

China Property Sector

Feb sales a strong beat; Raise 2023 forecast

Feb sales came out at a strong beat both in terms of strength at 30% YoY (cons -5%), but also the timing of turning positive (cons in April). We think the momentum would be more sustainable than market expectation as 1) our leading indicator **GAIN** jumped to the highest since 2021 indicating ST sales would continue to be strong. 2) Our channel check suggests home buyers are much more than pent-up demand. Also, some think now is the best time to buy given low mortgage rate and rebounding property price. 3) Policy would continue to remain supportive. As a result, we raised 2023E property sales to flattish (previous -10%, cons -5%). This would benefit developers with aggressive land acquisitions in 2022. We prefer CRL/Yuexiu/Longfor/Binjiang/Huafa. BEKE/5i5j are also the key beneficiaries of booming existing home market.

- **Developers' Feb sales a strong beat at 30% YoY:** According to CRIC's preliminary data, major developers we tracked delivered 30/30% MoM/YoY in Feb sales (Figure 2). Even if we exclude the CNY mismatch, 2M23 sales were already back to positive territory at 1% YoY. This is much earlier than market expectation in April. In particular, SOE continued to lead the recovery on abundant sellable resources and reputation: Yuexiu/COLI/CRL +185/61/58% YoY in 2M23, Quality POEs like Longfor/Binjiang are also catching up at 40/34%. However, other POEs like Country Garden/CIFI remained lagging at -23/35%. We expect this trend to continue given the huge divergence in 2022 land acquisition (Figure 6).
- **Our channel check suggests a sustainable sales recovery:** we have recently visited Shanghai, Hangzhou, Ningbo, Guangzhou and Shenzhen. Property sales in East China are recovering faster than the other regions as the decoration company we talked to was still working during CNY for regional home delivery, which is very rare. Shenzhen is also catching up with Feb secondary transaction reaching 3000 units, the highest monthly number since 2022. The buyers are not just coming from pent-up demand, but also those who expect now could be the best time to buy given property price bottoms out and historical low mortgage rate.
- **New home and secondary sales continued to improve with secondary sales growth further accelerated.** Based on daily data, new home and secondary sales recorded -5%/+53% YoY post-CNY (28 Jan to 26 Feb) when compared to the similar period in 2022. Both exceed market expectation, but this is in line with our [CNY channel check report](#) and [more-bullish-than-market views on existing home sales](#). Looking forward, we still expect sales in Mar and Apr to continue to see strong momentum based on our **leading indicator GAIN (figure 5) which has jumped to the highest level (+40% YoY in Feb) since 2021.**
- **Raise 2023E property sales to flattish vs. previous -10% and cons -5%:** based on the more sustainable sales momentum and continuation of policy relaxation, we raised all round property-related forecast (Figure 1). In details, we expect 2023E sales volume/value to be flattish (-8/-10% YoY), which indicates a stable ASP. As better sales momentum will pass to land acquisition, we also revised up new starts and property investment to -2%/0% YoY from previous -8%/-5%.

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China Property Sector

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Figure 1: Raised 2023 property sales target

2023 forecast	2023E (New)	YoY	2023E (Old)	YoY	2022 YoY	2021 YoY
Property GFA sold (mn sqm)	1358	0%	1,249	-8%	1358 -24%	1794 2%
Property sales (RMB bn)	13331	0%	11,998	-10%	13331 -27%	18193 5%
New starts (mn sqm)	1182	-2%	1,110	-8%	1206 -39%	1989 -11%
Property investment (RMB bn)	13290	0%	12,626	-5%	13290 -10%	14760 4%
GFA completion (mn sqm)	948	10%	948	10%	862 -15%	1014 11%

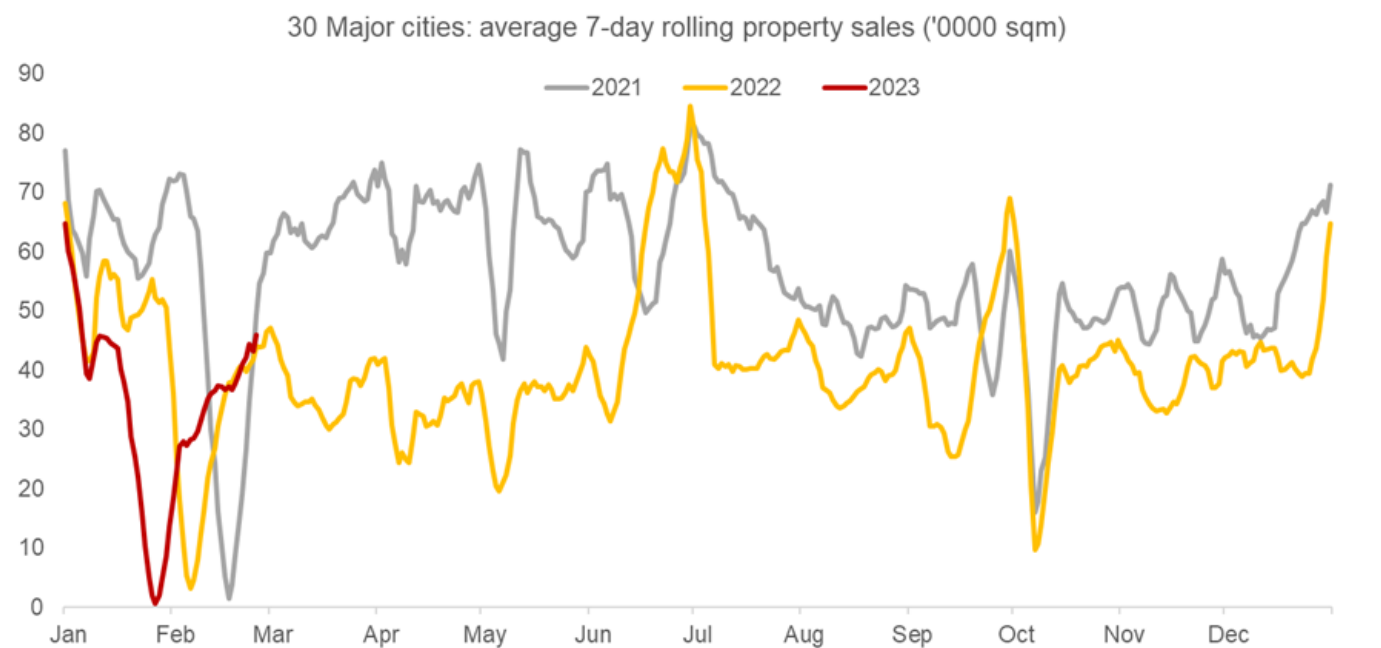
Source: CMBIGM

Figure 2: Major developers' Feb sales a strong beat

Sales (RMB bn)	Feb-23	YoY	Jan-23	YoY	2M23	YoY	2022 sales	YoY
Yuexiu	13.5	379%	8.9	76%	22.4	185%	125.0	9%
COLI*	27.3	152%	13.2	-11%	40.5	58%	294.7	-20%
CR Land	24.2	148%	16.0	5%	40.2	61%	301.3	-5%
CM Shekou	22.5	124%	15.8	4%	38.3	52%	292.6	-10%
Longfor	17.3	86%	10.8	1%	28.1	40%	201.6	-30%
Binjiang	11.1	60%	12.1	17%	23.2	34%	153.9	-9%
Gemdale	14.8	54%	9.2	-38%	24.0	-2%	221.8	-23%
Poly	34.0	42%	29.5	4%	63.5	21%	457.3	-15%
Sino-Ocean	5.0	34%	3.3	-27%	8.3	1%	100.3	-26%
Vanke	28.7	-2%	28.6	-20%	57.3	-12%	416.9	-34%
CIFI	7.8	-6%	5.0	-41%	12.8	-23%	124.0	-50%
China SCE	3.8	-9%	3.1	-39%	6.9	-26%	59.0	-44%
Country Garden (attri)	22.8	-30%	22.0	-39%	44.8	-35%	357.5	-36%
Shimao	4.1	-43%	4.5	-40%	8.6	-42%	86.5	-68%
Sunac China	10.9	-51%	7.2	-74%	18.1	-64%	169.3	-72%
Average	247.8	30%	189.3	-21%	437.1	1%	3,361.9	-32%

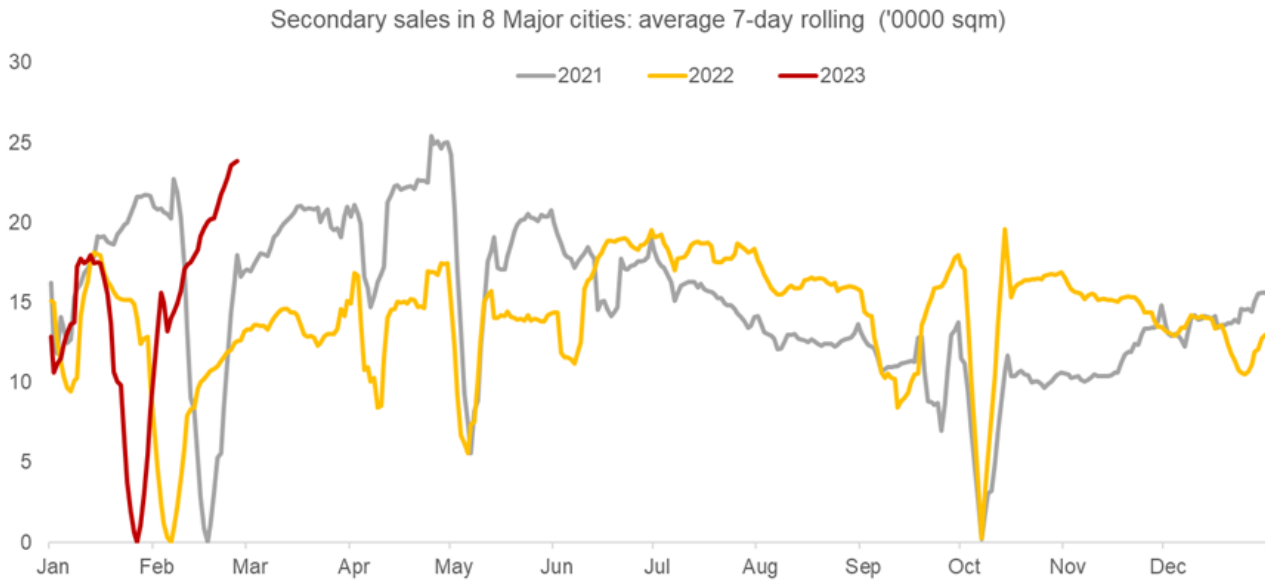
Source: Company data

Figure 3: New home sales narrowed the YoY decline to 13% in 2M23



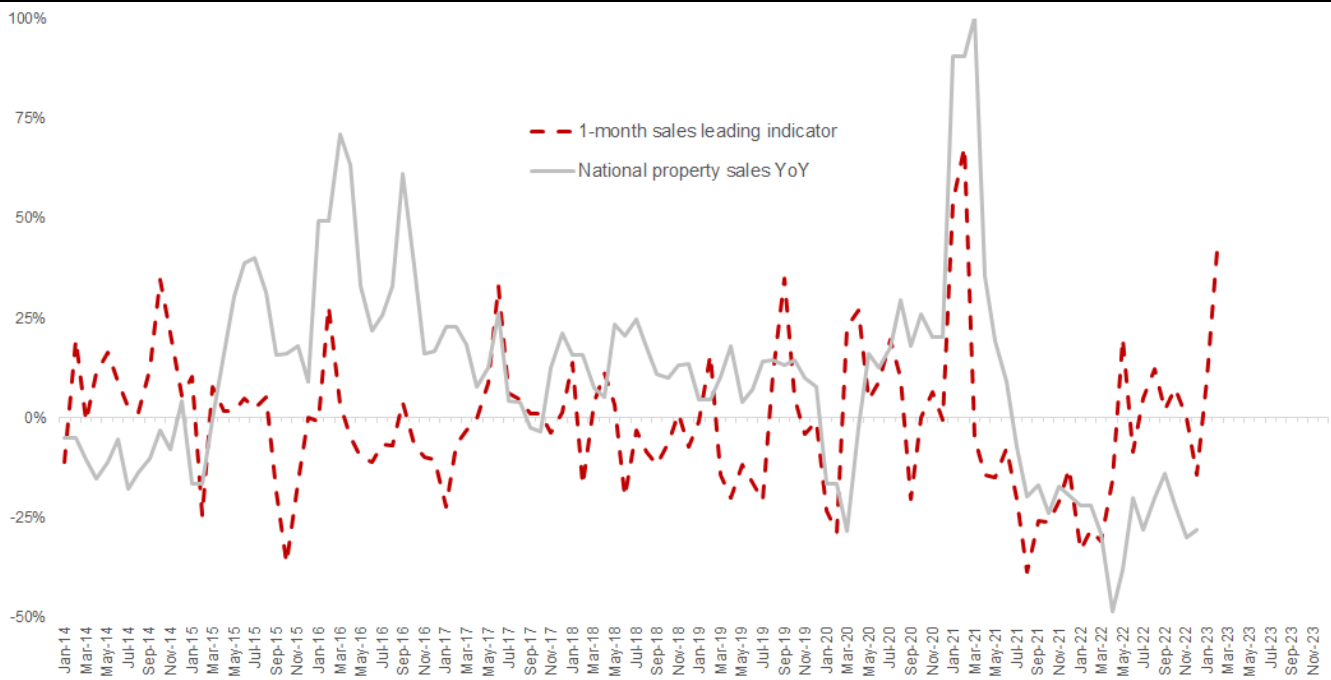
Source: Wind, CMBIGM

Figure 4: Secondary home sales recorded 30% YoY growth in 2M23 (post-CNY YoY growth at 53% YoY vs. +16% YoY pre-CNY)

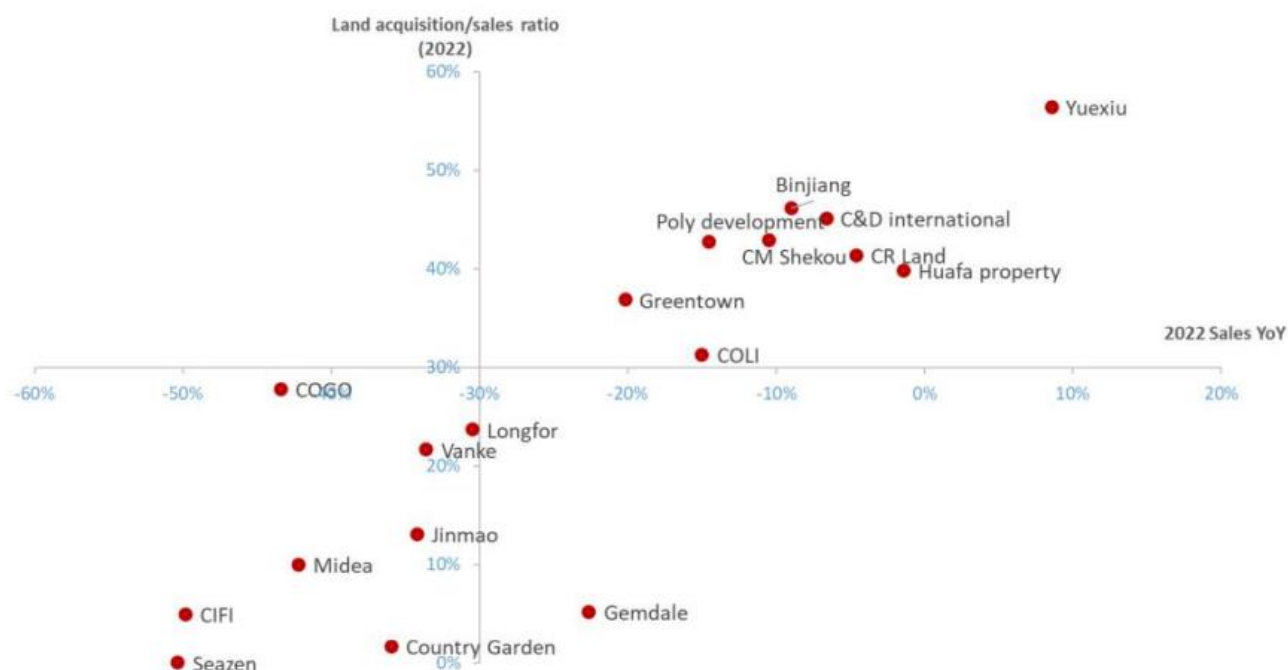


Source: Wind, CMBIGM

Figure 5: Leading indicator jumped to the highest level since 2021 suggesting strong March sales



Source: NBS, CMBIGM

Figure 6: Land acquisition vs. sales in 2022

Source: Company data, CMBIGM.

Figure 7: 2023E sales forecast for major developers

Sales (RMB bn)	2022 sales	YoY	2023E	YoY
CR Land	301	-5%	362	20%
Yuexiu	125	9%	144	15%
Longfor	202	-30%	222	10%
CM Shekou	293	-10%	322	10%
COLI*	295	-20%	318	8%
Poly	457	-15%	480	5%
Vanke	417	-34%	420	1%
Binjiang	154	-9%	154	0%
Gemdale	222	-23%	222	0%
China SCE	59	-44%	53	-10%
Country Garden (attri)	357	-36%	320	-10%
Sino-Ocean	100	-26%	80	-20%
Sunac China	169	-72%	127	-25%
CIFI	124	-50%	93	-25%
Shimao	87	-68%	61	-30%
Average	3,367	-32%	3,377	0%

Source: Company data, 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	22E	21A	22E
Vanke - H	2202 HK	16.22	236,708	33.92	4.0	6.9	8.2	8.0	0.7	7%	5%
COLI	688 HK	21.40	234,221	30.49	5.5	5.3	6.2	5.9	0.6	7%	5%
Country Garden	2007 HK	3.03	83,743	13.36	1.8	2.1	5.1	4.5	0.3	12%	3%
CR Land	1109 HK	38.20	272,402	44.79	10.0	8.5	8.5	7.8	1.0	4%	4%
Longfor	960 HK	25.85	163,933	52.59	7.2	5.6	6.6	6.3	1.1	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	2.56	12,032	NA	0.9	3.2	2.2	2.4	0.1	24%	0%
KWG	1813 HK	2.12	7,247	NA	0.9	1.4	2.5	2.4	0.1	21%	0%
Times China	1233 HK	1.55	3,258	NA	0.5	0.8	1.7	1.2	0.1	6%	0%
China SCE	1966 HK	1.08	4,561	NA	1.2	1.2	1.6	1.6	0.2	18%	0%
CIFI	884 HK	1.19	12,392	NA	1.1	1.2	2.2	1.9	0.2	15%	5%
Seazen	1030 HK	3.01	21,268	NA	1.9	1.7	4.2	3.7	0.4	0%	0%
Midea	3990 HK	11.78	15,967	NA	3.0	3.1	4.6	4.6	0.5	16%	9%
Vanke - A	000002 CH	18.19	203,464	NA	5.0	9.4	9.0	8.7	0.8	5%	5%
Poly Development	600048 CH	15.59	186,619	NA	6.4	6.8	7.8	7.3	0.9	4%	4%
Binjiang Real Estate	002244 CH	10.50	32,670	NA	14.0	10.8	8.6	7.5	1.4	2%	2%
Average					4.0	4.3	5.0	4.7	0.5	11.0%	4.8%

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	15.88	65,340	10.0	5.5	9.8	8.7	1.7	9%	5%
CNBM	3323 HK	6.98	58,875	3.3	3.0	6.0	4.7	0.5	12%	7%
China Res Cement	1313 HK	4.36	30,446	3.4	3.9	12.2	9.0	0.6	13%	4%
China Lesso	2128 HK	8.89	27,580	6.6	7.7	7.1	6.0	1.0	4%	4%
Anhui Conch Cement	600585 CH	28.87	147,384	4.3	4.6	8.8	7.8	0.8	8%	4%
Tangshan Jidun Cement	000401 CH	8.71	23,153	4.4	4.9	8.6	7.3	0.7	7%	4%
Baoshan Iron & Steel	600019 CH	6.10	135,836	10.7	5.7	8.7	7.5	0.7	5%	4%
Oriental Yuhong	002271 CH	35.26	88,801	23.4	20.3	31.9	21.4	3.2	0%	NA
Inner Mongolia Iron & Steel	600010 CH	2.06	93,905	228.9	32.7	-68.7	45.8	1.7	2%	1%
Aluminum Corp of China	601600 CH	5.38	85,467	192.1	18.8	16.3	16.7	1.5	12%	12%
Beijing New Building Materials	000786 CH	27.86	47,070	NA	13.4	14.8	12.3	2.2	0%	0%
Yunnan Aluminum	000807 CH	13.43	46,575	46.3	12.7	10.3	9.0	2.1	1%	2%
Shandong Nanshan Aluminium	600219 CH	3.65	42,736	21.5	12.6	11.2	10.4	1.0	16%	17%
Weixi New Building Materials	002372 CH	22.22	35,377	29.2	28.9	26.8	22.3	6.6	NA	NA
Kinlong Hardware	002791 CH	96.22	30,939	37.9	34.7	88.2	42.0	6.4	1%	0%
Zhuzhou Kibing	601636 CH	11.39	30,565	16.6	7.3	21.0	13.0	2.3	7%	5%
Maanshan Iron & Steel	600808 CH	2.95	20,703	11.4	4.3	42.1	10.2	0.7	12%	3%
Keshun Waterproof	300737 CH	13.20	15,588	16.1	22.4	33.0	19.0	2.8	NA	NA
Era Co Ltd	002641 CH	4.95	6,114	7.3	10.5	NA	NA	NA	1%	NA
Canlon Building Materials	300715 CH	14.61	5,624	16.0	73.1	38.0	22.8	2.0	4%	NA
Average				36.3	16.3	17.2	15.6	2.0	6.4%	4.8%

Source: BBG, CMBIGM

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