

China Property Sector

Good news is bad news?

Property+ sector saw a decent correction on articles from Economic daily and Qiushi that reiterated property price increase and financial system risk. It has sparked the market fear of policy direction change right in the middle of improving sales data and momentum. We agree that the better the data, the less policy support needed, but property policy will continue to stay supportive in the coming months as 1) the new home sales remained fragile and still declined 23% YoY YTD despite the recent improvement. Therefore, it is too early to have the policy turning negative that may put property investment/GDP growth under pressure. 2) Property price in the existing home market remains relatively stable. Based on eight cities we tracked, property price in Guangzhou/Hangzhou rebounded 1-2% from the bottom while the other six cities just started to see price stabilization after the 10-30% correction in 2022. In this connection, we do not see the strong reason to reverse the policy support. 3) Our channel check with experts also shows the articles have little meaningful impact on the current policy trend, evidenced by PBOC's supportive stance to boost demand and help POEs. The correction provides good opportunity for subsectors with long-term thesis: **existing home market/completion/shopping malls** in 2023. For stocks pick, we pick BEKE (BEKE US, BUY) (the key beneficiary of existing home sales boom), property management (Yuexiu Service (6626 HK) and CPH (2669 HK) on earnings) and developers (CRL/Longfor on shopping malls and Binjiang/Huafa Holdings (potential policy relaxation)).

■ **Post-CNY sales continued to improve with secondary sales growth further accelerated.** Based on daily data, new home and secondary sales improved to -17%/+44% YoY post-CNY (28 Jan to 14 Feb) compared to the similar period in 2022. (vs. -25%/+15% pre-CNY). Both continued to boost market confidences towards more positive outlook towards overall sales. Looking forward, we still expect sales in Feb to continue seeing ST recovery supported by 1) low base. 2) Pent-up demand after pandemic and CNY. Our sales leading indicator GAIN also pointed to a quick rebound in Feb with genuine search up 27% YoY YTD. 3) Continuing policy relaxation with Wuhan/Changsha eased purchase restrictions. As such, we reiterate that policy relaxation in Tier 1 cities would be the key to determine March sales and beyond.

■ **Construction activity saw quick pick-up:** According to 100NJZ's channel check among 12,220 projects, the work resumption rate increased to 76.5% as of 14 Feb (+38ppt WoW) vs. 69% in the same period of 2022. The stronger-than-expected improvement was mainly due to the pick-up in property construction after property sales sentiment turned positive. However, the property construction progress remains slow on liquidity issues while infrastructure and government are better off after 2023 special bond gradually in position. By region, East/Central/Southwest China outperformed the rest of regions backed by the infrastructure and government buildings.

■ **Cement price rebounded +1%/0.3% WoW/MoM to RMB451/ton.** It was mainly driven by relatively strong infrastructure demand and off-peak production on the supply side. In terms of regions, Guangdong led the price increase partly because it has taken up 13.5% of the special bond quota for infrastructure, highest among all regions.

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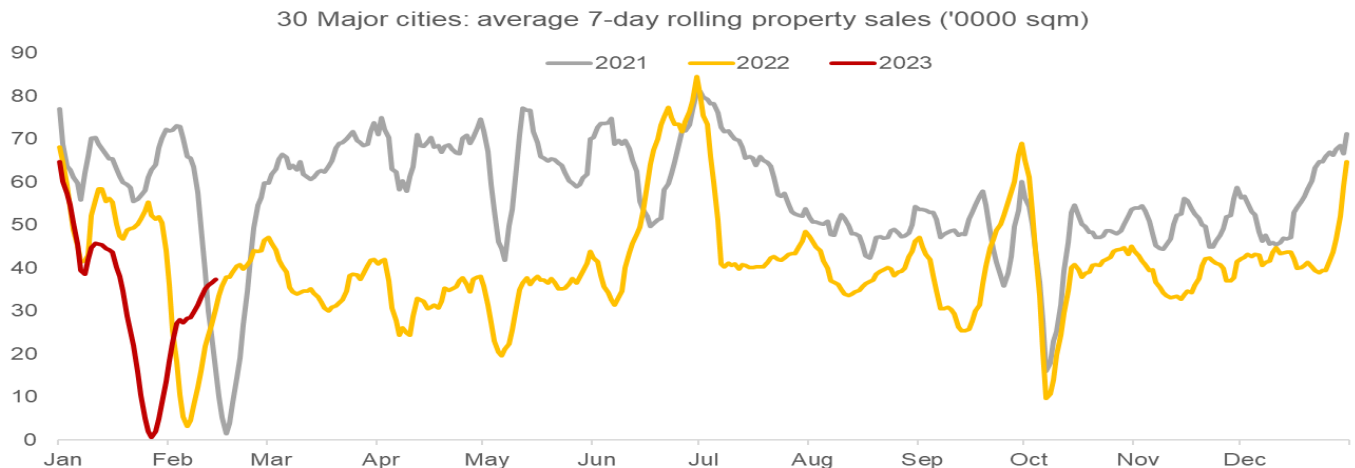
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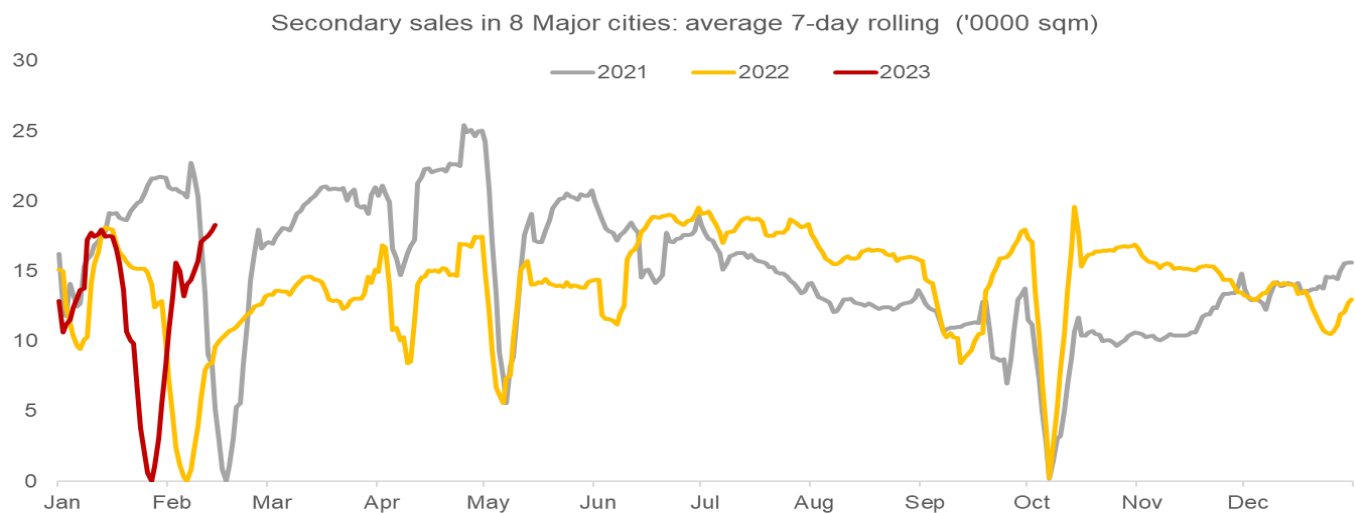
- **Steel rebar** price went down 0.5% WoW to RMB 4,233 per mt as of 14 Feb. It was due to the temporary oversupply as steel producer increased supply after CNY, expecting a strong demand afterwards. Most steel milers are trying to clear the inventory (the transaction volume increased by 22% WoW), but at a slightly lower price.

Figures 1: YTD sales declined 23% YoY vs. -22%/-25% in Dec/Nov 2022



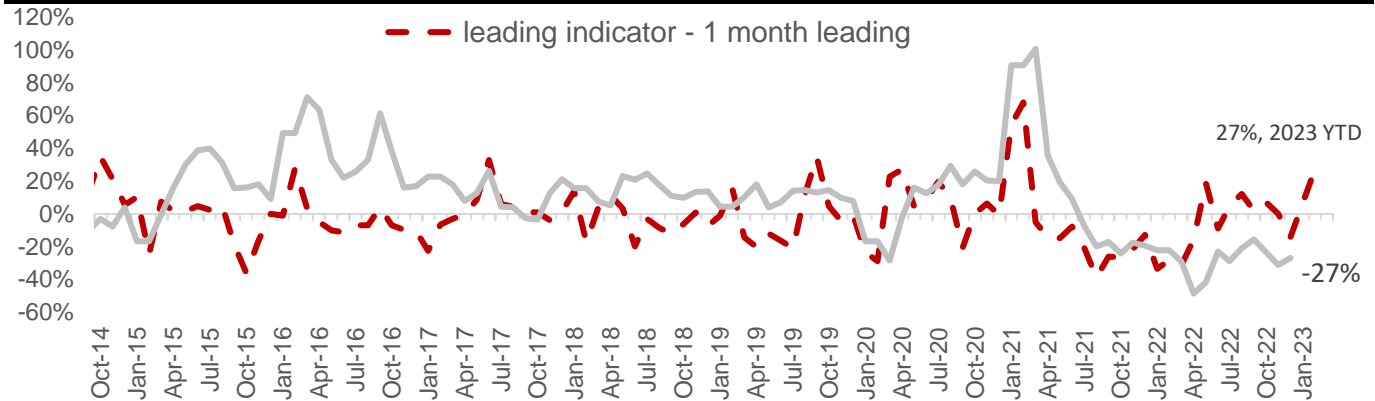
Source: Wind, CMBIGM

Figure 2: YTD secondary sales increased 23% YoY vs. -12%/+25% in Dec/Nov 2022



Source: Wind, CMBIGM

Figure 3: Leading indicator suggests better sales YTD 2023



Source: NBS, CMBIGM

Figure 4: Comp sheet of developers

Company	Ticker	Last price (LC)	Mkt Cap (LC mn)	TP (LC)	P/E				PB	Dividend Yield	
					20A	21A	22E	23E		21A	22E
Vanke - H	2202 HK	14.36	220,955	33.92	3.5	6.1	6.3	6.1	0.6	8%	6%
COLI	688 HK	19.12	209,266	27.90	4.9	4.8	5.5	5.3	0.5	8%	5%
Country Garden	2007 HK	2.53	69,924	13.36	1.5	1.7	3.7	3.8	0.3	15%	4%
CR Land	1109 HK	35.95	256,357	45.10	9.5	8.0	7.9	7.3	0.9	5%	4%
Longfor	960 HK	24.70	156,640	52.59	6.9	5.4	5.5	5.3	0.9	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	2.25	10,575	NA	0.8	2.8	1.9	2.1	0.1	27%	0%
KWG	1813 HK	1.74	5,948	NA	0.8	1.2	1.9	1.9	0.1	26%	0%
Times China	1233 HK	1.20	2,522	NA	0.4	0.6	1.3	0.9	0.1	8%	0%
China SCE	1966 HK	0.91	3,843	NA	1.0	1.0	1.4	1.3	0.1	22%	0%
CIFI	884 HK	1.02	10,621	NA	0.9	1.0	1.6	1.6	0.2	18%	6%
Seazen	1030 HK	2.82	19,925	NA	1.8	1.6	3.3	3.0	0.3	0%	0%
Midea	3990 HK	9.88	13,391	NA	2.5	2.6	3.9	3.9	0.4	20%	11%
Vanke - A	000002 CH	17.34	192,465	NA	4.8	8.9	8.6	8.2	0.8	6%	5%
Poly Development	600048 CH	15.12	180,993	NA	6.2	6.6	7.7	7.2	0.9	4%	4%
Binjiang Real Estate	002244 CH	10.16	31,612	NA	13.5	10.5	8.4	7.2	1.3	2%	2%
Average					3.8	4.0	4.4	4.2	0.5	12.5%	5.1%

Source: BBG, CMBIGM

Figure 5: Comp sheet of PM companies

Company	Ticker	CMBI rating	TP (HK\$)	Last price (HK\$)	Mkt Cap (HK\$ mn)	P/E			Net profit growth (%)		Dividend Yield		Payout ratio
						21A	22E	23E	22E	23E	21A	22E	
Onewo	2602 HK	BUY	60.7	45.4	53,502	-	22.4	17.5	15.3	33.8	-	1.1%	-
Country Garden Services	6098 HK	BUY	47.6	16.2	54,780	10.8	9.2	7.4	19.3	23.5	2.2%	2.7%	24%
CR MixC Lifestyle	1209 HK	BUY	56.0	42.5	96,892	48.1	37.8	28.9	24.6	31.0	0.8%	1.1%	38%
A-Living	3319 HK	HOLD	34.2	8.5	11,999	3.9	4.6	4.0	-7.5	14.2	0.1	4.9%	22.8%
Greentown Services	2869 HK	HOLD	7.9	5.3	17,132	18.2	17.2	13.6	-6.5	26.7	3.8%	2.9%	69%
Ever Sunshine	1995 HK	HOLD	12.7	3.5	6,175	8.0	6.8	5.3	21.7	27.2	3.7%	4.5%	29.5%
Poly Services	6049 HK	HOLD	53.4	50.5	27,943	27.6	22.5	17.8	22.3	26.1	0.7%	0.9%	20%
S-Enjoy	1755 HK	SELL	8.5	7.2	6,247	8.1	7.9	5.7	23.8	30.1	2.6%	4.1%	21%
Powerlong Commercial	9909 HK	BUY	33.2	5.7	3,639	6.6	5.6	4.6	11.0	16.2	5.3%	7.1%	35%
Excellence CM	6989 HK	BUY	14.9	4.0	4,857	7.8	5.4	4.1	33.5	33.8	9.0%	9.1%	71%
Central China New Life	9983 HK	BUY	12.9	3.3	4,181	5.0	5.3	4.7	-0.5	11.6	10.3%	12.8%	0.5
Sino-Ocean Services	6677 HK	BUY	7.1	2.9	3,481	6.4	5.6	4.4	8.6	19.5	3.8%	5.1%	0.2
New Hope Services	3658 HK	BUY	4.4	1.4	1,140	9.8	5.9	NA	83.5	NA	2.9%	4.2%	29%
Redsun Services	1971 HK	BUY	9.4	2.3	967	3.7	2.6	2.0	41.2	32.2	NA	NA	NA
Evergrande Services	6666 HK	BUY	10.4	2.3	24,865	7.9	4.9	3.7	21.9	32.8	NA	NA	NA
Sunac Services	1516 HK	BUY	7.0	3.4	10,240	5.5	108.1	6.4	-151.1	NA	4.5%	-1.0%	24%
Jinmao Services	816 HK	BUY	5.5	4.6	4,159	15.7	9.0	6.7	102.0	45.7	NA	NA	NA
COPH	2669 HK	NR	NA	9.8	32,047	32.5	25.3	19.4	28.5	29.0	0.9%	1.2%	30%
Times Neighborhood	9928 HK	NR	NA	1.0	986	2.6	7.1	4.1	-62.7	74.6	5.7%	1.6%	15%
Aoyuan Healthy Life	3662 HK	NR	NA	1.9	1,351	4.8	2.0	1.6	41.3	31.2	NA	NA	NA
Shimao Services	873 HK	NR	NA	2.4	5,973	4.4	14.4	5.9	-70.7	100.2	NA	NA	NA
KWG Living	3913 HK	NR	NA	1.6	3,241	4.0	4.7	4.1	-15.3	15.0	9.0%	6.1%	0.4
Jinke Smart Services	9666 HK	NR	NA	12.6	8,200	6.4	8.7	7.0	-33.4	20.4	6.2%	4.2%	40%
Average						21.3	23.2	15.8	13.8	28.9	1.7%	1.9%	25.3%

Source: BBG, CMBIGM

Figure 6: 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	15.36	63,200	9.7	5.4	9.9	8.6	1.7	9%	5%
CNBM	3323 HK	7.06	59,549	3.4	3.0	5.2	4.1	0.6	12%	7%
China Res Cement	1313 HK	4.34	30,306	3.4	3.9	12.2	9.0	0.6	13%	4%
China Lesso	2128 HK	8.72	27,053	6.5	7.5	6.9	5.9	1.0	4%	4%
Anhui Conch Cement	600585 CH	29.99	152,553	4.5	4.8	9.2	8.1	0.8	8%	4%
Tangshan Jidun Cement	000401 CH	8.96	23,818	4.6	5.1	8.8	7.5	0.7	7%	4%
Baoshan Iron & Steel	600019 CH	6.21	138,285	10.9	5.8	8.9	7.6	0.7	5%	4%
Oriental Yuhong	002271 CH	35.28	88,851	23.4	20.3	31.9	21.4	3.2	0%	NA
Inner Mongolia Iron & Steel	600010 CH	2.03	92,538	225.6	32.2	-67.7	45.1	1.7	2%	1%
Aluminum Corp of China	601600 CH	5.49	86,822	196.1	19.2	16.6	17.0	1.5	12%	11%
Beijing New Building Materials	000786 CH	29.21	49,351	NA	14.1	15.5	12.8	2.3	0%	0%
Yunnan Aluminum	000807 CH	13.57	47,060	46.8	12.8	10.4	9.1	2.2	1%	2%
Shandong Nanshan Aluminium	600219 CH	3.63	42,502	21.4	12.5	11.1	10.4	1.0	17%	17%
Weixi New Building Materials	002372 CH	24.69	39,309	32.5	32.1	29.8	24.8	7.3	NA	NA
Kinlong Hardware	002791 CH	96.17	30,923	37.9	34.7	88.1	42.0	6.4	1%	0%
Zhuzhou Kibing	601636 CH	11.34	30,431	16.5	7.3	21.0	12.9	2.3	7%	5%
Maanshan Iron & Steel	600808 CH	2.96	20,709	11.5	4.3	16.9	10.3	0.7	12%	3%
Keshun Waterproof	300737 CH	13.64	16,107	16.6	23.1	34.1	19.7	2.9	NA	NA
Era Co Ltd	002641 CH	5.25	6,485	7.7	11.2	NA	NA	NA	1%	NA
Canlon Building Materials	300715 CH	14.82	5,704	16.3	74.1	54.5	24.8	2.1	4%	NA
Average				36.6	16.7	17.0	15.8	2.1	6.3%	4.7%

Source: BBG, CMBIGM

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