

China Property Sector

NBS Aug data in-line, expect better recovery in Sep-Oct but sustainability is uncertain

NBS reported an in-line property investment at -11% YoY in Aug (vs. -12% in Jul) and slight beat on property sales at +5%/-16% MoM/YoY (vs. -45%/-19% in Jul). **We expect sales growth to perform better in Sep-Oct** given 1) relaxation in 12 tier-2 cities (more to come) combined with new policy in tier-1 cities ([report](#)) would release certain demand to support sales in ST, 2) developers are speeding up project launch to benefit from sentiment tailwind and 3) our [Leading Indicator](#) suggests good sales performance in Oct. **While the sustainability of recovery is uncertain as 1)** our channel check in tier-1 cities shows both the project visitor flow/house transaction have signs of retreat during the 2nd week compared to the 1st week after new policy, **2)** continuous [fall on home price](#) arouses more watch-and-see sentiment of home buyers, **3)** concern on future income expectation still exists which suppresses a chunk of demands. Therefore, considering the general concern is now on policy results, we think the shr. px. of sector may see another wave of decline once the sales data shows the sign that recovery is not sustainable. For stocks, we continue to like property brokerage: BEKE, PM:CR MixC, COPH, Poly Services, Onewo, and Yuexiu Services, Developers: CR Land, Yuexiu Property, and Bingjiang Group.

- NBS property [data of 8M23](#) – sluggish REI driven by still weak new starts and slower growth in completion.
 - **Property investment decline narrowed to -11% YoY in Aug 23 from -12% in Jul** but dragged 8M23 decline to -8.8% YoY from -8.5% in 7M23. The lacklustre data was mainly driven by weak new starts at -24% YoY and the decelerated completion growth to 11% YoY from 33% in Jul given Jul is the assessment month for delivery securing funds. This would boost completion in another assessment month - Oct as well.
 - **Property sales volume/value performed better-than-expected and both grew +5% MoM, the YoY decline was at -12%/-16%**, slightly better than -16%/-19% YoY in Jul 23 given some home buyers' sentiment was slightly lifted at the initial stage when word spreads about relaxation. **For MTD data in Sep**, high frequency data showed that the [secondary home market](#) reflected quicker on a string of policy implementation, the MTD sales (as of 16th) recovered to 0%/+43% MoM/YoY (vs. +8%/-4% in Aug), YTD growth widened to +33% YoY from 32% in the last month. [MTD new home sales](#) booked -2%/-16% MoM/YoY (vs. -1%/-23% in Aug), and the YTD growth was at -5% YoY.
- **We expect sales to perform better in Sep-Oct** as 1) 12 tier-2 cities announced big moves on policy easing after the relaxation in tier-1 cities which would release certain demand to support sales in short term, in our view, **2)** developers hope to take more advantage on sentiment recovery by advancing project launch which will boost sales in Sep-Oct, **3)** our Leading Indicator shows the property-related search interests have surged in Sep which suggests good sales performance in Oct.
- **Uncertainty exists about recovery sustainability** given 1) based on our channel check in tier-1 cities, both visitor flow and transaction have showed a sign of retreat during the 2nd week after new policy from the surge during the 1st week. **2)** the continuous decline in home price arouses more watch-and-see sentiment of home buyers, still 66 cities out of 70 booked decline in 2nd-hand home price in Aug. **3)** Concern on future income expectation still exists which suppresses a chunk of demands.

OUTPERFORM
(Maintain)

China Property Sector

Miao Zhang

(852) 3761 8910

zhangmiao@cmbi.com.hk

Nika Ma

(852) 3900 0805

Nikama@cmbi.com.hk

Figure 1: Quick view of national property data in 8M23

	Aug-23	YoY	MoM	Jul-23	YoY	8M23	YoY	2022	YoY
Property GFA sold (mn sqm)	74	-12%	5%	70	-16%	739	-7%	1,358	-24%
Property sales (RMB bn)	771	-16%	5%	736	-19%	7,816	-3%	13,331	-27%
New starts (mn sqm)	69	-24%	-2%	71	-26%	639	-24%	1,206	-39%
GFA under construction (mn sqm)	8,064	-7%	1%	7,997	-7%	8,064	-7%	9,050	-7%
GFA completion (mn sqm)	53	11%	18%	45	33%	437	19%	862	-15%
Property investment (RMB bn)	918	-11%	0%	917	-12%	7,690	-8.8%	13,290	-10%
Domestic loans of developers (RMB bn)	94	-24%	-10%	104	-15%	1,067	-13%	1,739	-25%

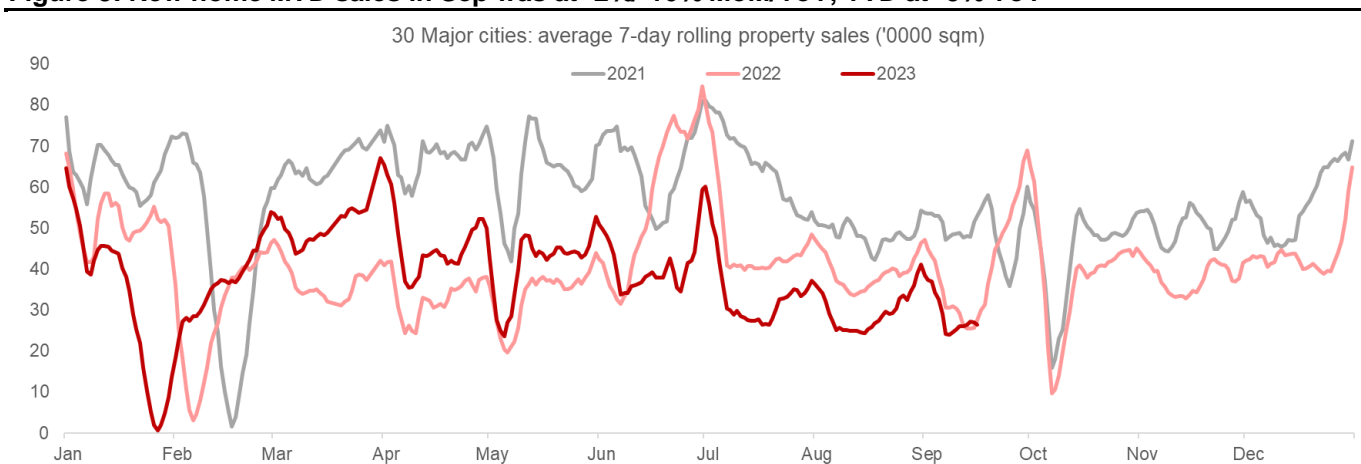
*Red/Green text denotes better/worse than the previous month

Source: NBS, CMBIGM

Figure 2: Calculation on NBS base adjustment - 8M23

	After adjustment		Before adjustment		% adjusted	
	Aug-22	8M22	Aug-22	8M22	Aug-22	8M22
Property GFA sold (mn sqm)	84	796	97	879	-13%	-9%
Property sales (RMB bn)	922	8,074	1,011	8,587	-9%	-6%
New starts (mn sqm)	91	845	90	851	1%	-1%
GFA under construction (mn sqm)	8,680	8,680	8,686	8,686	0%	0%
GFA completion (mn sqm)	48	367	48	369	0%	0%
Property investment (RMB bn)	1,031	8,432	1,135	9,081	-9%	-7%
Domestic loans of developers (RMB bn)	124	1,224	125	1,228	-1%	0%

Source: NBS, CMBIGM

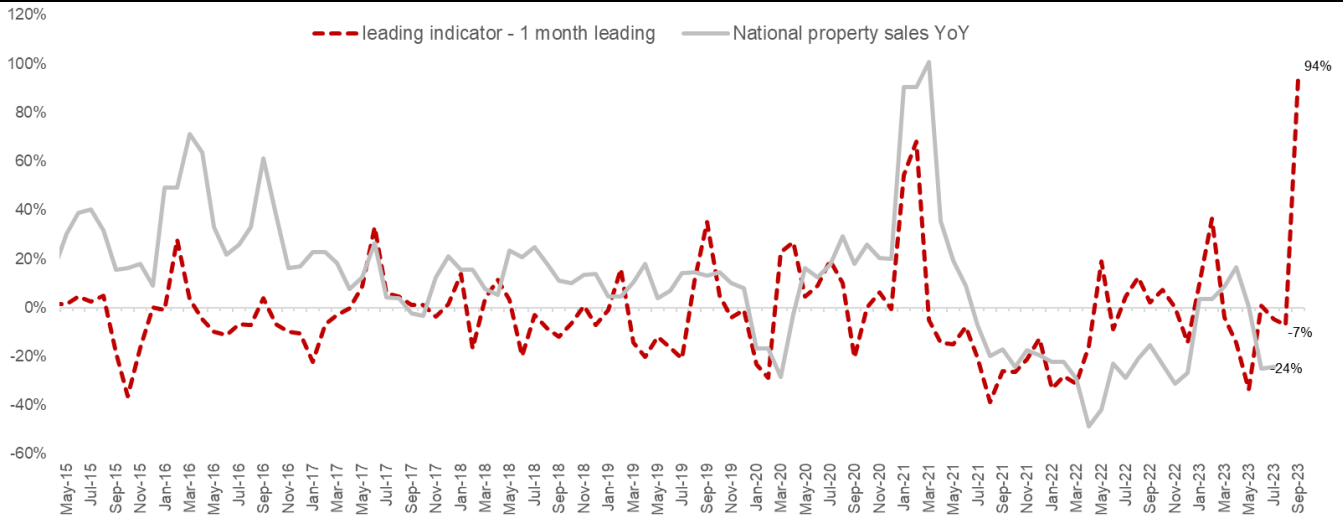
Figure 3: New home MTD sales in Sep was at -2%/-16% MoM/YoY, YTD at -5% YoY

Source: Wind, CMBIGM

Figure 4: Secondary home MTD sales in Sep at 0%/+43% MoM/YoY, YTD at +33% YoY

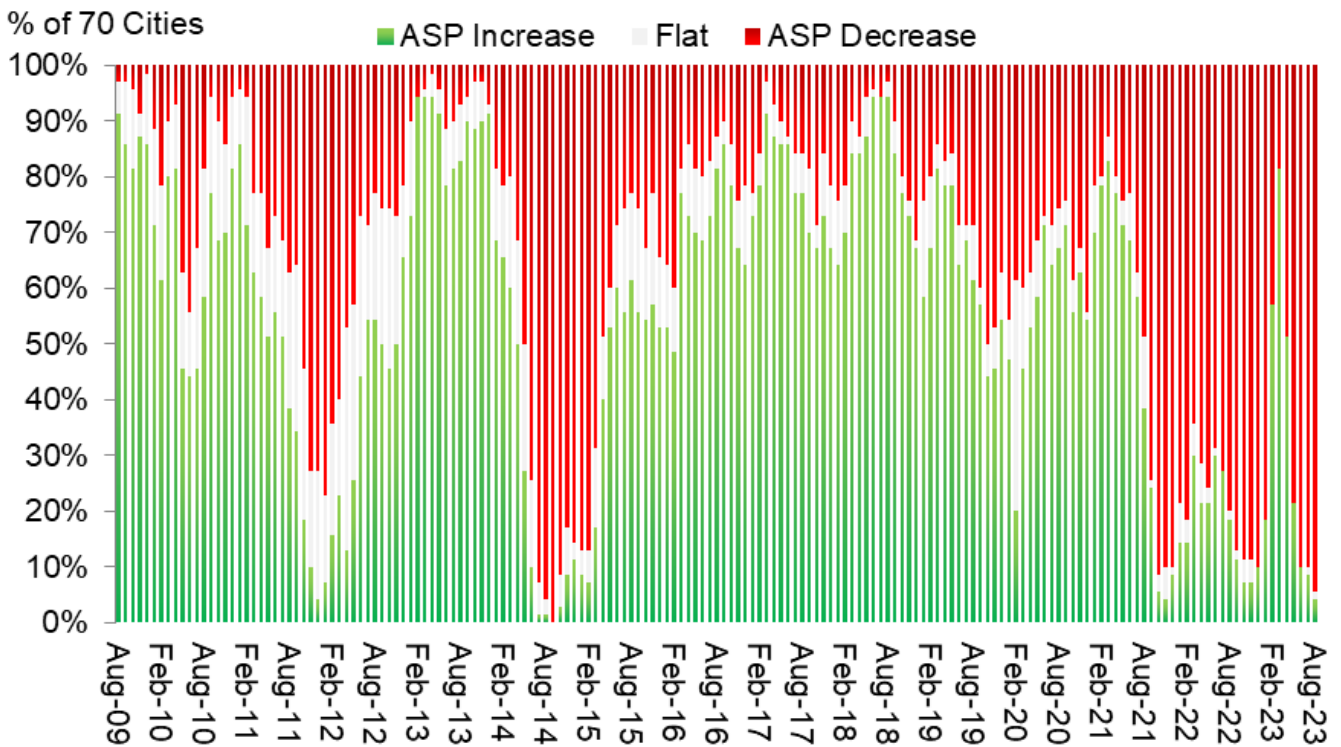
Source: Wind, CMBIGM

Figure 5: Leading indicator shows the property-related search interests surged to 94% YoY in MTD Sep suggesting new home sales to have a good performance in Oct



Source: Wind, CMBIGM

Figure 6: 2nd-hand home price in Aug: 66 out 70 cities booked decline



Source: Wind, 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 or its affiliate(s) have investment banking relationship with the issuers covered in this report in preceding 12 months.

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.