

# China Property Sector

## Weekly highlight: which projects in whitelist are more likely to obtain incremental loans?

Last Friday, developer names saw mixed performance. In contrast to speculating on defaulted names previously, it is worth noting that stocks with sound fundamentals experienced an uptick. We interpret this as an indication that the market is gradually absorbing the information regarding the potential unforeseen impacts of the implementation of financing-side policies – the project whitelist ([report](#)). We think the policy intention is to prevent adding new names to the defaulted list and avoid banks to withdraw project funding only based on risk at developers' group level regardless of project quality, which caused more construction halting. Therefore, **we think projects in the whitelist with ample collaterals and safe pre-sale funds developed by un-defaulted entities facing some liquidity pressure are more likely to obtain incremental loans.** We expect the continuing implementation of financing support policies and the delayed positive effect from demand released by Guangzhou/Shanghai's relaxation to drive a short-term recovery in the sector post the CNY. In the short-term, we like players who benefit more from financing support policy (ie, Vanke, Longfor), and those who benefit sooner from Guangzhou's relaxation, for their high land bank exposure in Guangzhou. In the long term, we prefer developers with sound fundamentals and higher [land acquisition-to-sales ratio in 2023](#) - C&D Intl., CR Land, COLI, Greentown China etc.

### ■ What's new and our read

- **Implementation of financing-side policy continues:** By the end of Jan, 3,218 projects had been included in the whitelist across 170 cities with a total financing demand of ~ RMB 1tn. Banks have already distributed loans of RMB 17.9bn to 83 projects in 27 cities. 84% of projects are from POEs and semi-SOEs according to *China Construction News*. [Figure 2](#) presents the number of projects from key developers included in the whitelist. **Which projects are likely to get incremental loans:** we believe that the expectation of widespread incremental loans to projects of defaulted developers might not be realistic since banks need to control their risks as well. Based on information shared by an expert who is familiar with the matter, we think the policy intention is clear this time. **1)** To prevent adding new names to the group of "defaulted players", especially those with significant influence on market sentiment like Vanke, Longfor etc. **2)** To prevent banks from broadly withdrawing or suspending funding at projects levels for certain developers facing high-risk events at group level, regardless of the quality of individual projects. This could lead to more unnecessary construction halting. Therefore, **projects more likely to get incremental financing are those with good quality (ample collaterals/pre-sale funds in regulatory accounts) from un-defaulted developers who face liquidity challenges.** This may avoid unnecessary construction halting for high-quality projects, even if their developers default at group level later on; moreover, the incremental loans at project level helps alleviate the financial pressure of developers at the group level.
- **Demand-side:** despite the continued relaxation in various cities such as [Nanjing](#), [Xiamen](#), [Chengdu](#), [Taiyuan](#) after Shanghai/Guangzhou's new policies, the sales market still sees no positive response. In Shanghai, there has been no significant increase in project visits in the region specified by the policy. In Guangzhou, project visits saw an increase but the transactions remained low. We expect that the slice of demand released by the relaxation in SH/GZ to show certain positive effect after the CNY as the policies were in place for a short time period and the long

**OUTPERFORM**  
(Maintain)

### China Property Sector

**Miao Zhang**

(852) 3761 8910

[zhangmiao@cmbi.com.hk](mailto:zhangmiao@cmbi.com.hk)

**Nika Ma**

(852) 3900 0805

[Nikama@cmbi.com.hk](mailto:Nikama@cmbi.com.hk)

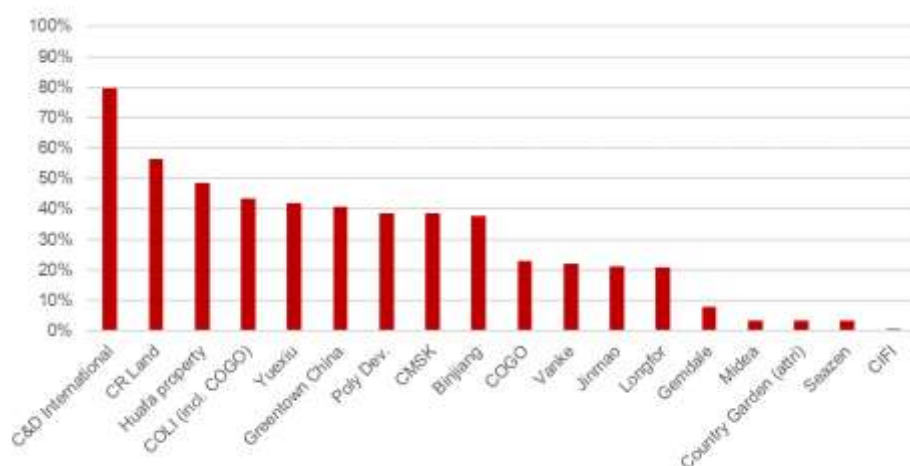
### Related Reports

1. [China Property Sector – Expert call takeaways: A positive shift in regulatory stance; sector may see recovery post CNY](#)
2. [China Property Sector – Policy package to boost post-CNY sales but only ST effect on sector performance](#)
3. [China Property Sector – NBS Dec data in line, still in bottoming process](#)

holiday is approaching, and homebuyers typically refrain from making major decisions in such circumstances.

- **Weaker-than-expected sales in Jan.** Based on data from CRIC, key developers we followed recorded -35/38% YoY/MoM growth in Jan contract sales ([Figure 3](#)) which missed market expectation, as there was a low base in the last year due to an earlier CNY. As to high frequent purchase registration data (as of end of 3 Feb 2024), [new home sales](#) went up 19% WoW as of end of 3 Feb 2024, and YTD growth was at -5% YoY. [Secondary home sales](#) slightly declined -1% WoW, YTD sales grew 64% YoY.
- **Our view.** We anticipate a short-term recovery in the sector after the CNY, driven by the continued implementation of financing support policies and the delayed positive effect from demand released from Guangzhou/Shanghai's demand-side relaxation. In the short-term, we recommend players who benefit more from financing support policy - Vanke, Longfor and those who benefit sooner from Guangzhou's relaxation for their high land bank exposure in Guangzhou. In the long-term, we prefer developers with sound fundamentals and higher land acquisition-to-sales ratio in 2023 - C&D Intl., CR Land, COLI, Greentown China etc.

**Figure 1: Land acquisition to sales ratio in 2023**



Source: Company data, CRIC, CMBIGM

**Figure 2: No. of projects included in whitelist for key developers**

Developer	No. of projects included in whitelist	Source
<b>From media</b>		
Sunac	>90	cls.cn
Country Garden	>30	thepaper.cn
Jinke	>20	cls.cn
Sino-Ocean	~20	cls.cn
CIFI	18	cls.cn
Shimao	16	nbd.com
Agile	many	stcn.com
China Aoyuan	many	zhitongcaijing.com
<b>From whitelist in Tianjin/Chongqing/Qingdao</b>		
Vanke	9	from local MOHURD in 3 cities
Longfor	9	from local MOHURD in 3 cities
Seazen	3	from local MOHURD in 3 cities
Gemdale	2	from local MOHURD in 3 cities

Note: incomplete statistics

Source: DM, local MOHURD, CMBIGM

Source: DM, local MOHURD, CMBIGM

**Figure 3: Developers' contract sales**

Sales (RMB bn)	Jan-24	YoY	MoM	Dec-23	YoY	2023 sales	YoY	2022 sales	YoY
Binjiang	10.4	-14%	0%	10.4	-49%	153.5	0%	153.9	-9%
COLI	10.5	-20%	-54%	22.8	-40%	309.8	5%	294.7	-20%
CM Shekou	12.1	-23%	-47%	22.8	-47%	293.6	0%	292.6	-10%
CIFI	3.8	-25%	-30%	5.4	-16%	70.0	-44%	124.0	-50%
Yuexiu	6.6	-26%	-28%	9.1	-59%	142.0	14%	125.03	9%
Longfor	7.8	-28%	-31%	11.3	-38%	173.49	-14%	201.6	-30%
CR Land	11.4	-29%	-46%	21.0	-58%	307.02	2%	301.3	-5%
Poly	20.3	-31%	-11%	22.7	-60%	422.2	-8%	457.3	-15%
Vanke	19.3	-33%	-41%	33.0	-17%	376.1	-10%	416.9	-34%
Seazen	3.7	-36%	-22%	4.8	-28%	76.0	-35%	116.0	-50%
Greentown China	7.8	-36%	-69%	25.1	4%	194.3	-9%	212.7	-20%
Gemdale	5.5	-40%	-47%	10.4	-49%	153.6	-31%	221.8	-23%
Sunac China	3.6	-50%	-34%	5.5	-33%	84.77	-50%	169.3	-72%
Shimao	2.1	-53%	-25%	2.8	-60%	42.8	-50%	86.5	-68%
Sino-Ocean	1.3	-62%	-58%	3.0	-72%	50.5	-50%	100.3	-26%
Country Garden (attri)	7.6	-65%	10%	6.9	-69%	174.3	-51%	357.5	-36%
China SCE	0.9	-72%	-19%	1.0	-77%	27.8	-53%	59.0	-44%
<b>Average</b>	<b>134.6</b>	<b>-35%</b>	<b>-38%</b>	<b>218.0</b>	<b>-45%</b>	<b>3,051.8</b>	<b>-21%</b>	<b>3,690.6</b>	<b>-32%</b>

Source: CRIC, CMBIGM

**Figure 4: New home sales declined 5% YoY in YTD 2024 (as of 3 Feb)**



Source: Wind, CMBIGM

**Figure 5: Secondary sales surged 68% YoY in YTD 2024 (as of 3 Feb)**



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 Ratings

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

<b>OUTPERFORM</b>	: Industry expected to outperform the relevant broad market benchmark over next 12 months
<b>MARKET-PERFORM</b>	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
<b>UNDERPERFORM</b>	: 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.