

Property

Weekly highlight: Sales decline may widen in Sep

Several cities are applying new pricing mechanisms for homes for sale by using usable GFA rather than total GFA as the pricing base, but the total home price remains unchanged, which results in a higher ASP. This would not boost sales in short term but the improved transparency should benefit the industry in the long term, in our view. Policy on refinancing of mortgages is under discussion, and we think it may lift purchasing sentiment only if mortgage rates are lowered to a level that makes cap rate appear attractive. [High-frequency data](#) reveals a weak beginning to Sep. Daily avg. transaction volume for new home/secondary home sales declined 26%/12% in Sep MTD vs. Aug. Our [tier-1 cities watch](#) corroborates the same trend in 36W with four cities largely underperforming their weekly avg. in 1H in both primary/secondary markets. Our [leading indicator](#) hints at a substantial widening of sales decline in Sep-Oct if no more favourable policies. Sluggish sales and anticipation of additional policy intervention may lead to continued volatility of stocks within the sector. We believe the key negative factors for the sector have been priced in. With the gradual resolution of major problems and a benign policy outlook, we foresee a continued recovery in the mid- to long-term. For stocks, we recommend asset-light companies benefiting from the existing home market such as CR MixC, Greentown Services, Poly Services, Binjiang Service, Onowo, BEKE and Greentown Mgmt. For developers, we recommend CR Land with LT value.

■ **What is new? 1)** Several cities, including Xiangtan, Zhaoqing, and Hefei, are exploring the new pricing mechanism to sell properties based on usable GFA rather than total GFA including public shared area. We think it's unlikely to boost sales in short term as total home price remains unchanged, and the decrease in priced GFA will only make ASP appear higher. However, this would improve transparency in transactions, protect the rights of homebuyers, and promote healthy development of the industry in the long term. **2)** Since Bloomberg reported that China would allow the refinancing of existing mortgages, market discussions have been active. We think that if implemented, the policy may have a limited short-term impact on the real estate sector, given that newly-issued mortgage rates have already seen substantial reductions, thus the effect on boosting buyer sentiment would be modest. While in the long-term, it could help accelerate the stabilization and recovery of the industry. We believe such a market-oriented mechanism should drive mortgage rates progressively lower until the cap rate becomes attractive, while the home purchasing motivation is likely to be improved.

■ **High-frequency data:** The Sep MTD daily avg. transaction volume went down 26%/12% compared to Aug in primary/secondary markets which indicate a further weakening of the sales momentum. As of 9 Sep, [secondary-home sales volume in 17 cities](#) recorded -17%/+9% MoM/YoY (vs +9% YoY in Aug). The YTD decline largely narrowed to -2% YoY (vs. -4% at end-Jul). The [new-home sales volume in 30 major cities](#) in Sep MTD booked -23%/-30% MoM/YoY (vs. -24% YoY in Aug). The YTD decline narrowed to -34% YoY (vs. -35% at end-Jul). Our leading indicator suggests a substantial widening in Sep's sales decline.

■ **Transaction watch in tier-1 cities (weekly).** During the 36th week of 2024 (2-8 Sep), [units of new homes sold](#) reveals a comprehensive decline with BJ, SZ, GZ and SH underperforming their weekly avg. in 1H by 12%, 20%, 29% and 55%, due to the fact that the beginning of the month usually sees a pullback from the peak at the end of the previous month, coupled with a progressively weakening sales sentiment. [Units of secondary homes sold](#) showed a similar trend with that in GZ, SZ, BJ and SH below their weekly avg. in 1H by 8%, 12%, 18% and 59%.

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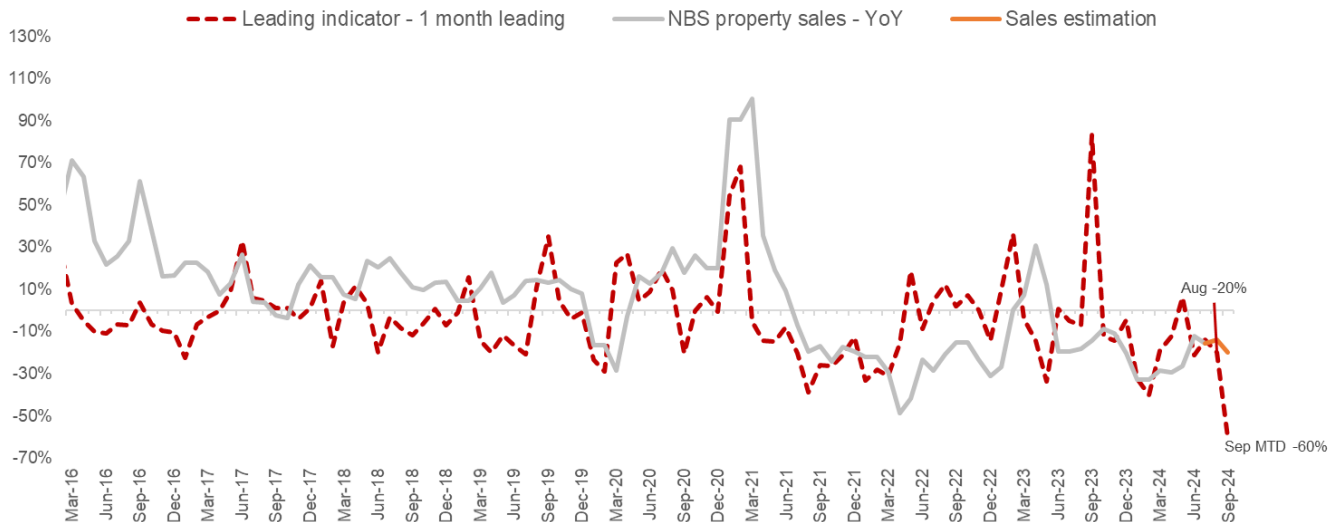
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Figure 1: Leading Indicator



Source: Wind, CMBIGM

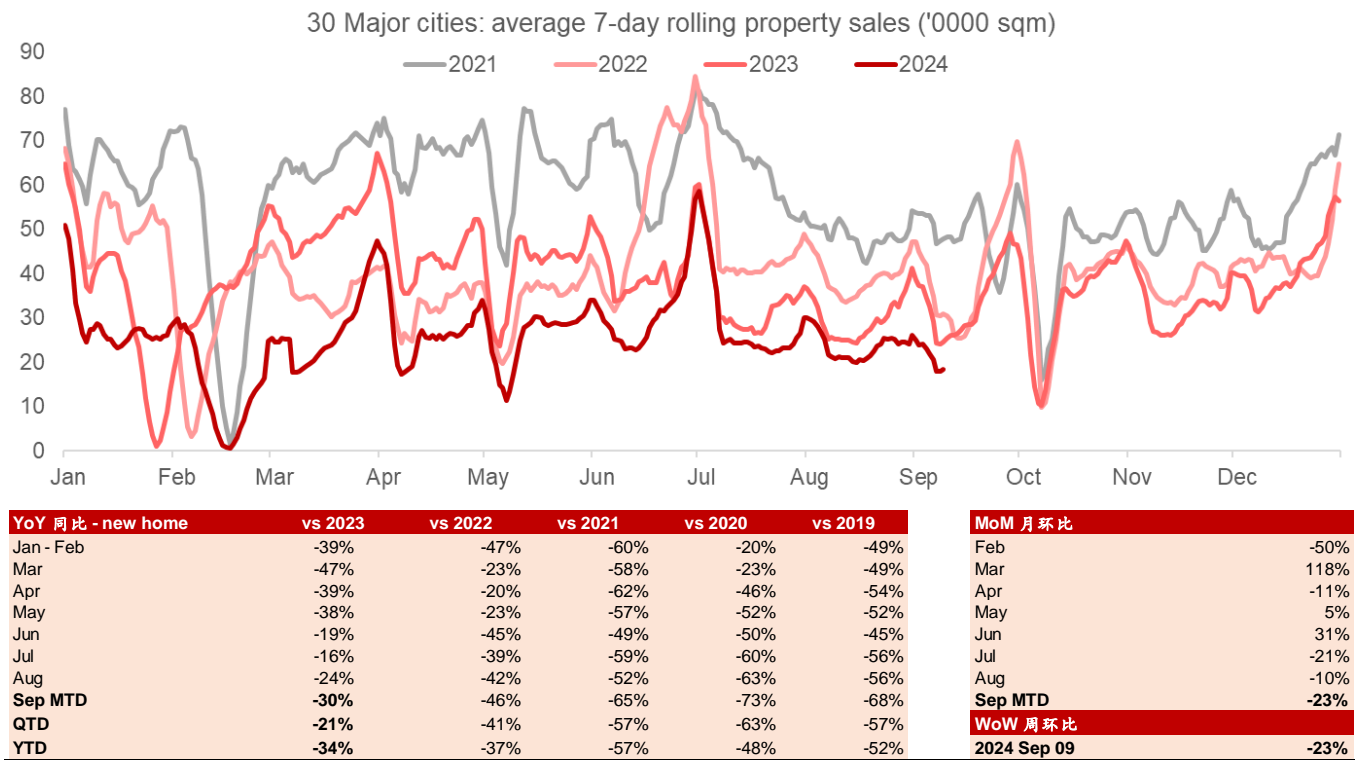
Note: Data as of 09 Sep 2024

Figure 2: Daily avg. transaction volume ('0000 sqm)

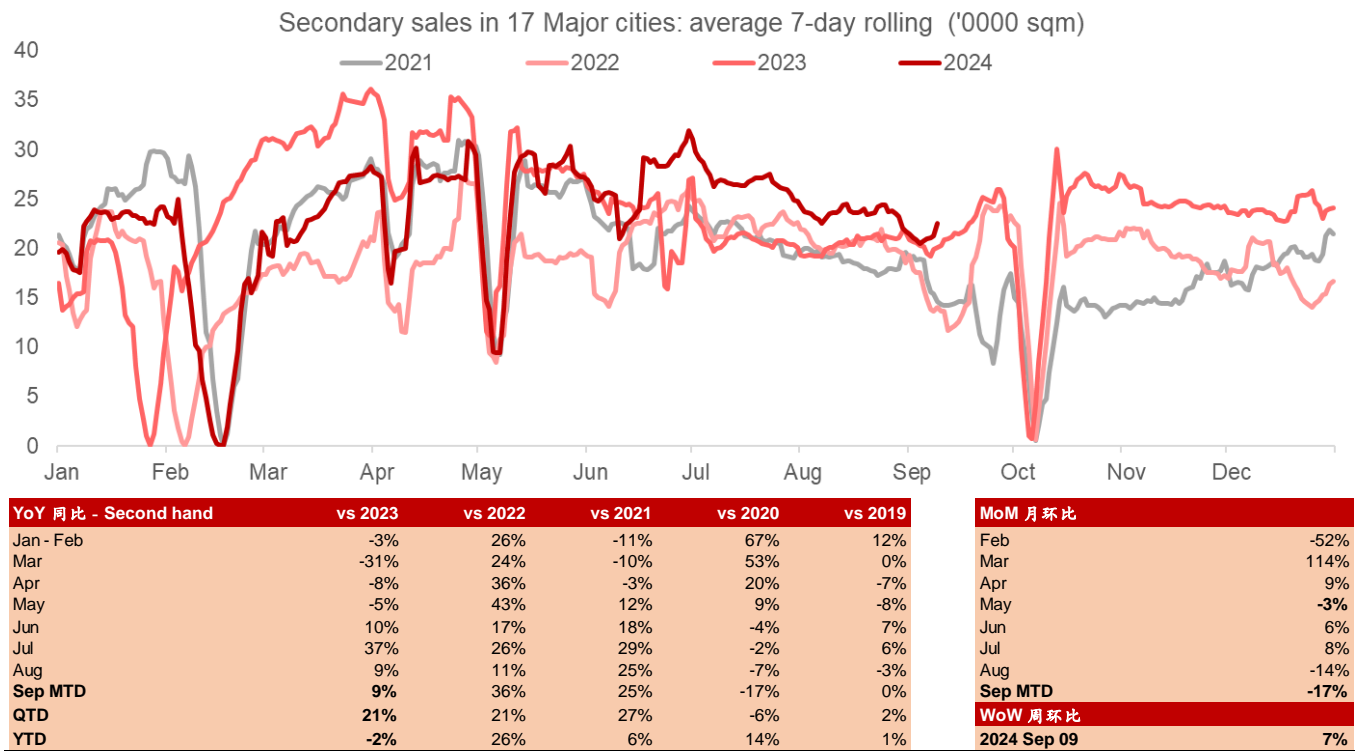
Primary sales	May	Jun	Jul	Aug	Sep MTD	Sep Growth	Pre-517 (1.1-5.16)	Post-517 (5.17-9.09)	Growth	2023 (1.1-9.09)	YTD (1.1-9.09)	YoY Growth
30 major cities	26.48	33.81	25.82	23.20	17.13	-26%	23.72	27.23	15%	38.26	25.34	-34%
Tier 1&2	20.70	26.07	20.20	18.09	13.56	-25%	18.70	21.25	14%	30.16	19.87	-34%
Tier 3	5.77	7.74	5.62	5.11	3.57	-30%	5.02	5.98	19%	8.10	5.46	-33%
Hangzhou	1.96	3.95	1.75	1.39	1.12	-19%	1.72	2.30	34%	2.98	1.99	-33%
Chengdu	7.01	6.33	5.54	4.45	3.55	-20%	5.35	5.68	6%	8.03	5.50	-31%
Shanghai	3.63	4.74	4.39	4.23	3.35	-21%	3.48	4.35	25%	5.23	3.88	-26%
Beijing	2.00	2.95	2.84	2.54	1.82	-28%	2.54	2.64	4%	3.19	2.58	-19%
Guangzhou	2.39	3.43	2.36	2.78	1.78	-36%	1.99	2.74	38%	2.82	2.34	-17%
Shenzhen	0.79	1.12	1.05	1.10	0.64	-42%	0.79	1.03	30%	1.28	0.90	-30%
Suzhou	1.55	1.72	1.13	1.37	0.68	-50%	1.30	1.47	13%	2.01	1.37	-32%

Secondary sales	May	Jun	Jul	Aug	Sep MTD	Sep Growth	Pre-517 (1.1-5.16)	Post-517 (5.17-9.09)	Growth	2023 (1.1-9.09)	YTD (1.1-9.09)	YoY Growth
17 major cities	24.66	25.90	26.96	23.18	20.47	-12%	21.44	25.33	18%	23.59	23.23	-2%
Shenzhen	1.53	1.63	1.73	1.44	1.42	-2%	1.25	1.59	28%	1.00	1.41	41%
Chengdu	6.72	6.60	7.53	6.22	6.03	-3%	6.04	6.78	12%	6.59	6.38	-3%
Qingdao	1.99	1.88	2.04	1.67	1.61	-4%	1.75	1.86	6%	1.66	1.80	9%
Dongguan	0.75	0.91	0.90	0.91	0.87	-4%	0.74	0.88	18%	1.03	0.81	-22%
Hangzhou	1.45	1.82	1.56	1.12	1.05	-6%	1.16	1.50	29%	1.15	1.32	14%
Shanghai	4.80	7.12	5.41	4.79	4.32	-10%	4.10	5.66	38%	0.00	4.82	n.a.
Foshan	2.42	2.41	2.39	1.92	1.65	-14%	2.01	2.26	12%	2.41	2.12	-12%
Beijing	4.21	4.83	4.92	4.54	3.58	-21%	3.68	4.70	28%	4.23	4.15	-2%
Suzhou	2.59	2.34	2.26	2.07	1.52	-27%	2.03	2.35	16%	2.19	2.18	0%

Source: Wind, CMBIGM

Figure 3: YTD new home sales decline narrowed to -34% YoY

Source: Wind, CMBIGM

Figure 4: YTD secondary sales decline narrowed to -2% YoY

Source: Wind, CMBIGM

Figure 5: Units of new homes sold in tier-1 cities (36W2024)

Weekly	31W	32W	33W	34W	35W	9.02-9.08 36W	vs. weekly avg. in 1H excl. holiday weeks	WoW	
								35W	36W
Shenzhen	647	584	599	508	467	416 ↓	-20%	-3%	-11%
Guangzhou	1,126	890	1,174	989	1,157	785 ↓	-29%	17%	-32%
Beijing	1,145	1,857	813	1,045	1,043	829 ↓	-12%	0%	-21%
Shanghai	1,248	649	915	1,683	1,100	938 ↓	-55%	-35%	-45%
Monthly	Mar	Apr	May	Jun	Jul	Aug	vs. monthly avg. in 1H	MoM	
								Jul	Aug
Shenzhen	2,245	2,355	2,009	2,927	2,616	2,537 ↓	25%	11%	-3%
Guangzhou	4,830	4,834	5,159	7,048	5,134	3,307 ↓	-28%	27%	36%
Beijing	3,557	3,469	3,207	3,870	4,092	5,308 ↑	40%	6%	30%
Shanghai	5,797	4,408	3,991	6,707	4,755	4,446 ↓	1%	29%	-6%

Source: Local MOHURD, CMBIGM

Figure 6: Units of secondary homes sold in tier-1 cities (36W2024)

Weekly	31W	32W	33W	34W	31W	9.02-9.08 36W	vs. weekly avg. in 1H excl. holiday weeks	WoW	
								35W	36W
Shenzhen	891	896	1,033	953	891	844 ↓	-12%	-7%	-5%
Guangzhou	2,004	2,131	2,290	2,183	2,004	2,031 ↑	-8%	-8%	1%
Beijing	3,352	2,949	3,562	3,388	3,352	2,619 ↓	-18%	-1%	-22%
Shanghai	4,395	3,942	4,471	4,714	4,395	3,798 ↓	-59%	-7%	-14%
Monthly	Mar	Apr	May	Jun	Jul	Aug	vs. monthly avg. in 1H	MoM	
								Jul	Aug
Shenzhen	3,840	4,171	3,963	4,172	4,573	3,804 ↓	7%	10%	-17%
Guangzhou	9,373	9,128	7,838	10,456	10,034	8,872 ↓	6%	4%	-12%
Beijing	14,280	13,354	13,383	14,987	15,575	14,363 ↓	15%	4%	-8%
Shanghai	17,834	18,077	18,692	26,374	18,220	17,884 ↓	5%	-3%	-2%

Source: Local MOHURD, CMBIGM

Figure 7: Valuation comps – Developers

Company	Ticker	Last Price	Mkt Cap	P/E (x)			P/B (x)			Net Profit Growth (%)			Payout ratio	Dividend Yield	
		(LC)		24E	25E	26E	24E	25E	26E	24E	25E	26E		23A	24E
CR Land	1109.HK	19.12	17,486	4.2 x	4.1 x	3.8 x	0.4 x	0.4 x	0.4 x	(6.5)	3.9	7.3	33%	8.3%	7.7%
COLI	0688.HK	11.12	15,609	4.5 x	4.3 x	4.0 x	0.3 x	0.3 x	0.3 x	(2.9)	4.7	6.5	31%	7.2%	6.9%
Poly Developments	600048.SH	7.45	12,537	7.4 x	6.9 x	6.5 x	0.4 x	0.4 x	0.4 x	0.0	6.4	7.4	41%	5.5%	4.8%
CMSK	001979.SZ	8.56	10,903	11.6 x	10.6 x	9.3 x	0.6 x	0.6 x	0.6 x	5.5	10.1	13.3	49%	3.7%	3.5%
Longfor	0960.HK	7.86	6,938	4.2 x	4.1 x	3.8 x	0.3 x	0.3 x	0.2 x	(8.8)	2.2	8.3	26%	7.7%	6.8%
C&D International	1908.HK	10.70	2,768	4.0 x	3.6 x	3.3 x	0.5 x	0.5 x	0.4 x	(3.3)	12.7	7.8	45%	12.1%	0.0%
Binjiang Group	002244.SZ	7.89	3,451	8.8 x	7.7 x	7.0 x	0.9 x	0.8 x	0.7 x	10.2	14.8	10.2	11%	1.1%	1.7%
Yuexiu	0123.HK	3.88	2,003	4.4 x	4.0 x	3.6 x	0.2 x	0.2 x	0.2 x	2.8	8.2	10.6	40%	9.8%	10.5%
Huafa	600325.SH	5.25	2,031	7.7 x	7.1 x	6.7 x	0.6 x	0.6 x	0.5 x	NA	NA	NA	NA	0.0%	6.1%
Greentown China	3900.HK	5.86	1,903	4.2 x	3.8 x	3.6 x	0.3 x	0.3 x	0.3 x	3.0	10.9	5.9	35%	8.1%	8.6%
Midea RE	3990.HK	2.53	466	3.6 x	3.6 x	3.1 x	0.1 x	0.1 x	0.1 x	1.5	0.4	13.2	NA	247.4%	14.3%
COGO	0081.HK	1.41	644	2.5 x	2.6 x	2.3 x	0.1 x	0.1 x	0.1 x	(20.4)	(2.5)	11.1	22%	11.3%	7.0%
Average				4.9 x	4.5 x	4.2 x	0.3 x	0.3 x	0.3 x	(1.5)	4.9	6.2	27%	6.4%	4.7%

Source: Company data, Wind, CMBIGM

Note: Data as of 11 Sep 2024

Figure 8: Valuation comps – Property Management

Company	Ticker	Last Price	Mkt Cap	P/E (x)			Net Profit Growth (%)			Payout ratio	Dividend Yield	
		(LC)	(USD mn)	24E	25E	26E	24E	25E	26E	23A	23A	24E
CR MixC	1209.HK	23.70	6,938	13.7 x	11.6 x	9.9 x	22.9	18.0	16.8	99%	5.9%	4.6%
Onewo	2602.HK	18.40	2,765	10.3 x	9.0 x	8.0 x	(2.0)	13.9	13.3	66%	6.5%	7.3%
COPH	2669.HK	4.79	2,017	9.0 x	7.8 x	6.8 x	18.2	16.2	14.6	31%	2.9%	3.4%
Poly Services	6049.HK	25.90	1,838	8.5 x	7.7 x	7.1 x	10.7	10.5	8.4	40%	4.2%	4.6%
Country Garden Services	6098.HK	4.25	1,822	7.6 x	6.1 x	5.7 x	NA	24.9	6.7	337%	7.6%	7.4%
Greentown Services	2869.HK	3.45	1,400	13.9 x	11.6 x	9.9 x	19.7	19.7	17.4	70%	4.3%	5.0%
China Merchant PO	001914.SZ	8.36	1,246	10.6 x	9.3 x	8.2 x	13.2	13.9	14.0	24%	2.0%	2.5%
Greentown Management	9979.HK	3.02	779	5.4 x	4.9 x	4.6 x	3.0	8.8	8.1	80%	18.0%	14.8%
Jinke Services	9666.HK	8.74	692	12.2 x	10.5 x	8.8 x	NA	16.0	18.5	NA	0.0%	4.4%
Binjiang Services	3316.HK	16.98	602	7.7 x	6.6 x	5.6 x	13.4	17.2	16.6	60%	8.0%	7.8%
Yuxiu Services	6626.HK	3.07	598	7.5 x	6.4 x	5.5 x	16.7	17.1	15.7	50%	5.7%	6.6%
C&D PM	2156.HK	2.35	424	5.7 x	4.7 x	3.9 x	13.5	22.1	19.2	67%	11.1%	NA
Ever Sunshine	1995.HK	1.67	370	5.5 x	5.0 x	0.0 x	10.7	10.2	NA	50%	8.2%	12.5%
S-Enjoy	1755.HK	3.00	335	4.7 x	4.4 x	4.1 x	12.8	8.2	7.4	39%	7.5%	NA
Jinmao Services	0816.HK	2.38	276	4.9 x	4.5 x	4.2 x	18.5	10.1	7.2	40%	7.1%	8.1%
Powerlong Commercial	9909.HK	2.51	207	3.7 x	3.6 x	0.0 x	(12.6)	4.0	NA	19%	6.0%	7.9%
Central China New Life	9983.HK	1.21	202	3.4 x	3.1 x	2.8 x	NA	10.4	10.3	NA	27.1%	14.8%
Excellence CM	6989.HK	1.20	188	4.1 x	3.7 x	3.4 x	7.0	11.7	9.1	69%	15.8%	NA
New Hope Services	3658.HK	1.66	173	5.2 x	4.7 x	4.2 x	9.4	11.9	11.7	60%	10.4%	11.4%
E-star CM	6668.HK	1.12	146	6.1 x	5.6 x	5.1 x	(0.4)	8.6	10.7	70%	11.6%	11.7%
Average				10.0 x	8.6 x	7.4 x	12.3	15.8	13.1	84%	6.0%	5.5%

Source: Company data, Wind, CMBIGM

Note: Data as of 11 Sep 2024

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