

# China Property Sector

## NBS 7M23 data: awaiting for more policy implementation

NBS Jul data was as weak as expected with sluggish property investment (-12% YoY) driven by weakening new starts. Better completion due to Jul is the results assessment month for delivery securing funds. Property sales saw another dismal month in Jul (-19% YoY) despite a much lower base. [New home sales](#) in Aug is still weak MTD but [secondary sales](#) saw narrowing decline amid positive policy attitude. Looking into 3Q, we expect **1) property sales to stay under pressure** given not enough policy implementation to boost home buyers' confidence and support risky developers, small steps of relaxation even in tier-1 cities are hard to hedge the negative effect from developers default in our view. **2) secondary market to perform slightly better** since developer's liquidity issue raised more concerns on housing delivery and is squeezing demand in secondary market. **3) share price for the sector to be volatile in 3Q** as a semi-SOE's default makes investors start re-evaluate the risk of semi-SOEs and SOEs. We think the sector may start to recover when supporting policies are rolling in. We continue to like Property agency: BEKE, Developers: CRL/Yuexiu/Binjiang. PM: Binjiang Service/Poly Services/COPH/CR MixC.

- NBS property data of 7M23 – sluggish REI with continuous weakening on new starts, completion boosted by results assessment for “delivery securing” funds.
  - **Property investment decline widened to -12% YoY in Jul-23 from -10% in Jun**, dragging 7M23 decline to -8.5% YoY vs -7.9% in 1H23. The lacklustre data was mainly driven by new starts that fell 30% MoM and booked -26% YoY in Jul (better than -30% YoY in Jun mainly due to low base). The completion growth accelerated to 30% YoY from 16% in Jun given Jul is the assessment month for delivery securing funds, which will boost completion in Oct as well.
  - **Property sales saw continuous fall on volume/value by -16%/-19% YoY in Jul 23**, slightly better than -18%/-19% YoY in Jun 23 given low base as Jul is a seasonality low month. **Looking into Aug**, high frequency data showed that the secondary home market reflected quicker on positive policy attitude, the MTD sales decline (as of 14<sup>th</sup>) largely narrowed to -2%/-6% MoM/YoY (vs. -16%/-18% in Jul), YTD growth is still at +35% YoY. While MTD new home sales dropped -14%/-31% MoM/YoY (vs. -24%/-27% in Jul), dragging the YTD growth to -4% YoY.
  - **We expect sales to stay under pressure in 3Q** as **1)** not enough policy implementation to boost home buyers' confidence and support risky developers, despite there is possibly more relaxation in tier-1 cities by district, small steps are hard to hedge the negative effect from more developers default among debt payment peak season in our view. **2)** heavy watch-and-see sentiment suppress the transaction despite project visitors saw increase in some higher tier cities. according to our channel check. While we **continue to expect secondary market to perform better than new home market** since more developers are faced with the risks of default/debt extension raised more concerns on housing delivery of new home, some demand will be squeezed to secondary market especially when housing price spread between 1st and 2nd hand houses are narrowing.

**OUTPERFORM**  
(Maintain)

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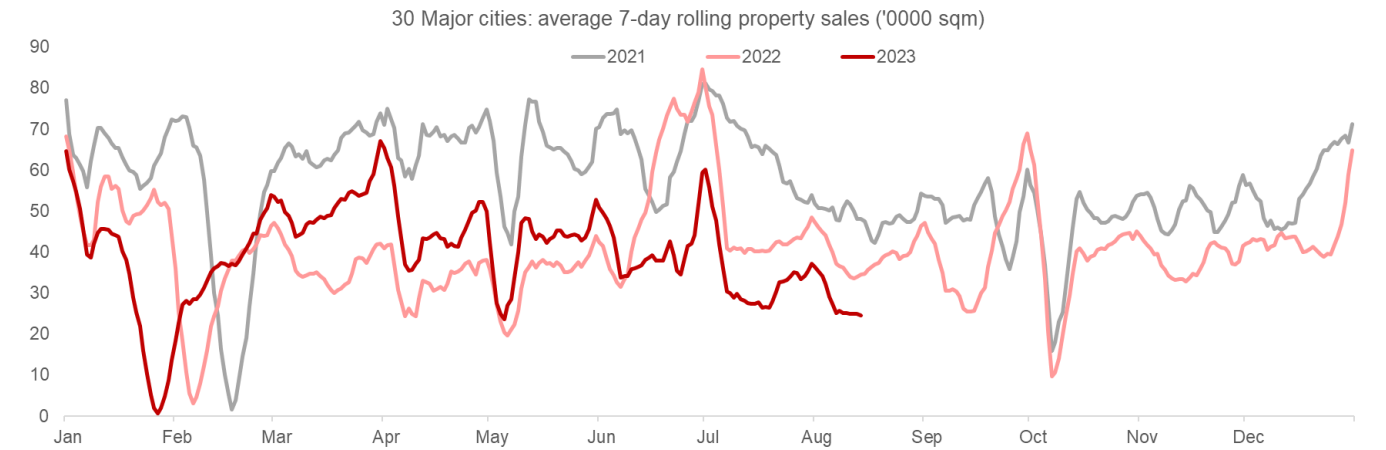
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**Figure 1: Quick view of national property data in 7M23**

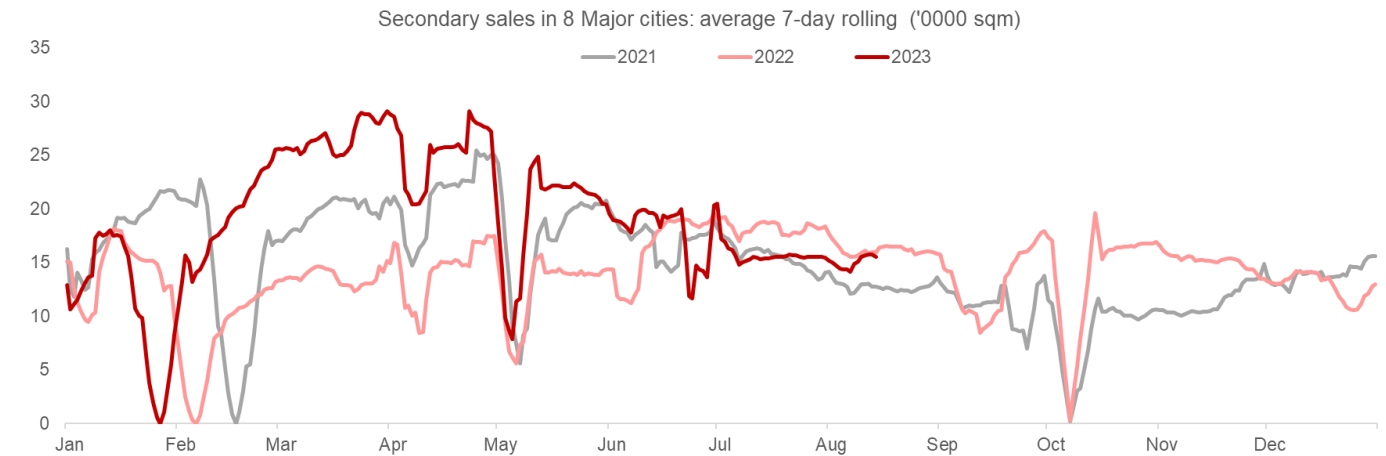
	Jul-23	YoY	MoM	Jun-23	YoY	7M23	YoY	2022	YoY
Property GFA sold (mn sqm)	70	-16%	-46%	131	-18%	666	-7%	1,358	-24%
Property sales (RMB bn)	736	-19%	-45%	1,331	-19%	7,045	-2%	13,331	-27%
New starts (mn sqm)	71	-26%	-30%	102	-30%	570	-25%	1,206	-39%
GFA under construction (mn sqm)	7,997	-7%	1%	7,915	-7%	7,997	-7%	9,050	-7%
GFA completion (mn sqm)	45	33%	-26%	61	16%	384	21%	862	-15%
Property investment (RMB bn)	917	-12%	-29%	1,285	-10%	6,772	-8.5%	13,290	-10%
Domestic loans of developers (RMB bn)	104	-15%	-31%	152	-14%	973	-12%	1,739	-25%

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

Source: NBS, CMBIGM

**Figure 2: Primary market weekly units sold in 30 cities**

Source: Wind, CMBIGM

**Figure 3: Secondary market - GFA sold in 8 cities**

Source: Wind, CMBIGM

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