/-25% in Dec/Nov 2022). Considering an earlier CNY holiday starting from 21 Jan, full month sales is expected to stay low, just like our 1M-leading indicator GAIN previously suggested (property-related searches/home purchase interest saw 14% YoY decline in Dec 2022 suggesting a weak Jan 2023). While Feb sales may have a slightly recovery as GAIN witnessed 8% YoY growth in MTD Jan and purchase sentiment might be lifted a bit as there is a fairly certain chance of policy relaxation in Tier 1 cities after Two-Sessions (starts from 5 Mar).
- **Cement (1/3 demand from ppty) price weakening WoW.** As of 19 Jan, we saw cement price (national avg. bulk cement P.O42.5) was still widening its decline and booked -3%/-5% WoW/MoM. It was mainly due to cement storage ratio stays high at 71% as of 13 Jan (vs. 62% on 14 Jan 2022) and the demand entered into pre-holiday shrinks as usual.
- **Steel rebar/Aluminum.** With 60%/31% of total demand coming from property sector, the steel rebar and aluminum price was up 0.4%/2.9% WoW to RMB 4,253/18,641 per ton as of 19 Jan, the price hike was mainly driven by US inflation decline that caused a general increase on metal prices and the supply remains weak during pre-holiday, and production was limited by seasonality power shortage in certain regions. For steel rebar, the production was also demotivated by high iron ore and coal prices.
- **Other Materials. Float glass** derived 70% of its demand from property sector, the price (5mm plain float glass national-wide) climbed 0.3%/4% WoW/MoM on 19 Jan thanks to more home completion funding support from government and banks, and demanders are actively replenishing stock before the holidays. Meanwhile, market is holding more expectations on property sales recovery due to possible relaxation in Tier 1 cities after Two-Sessions (even with poor reality currently), related stocks of other building materials like **waterproof materials, gypsum board, and plastic pipe** (80%, 30% and 20% of total demand from prop. market respectively) performed well recently with China Lesso, Oriental Yuhong and BJ New Building Material up 15%, 14% and 10% vs. HSI up 9% from the year beginning.

OUTPERFORM
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China Property Sector

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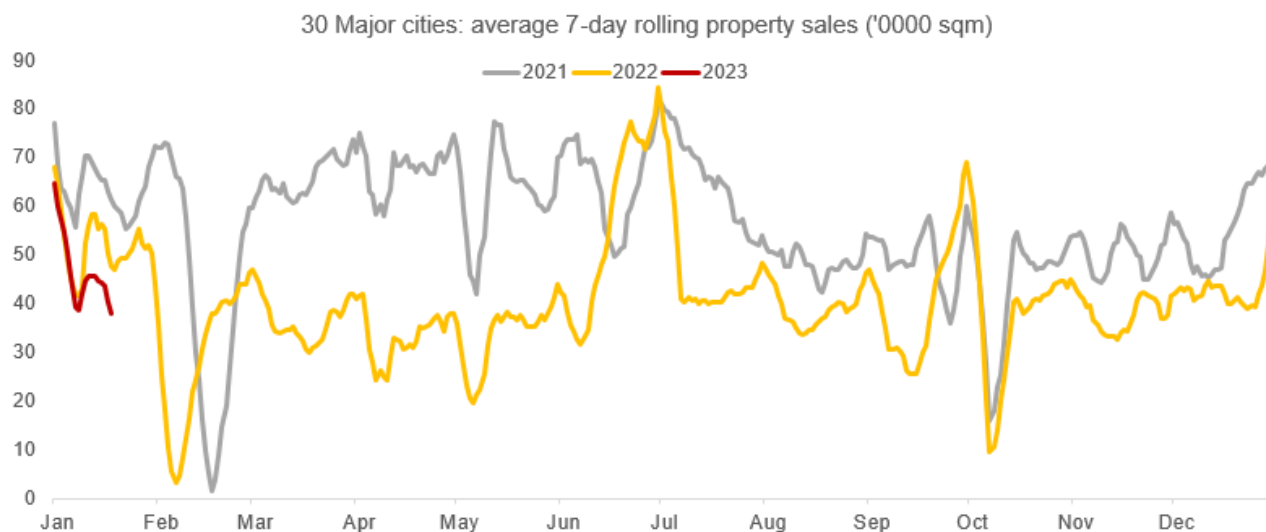
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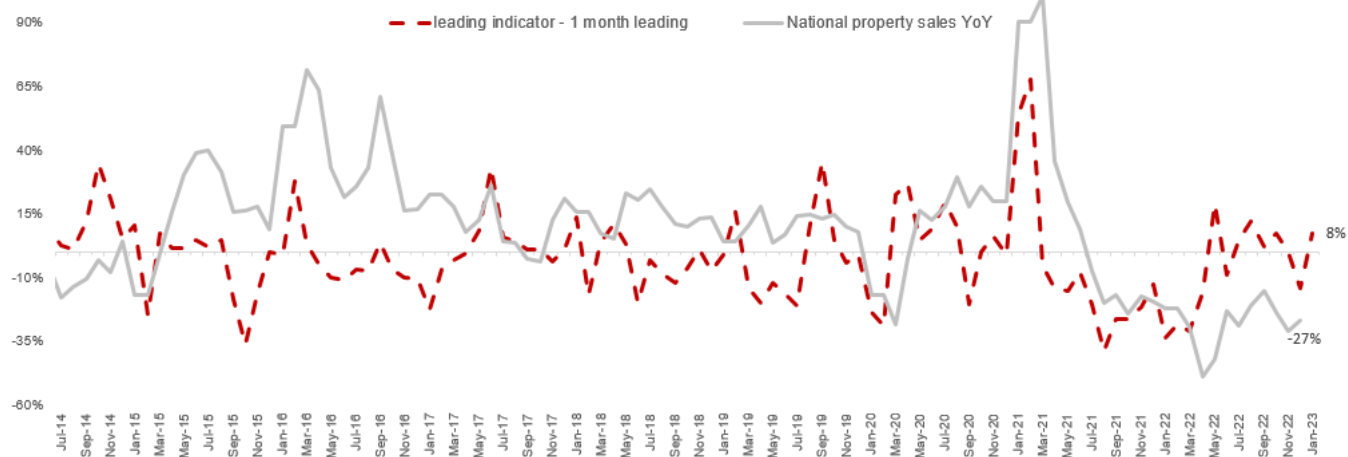
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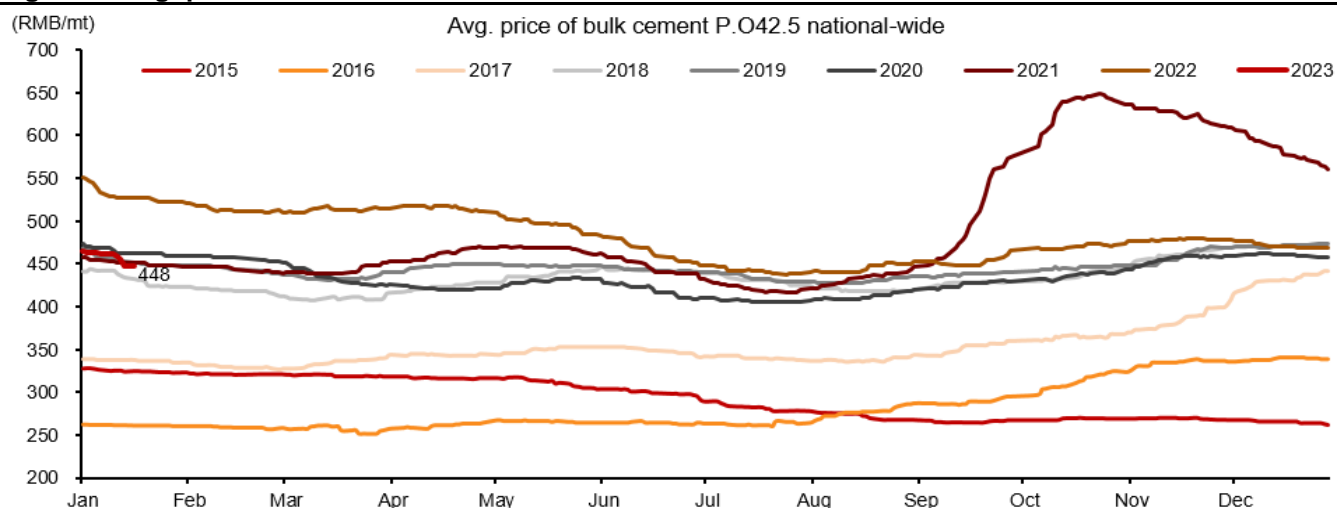
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Figure1: MTD Jan sales declined -12% YoY vs. -21%/-25% in Dec/Nov 2022

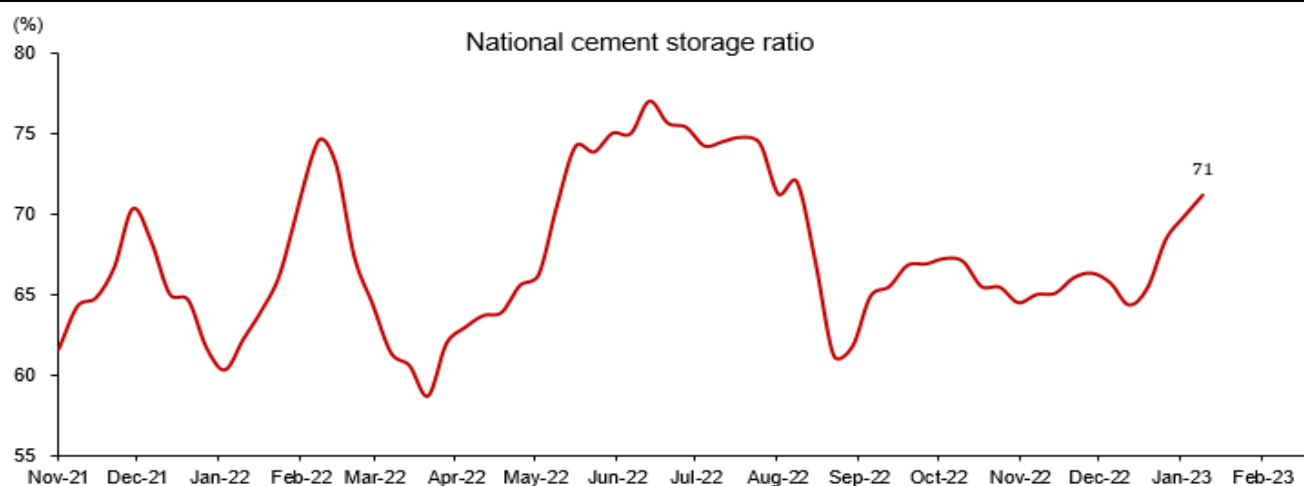
Source: Wind, CMBIGM

Figure 2: Leading indicator suggests better sales in Feb

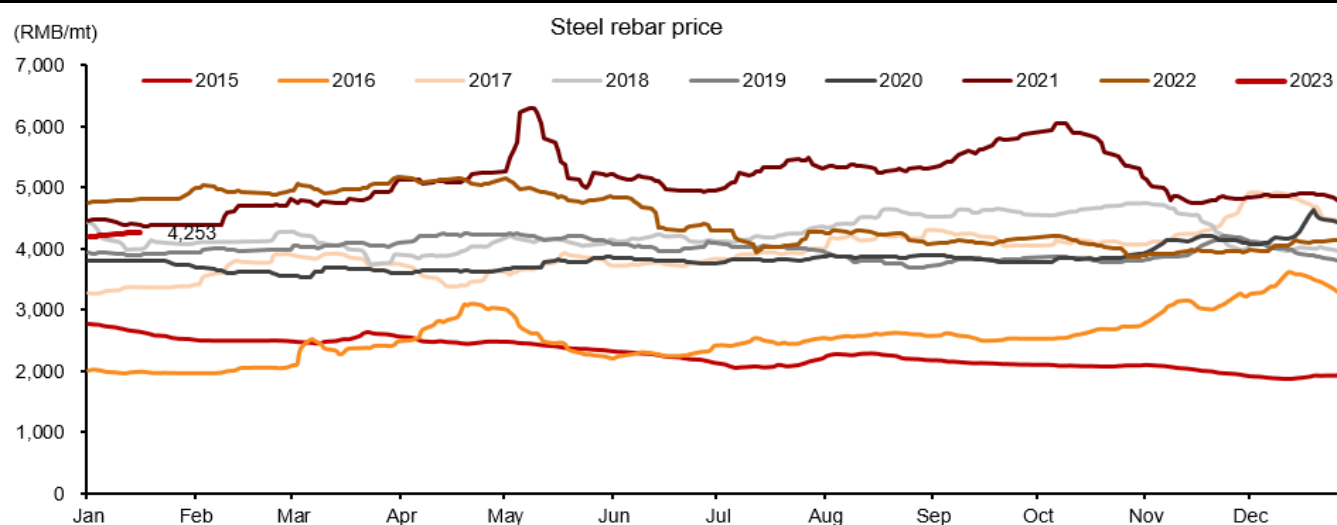
Source: NBS, CMBIGM

Figure 3: Avg. price of bulk cement P.O42.5 national-wide

Source: My Steel, CMBIGM,

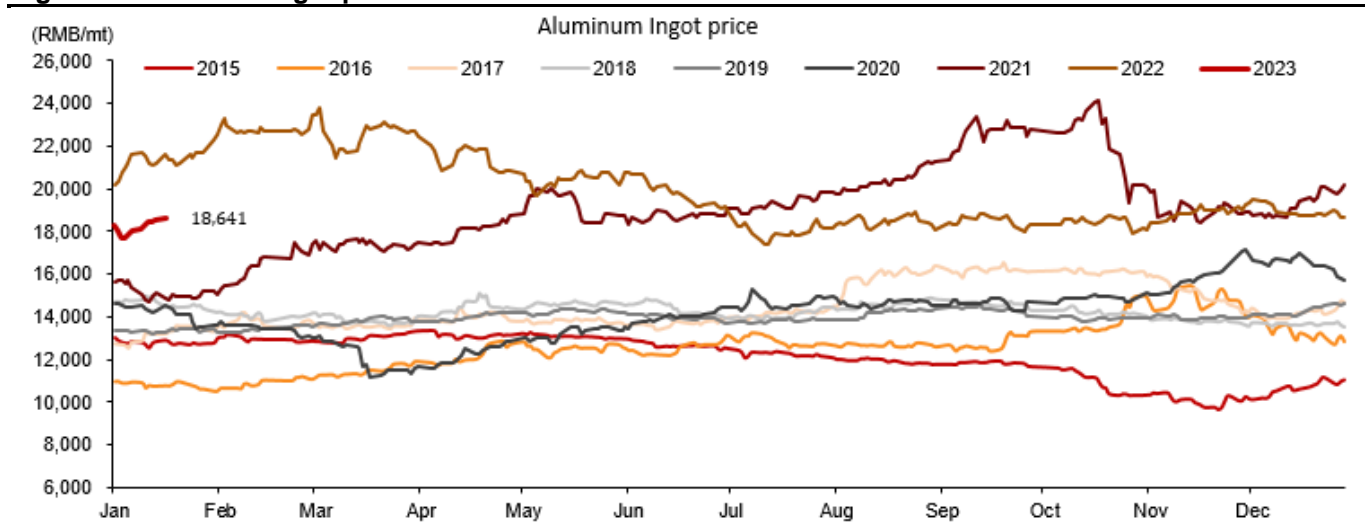
Figure 4: National cement storage ratio

Source: My Steel, CMBIGM,

Figure 5: Steel rebar price

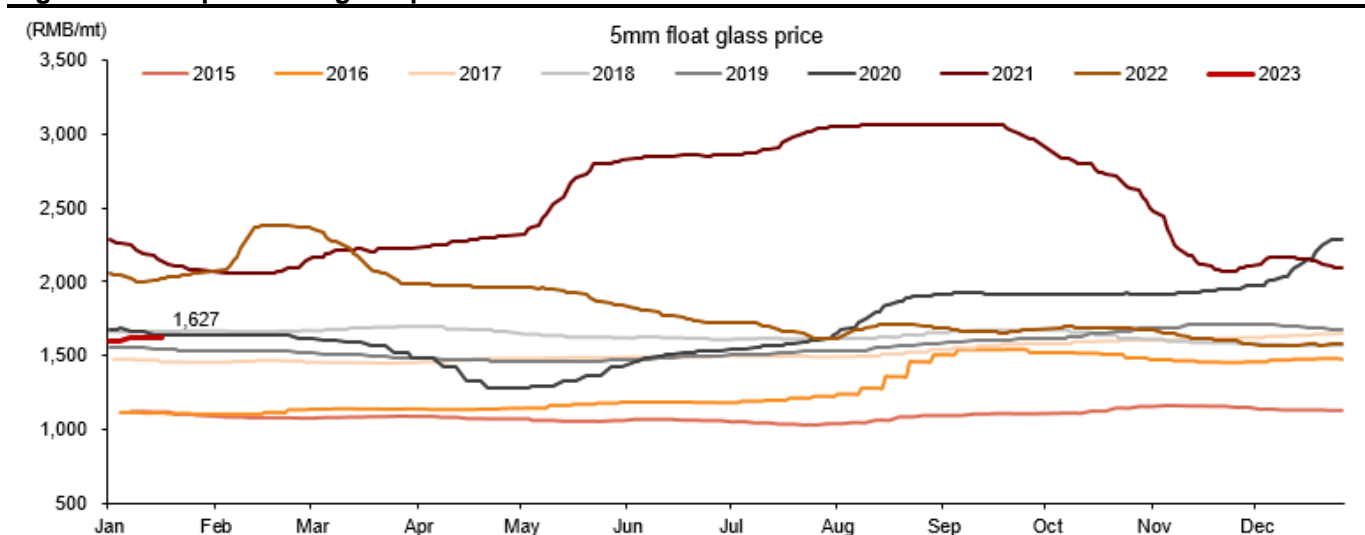
Source: My Steel, CMBIGM

Figure 6: Aluminum Ingot price



Source: My Steel, CMBIGM

Figure 7: 5mm plain float glass price



Source: My Steel, CMBIGM

Figure 8: Comp sheet of developers

Company	Ticker	Last price (LC)	Mkt Cap (LC mn)	TP (LC)	P/E				PB	Dividend Yield	
					20A	21A	22E	23E		21A	22E
Vanke - H	2202 HK	16.44	239,520	33.92	4.0	7.0	7.2	7.0	0.7	7%	5%
COLI	688 HK	21.65	236,957	30.49	5.5	5.4	6.2	5.9	0.6	7%	5%
Country Garden	2007 HK	2.78	76,833	13.36	1.7	1.9	4.0	4.1	0.3	13%	4%
CR Land	1109 HK	38.65	275,611	44.79	10.2	8.6	8.6	7.9	1.0	4%	4%
Longfor	960 HK	24.90	156,410	52.59	6.9	5.4	5.5	5.2	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	2.48	11,656	NA	0.9	3.1	2.1	2.3	0.1	24%	0%
KWG	1813 HK	1.95	6,666	NA	0.8	1.3	2.3	2.2	0.1	23%	0%
Times China	1233 HK	1.49	3,132	NA	0.5	0.7	1.7	1.2	0.1	6%	0%
China SCE	1966 HK	1.04	4,392	NA	1.2	1.2	1.5	1.6	0.2	19%	0%
CIFI	884 HK	1.17	12,183	NA	1.1	1.1	1.9	1.9	0.2	16%	5%
Seazen	1030 HK	3.08	21,762	NA	2.0	1.8	3.4	3.3	0.4	0%	0%
Midea	3990 HK	13.40	18,163	NA	3.4	3.5	5.3	5.3	0.6	14%	8%
Vanke - A	000002 CH	18.55	207,542	NA	5.1	9.6	9.2	8.8	0.9	5%	4%
Poly Development	600048 CH	15.70	187,936	NA	6.5	6.9	7.9	7.3	0.9	4%	4%
Binjiang Real Estate	002244 CH	10.37	32,266	NA	13.8	10.7	8.6	7.3	1.4	2%	2%
Average					4.0	4.3	4.8	4.5	0.5	11.2%	4.7%

Source: BBG, CMBIGM

Figure 9: Comp sheet of property supply chain

Company	Ticker	Last price (LC)	Mkt Cap (LC mn)	P/E				PB	Dividend Yield	
				20A	21A	22E	23E	22E	21A	22E
Xinyi Glass	868 HK	16.68	68,540	10.5	5.8	10.1	8.9	1.8	9%	5%
CNBM	3323 HK	7.04	59,381	3.4	3.0	5.2	4.2	0.5	12%	7%
China Res Cement	1313 HK	4.56	31,842	3.6	4.1	12.7	9.7	0.6	13%	4%
China Lesso	2128 HK	9.35	29,008	6.9	8.1	7.4	6.3	1.2	4%	4%
Anhui Conch Cement	600585 CH	29.06	149,733	4.4	4.6	8.8	7.8	0.8	8%	4%
Tangshan Jidong Cement	000401 CH	8.49	22,568	4.3	4.8	8.4	7.1	0.7	7%	4%
Baoshan Iron & Steel	600019 CH	6.08	135,391	10.7	5.7	8.6	7.3	0.7	5%	4%
Oriental Yuhong	002271 CH	38.29	96,432	25.4	22.0	34.6	23.2	3.4	0%	NA
Inner Mongolia Iron & Steel	600010 CH	1.94	88,435	215.6	30.8	-64.7	43.1	1.6	2%	1%
Aluminum Corp of China	601600 CH	5.03	80,189	179.6	17.6	15.2	15.6	1.4	13%	12%
Beijing New Building Materials	000786 CH	28.35	47,898	NA	13.6	15.1	12.5	2.2	0%	0%
Yunnan Aluminum	000807 CH	12.90	44,737	44.5	12.2	9.9	8.6	2.1	1%	2%
Shandong Nanshan Aluminium	600219 CH	3.51	41,097	20.6	12.1	10.8	10.1	0.9	17%	17%
Weixi New Building Materials	002372 CH	23.15	36,857	30.5	30.1	28.0	23.2	6.9	NA	NA
Kinlong Hardware	002791 CH	102.55	32,974	40.4	37.0	82.5	44.1	6.7	1%	0%
Zhuzhou Kibing	601636 CH	12.41	33,302	18.1	8.0	21.5	14.2	2.5	6%	5%
Maanshan Iron & Steel	600808 CH	2.85	20,105	11.0	4.1	40.7	9.9	0.7	12%	3%
Keshun Waterproof	300737 CH	13.22	15,611	16.1	22.4	32.3	19.0	2.8	NA	NA
Era Co Ltd	002641 CH	4.59	5,669	6.8	9.8	NA	NA	NA	2%	NA
Canlon Building Materials	300715 CH	14.42	5,550	15.8	72.1	37.6	22.5	2.0	4%	NA
Average				35.2	16.4	17.1	15.7	2.1	6.4%	4.8%

Source: BBG, CMBIGM

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