

Property

Weekly highlight: sales decline may narrow in Aug

The Politburo meeting re-emphasized the need for inventory reduction and ensuring project completions. The latter saw breakthroughs with a stalled residential project in Nanjing returning down payments to homebuyers. This success was enabled by stringent oversight of presale regulatory funds and enhanced legal protection for homebuyers. We think this approach could serve as a model for addressing more stalled projects. [High-frequency data](#) reveals that new home sales volume has dipped from June's peak, yet the secondary market holds firm. Daily avg. transactions for new home sales in 30 major cities have seen a 27% decline, vs. a 3% increase for secondary sales in 17 cities. Our [tier-1 cities watch](#) indicates SZ and GZ performed weak for both new homes and second-hand homes sales in 30W, while BJ and SH only showed strong resilience in secondary market. Our [leading indicator](#) hints at a potential decline narrowing for sales in Aug. The bleak interim earnings of developers may amplify sectoral correction pressures, suggesting ongoing market volatility for the coming month. With a benign policy outlook, enhanced implementation efforts, encouraging signs in land auction and property sales, we foresee a continued recovery in the sector's performance in the mid- to long-term. For stocks, we recommend asset-light companies benefiting from the existing market such as CR MixC, Poly Services, Binjiang Services, Onowo, BEKE and Greentown Mgmt. For developers, we recommend CR Land with LT value.

- **What is new?** 1) The July 30th Politburo meeting reaffirmed its stance on the real estate sector: a) emphasizing a combination of inventory digestion and optimized new supply, b) actively supporting the acquisition of existing properties for use as affordable housing, and c) ensuring timely project completions. 2) A significant breakthrough in "ensuring project completion" has been seen in Nanjing: after a two-year halt, local government intervention facilitated a developer's return of down payments to homebuyers, though loan interest paid would not be refunded. This success is due to stringent management of presale regulatory funds and clearer legal provisions protecting homebuyer rights. We view this approach as a model for addressing other stalled projects, potentially leading to their resolution.
- **High-frequency data:** The daily avg. transaction volume went down 27%/up 3% in Jul MTD (vs. daily avg. in June) in primary/secondary markets which indicate the sales momentum went softer after the surge in June for new homes, while that for second-hand homes stayed solid. As of 29 Jul, [secondary home sales volume in 17 cities](#) grew 1%/33% MoM/YoY in July MTD (+10% YoY in June). The YTD decline largely narrowed to -4% YoY (vs. -8% at end-Jun). The [new home sales volume in 30 major cities](#) in Jul MTD booked -23%/-20% MoM/YoY (vs. -19% YoY in June). The YTD decline narrowed to -35% YoY (vs. -37% at end-Jun). Our leading indicator shows that the property search interest decline has narrowed in Jul, suggesting a slightly narrower property sales decline in Aug, per our estimate.
- **Transaction watch in tier-1 cities (weekly).** During the 30th week of 2024 (22-28 Jul), [units of new homes sold](#) saw mixed performance. SZ, BJ and GZ underperformed their weekly avg. by 4%, 6% and 11%, while SH largely outperformed primarily due to the delayed reflection in official registration data of the robust sales at the end of June and beginning of July. According to data from Centaline, there was a notable decline in pre-sale figures in the latter part of July which will be reflected in Aug's registration data. [Units of secondary homes sold](#) in BJ and SH surpassed weekly avg. by 7% and 3%. SZ and GZ both underperformed by 1%.

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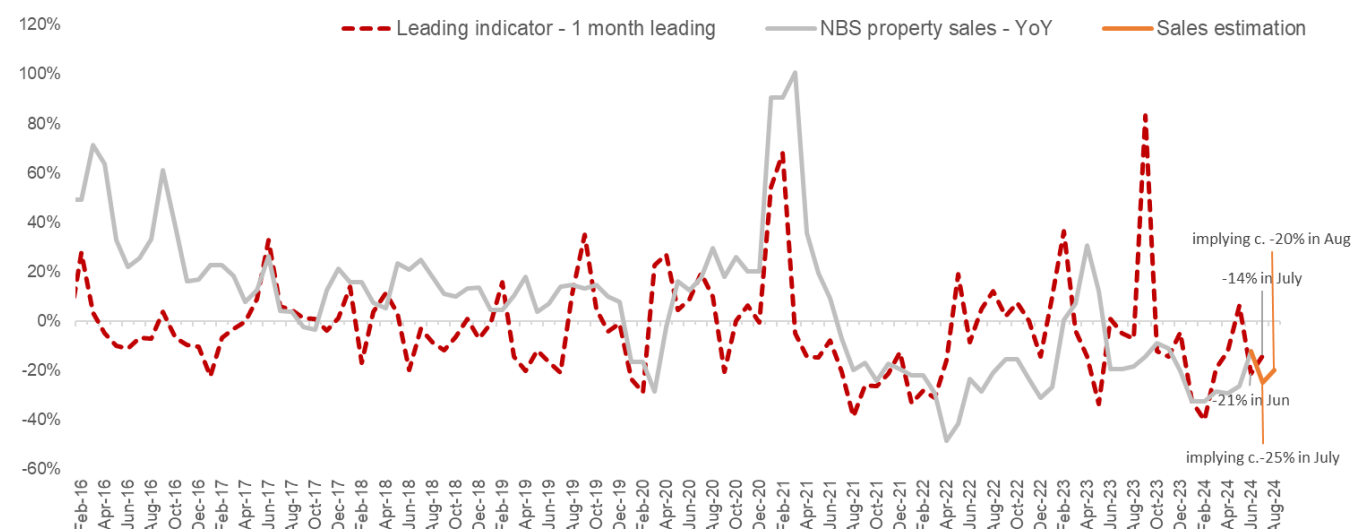
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Figure 1: Leading Indicator

Source: Wind, CMBIGM

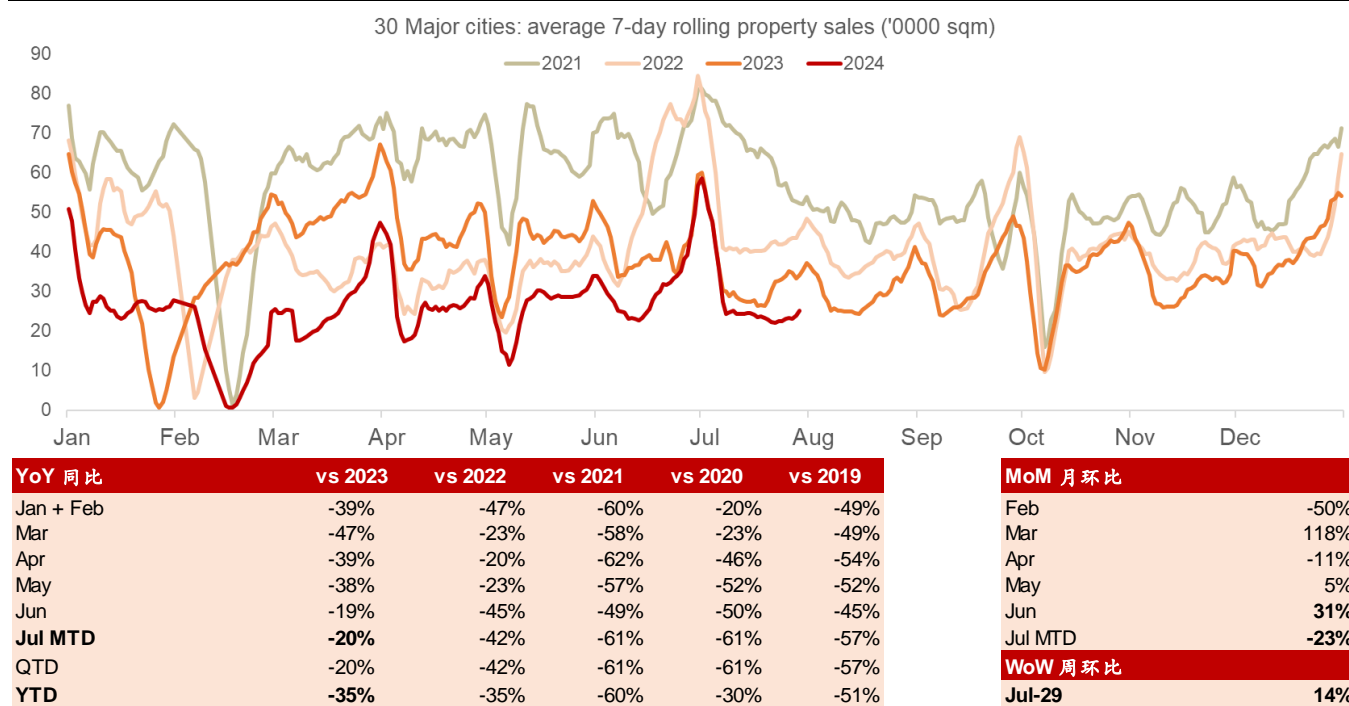
Note: Data as of 29 Jul 2024

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

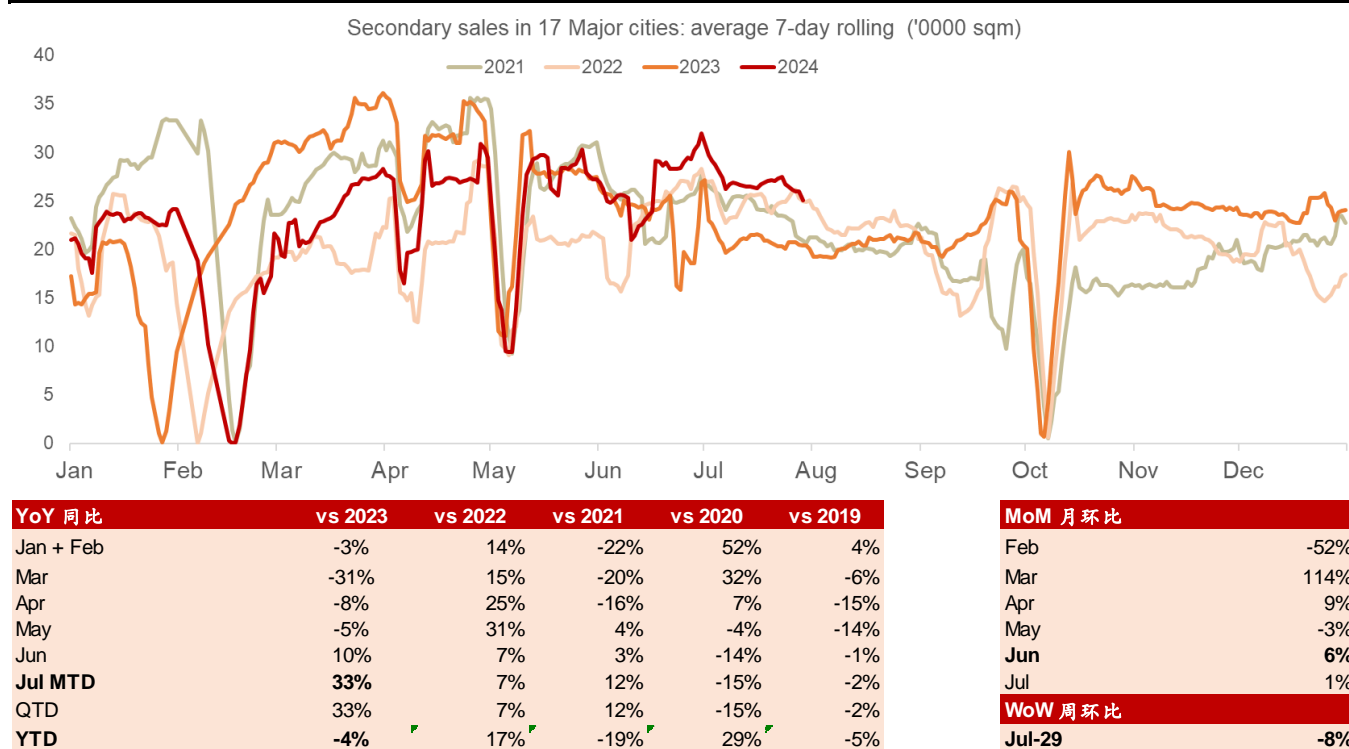
Primary sales	Mar	Apr	May	Jun	Jul MTD	Growth	Pre-517 (1.1-5.16)	Post-517 (5.17-7.29)	Growth	2023 (1.1-7.29)	2024 YTD (1.1-7.29)	YoY Growth
30 major cities	28.41	26.00	26.48	33.81	24.71	-27%	23.72	29.76	25%	40.01	25.85	-35%
Tier 1&2	22.29	20.61	20.70	26.07	19.21	-26%	18.70	23.15	24%	31.44	20.27	-36%
Tier 3	6.12	5.39	5.77	7.74	5.50	-29%	5.02	6.60	31%	8.57	5.58	-35%
Beijing	2.60	2.40	2.00	2.95	2.69	-9%	2.54	2.71	7%	3.34	2.60	-22%
Shanghai	4.65	4.23	3.63	4.74	4.21	-11%	3.48	4.46	28%	5.40	3.82	-29%
Chengdu	5.62	6.14	7.01	6.33	5.52	-13%	5.35	6.45	21%	8.32	5.74	-31%
Shenzhen	0.96	1.00	0.79	1.12	0.98	-13%	0.79	1.01	28%	1.36	0.87	-36%
Guangzhou	2.39	2.38	2.39	3.43	2.29	-33%	1.99	2.82	42%	3.00	2.29	-24%
Suzhou	2.13	1.07	1.55	1.72	1.10	-36%	1.30	1.60	23%	2.11	1.40	-33%
Hangzhou	2.58	1.62	1.96	3.95	1.57	-60%	1.72	2.77	62%	2.91	2.09	-28%

Secondary sales	Mar	Apr	May	Jun	Jul MTD	Growth	Pre-517 (1.1-5.16)	Post-517 (5.17-7.29)	Growth	2023 (1.1-7.29)	2024 YTD (1.1-7.29)	YoY Growth
17 major cities	23.51	26.38	24.66	25.90	26.55	3%	21.44	26.61	24%	24.22	23.26	-4%
Chengdu	6.56	7.47	6.72	6.60	7.46	13%	6.04	7.06	17%	6.82	6.40	-6%
Qingdao	1.87	2.37	1.99	1.88	2.01	7%	1.75	1.95	11%	1.69	1.82	8%
Shenzhen	1.34	1.54	1.53	1.63	1.66	2%	1.25	1.64	32%	1.02	1.39	36%
Beijing	4.36	4.30	4.21	4.83	4.75	-2%	3.68	4.84	31%	4.39	4.09	-7%
Foshan	2.18	2.17	2.42	2.41	2.36	-2%	2.01	2.46	23%	2.44	2.17	-11%
Dongguan	0.74	0.81	0.75	0.91	0.88	-3%	0.74	0.86	15%	1.07	0.78	-27%
Suzhou	1.91	2.60	2.59	2.34	2.21	-6%	2.03	2.55	25%	2.29	2.21	-3%
Hangzhou	1.51	1.47	1.45	1.82	1.57	-14%	1.16	1.71	47%	1.13	1.36	20%
Shanghai	5.20	4.65	4.80	7.12	5.42	-24%	4.10	6.20	51%	0.00	4.84	n.a.

Source: Wind, CMBIGM

Figure 3: YTD new home sales decline narrowed to -35% YoY

Source: Wind, CMBIGM

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

Source: Wind, CMBIGM

Figure 5: Units of new homes sold in tier-1 cities (30W2024)

Weekly	7.22-7.28						vs. weekly avg.	WoW	
	25W	26W	27W	28W	29W	30W		29W	30W
Shenzhen	722	958	621	579	579	500 ↓	-4%	0%	-14%
Guangzhou	1,439	2,103	1,346	1,056	654	988 ↑	-11%	-38%	51%
Beijing	979	1,665	883	1,003	773	892 ↑	-6%	-23%	15%
Shanghai	1,774	2,828	1,937	1,939	2,836	2,332 ↓	89%	46%	-18%
Monthly	7.22-7.28						vs. monthly avg.	MoM	
	Jan	Feb	Mar	Apr	May	Jun		May	Jun
Shenzhen	1,788	844	2,245	2,355	2,009	2,927 ↑	58%	-15%	46%
Guangzhou	3,412	2,138	4,830	4,834	5,159	7,048 ↑	73%	7%	37%
Beijing	7,056	1,560	3,557	3,469	3,207	3,870 ↑	3%	-8%	21%
Shanghai	4,019	1,469	5,797	4,408	3,991	6,707 ↑	70%	-9%	68%

Source: Local MOHURD, CMBIGM

Figure 6: Units of secondary homes sold in tier-1 cities (30W2024)

Weekly	7.22-7.28						vs. weekly avg.	WoW	
	25W	26W	27W	28W	29W	30W		29W	30W
Shenzhen	1,205	1,140	1,143	1,051	1,033	953 ↓	-1%	-2%	-8%
Guangzhou	2,489	2,537	2,371	2,453	2,290	2,183 ↓	-1%	-7%	-5%
Beijing	3,669	5,235	2,913	3,464	3,562	3,388 ↓	7%	3%	-5%
Shanghai	6,275	6,711	4,563	4,272	4,471	4,714 ↑	3%	5%	5%
Monthly	7.22-7.28						vs. monthly avg.	MoM	
	Jan	Feb	Mar	Apr	May	Jun		May	Jun
Shenzhen	3,463	1,785	3,840	4,171	3,963	4,172 ↑	21%	-5%	5%
Guangzhou	8,451	4,865	9,373	9,128	7,838	10,456 ↑	32%	-14%	33%
Beijing	12,444	6,332	14,280	13,354	13,383	14,987 ↑	25%	0%	12%
Shanghai	14,303	6,596	17,834	18,077	18,692	26,374 ↑	75%	3%	41%

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)	(USD mn)	24E	25E	26E	24E	25E	26E	24E	25E	26E	23A	23A	24E
CR Land	1109.HK	23.15	21,132	4.8 x	4.4 x	4.0 x	0.5 x	0.5 x	0.4 x	1.1	7.6	9.7	33%	6.8%	7.3%
COLI	0688.HK	12.42	17,401	4.6 x	4.3 x	4.1 x	0.3 x	0.3 x	0.3 x	5.5	6.7	5.8	31%	6.4%	6.1%
Poly Developments	600048.SH	8.33	13,973	7.8 x	7.2 x	6.6 x	0.5 x	0.4 x	0.4 x	5.9	8.8	8.8	41%	4.9%	4.9%
CMSK	001979.SZ	8.22	10,437	9.4 x	8.1 x	7.3 x	0.6 x	0.5 x	0.5 x	25.4	16.7	10.2	49%	3.9%	4.4%
Vanke A	000002.SZ	6.75	10,353	12.3 x	9.8 x	9.0 x	0.3 x	0.3 x	0.3 x	(46.1)	25.9	8.9	NA	NA	1.8%
Vanke H	2202.HK	4.09	10,353	8.9 x	5.8 x	5.4 x	0.2 x	0.2 x	0.2 x	(58.7)	54.3	7.3	NA	NA	3.2%
Longfor	0960.HK	9.76	8,455	4.7 x	4.5 x	4.2 x	0.3 x	0.3 x	0.3 x	0.6	3.1	8.4	26%	6.2%	6.2%
Binjiang Group	002244.SZ	7.84	3,418	8.2 x	7.0 x	6.3 x	0.9 x	0.8 x	0.7 x	17.5	16.9	10.8	11%	1.1%	1.9%
C&D International	1908.HK	12.68	3,274	4.7 x	4.0 x	3.4 x	0.8 x	0.7 x	0.7 x	(0.6)	17.1	15.9	45%	10.3%	0.0%
Yuexiu	0123.HK	4.96	2,556	5.2 x	4.8 x	4.3 x	0.3 x	0.3 x	0.3 x	9.7	9.3	10.1	40%	7.7%	8.5%
Huafa	600325.SH	5.78	2,229	8.0 x	7.3 x	6.8 x	0.7 x	0.6 x	0.6 x	NA	NA	NA	NA	NA	NA
Greentow n China	3900.HK	5.70	1,848	3.6 x	3.4 x	3.4 x	0.3 x	0.3 x	0.3 x	16.1	6.1	0.2	35%	8.3%	9.6%
Midea RE	3990.HK	6.91	1,270	9.9 x	10.2 x	9.6 x	0.3 x	0.3 x	0.3 x	(0.2)	(2.6)	6.5	NA	NA	NA
COGO	0081.HK	1.55	706	2.3 x	2.2 x	2.0 x	0.2 x	0.1 x	0.1 x	(3.4)	4.9	10.4	22%	10.3%	8.5%
Average				6.9 x	5.9 x	5.4 x	0.4 x	0.4 x	0.4 x	(4.9)	14.6	8.1	27%	4.6%	4.9%

Source: Company data, Wind, CMBIGM

Note: Data as of 30 Jul 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	21.45	6,267	12.5 x	10.6 x	8.9 x	22.0	18.5	18.0	55%	3.6%	4.4%
Onewo	2602.HK	18.90	2,844	8.9 x	7.7 x	6.7 x	16.8	15.9	15.2	66%	6.4%	7.0%
Country Garden Services	6098.HK	4.53	1,939	8.1 x	6.3 x	6.1 x	NA	29.0	2.3	337%	7.1%	5.0%
COPH	2669.HK	4.49	1,888	8.3 x	7.0 x	6.0 x	20.8	18.3	17.8	31%	3.1%	3.7%
Poly Services	6049.HK	25.50	1,806	8.0 x	7.0 x	6.2 x	16.0	14.5	13.9	40%	4.3%	4.8%
China Merchant PO	001914.SZ	9.65	1,434	11.6 x	9.8 x	8.4 x	19.5	18.5	17.6	24%	1.8%	2.1%
Greentown Services	2869.HK	3.22	1,304	12.7 x	10.7 x	9.3 x	21.2	18.1	15.8	72%	4.7%	4.7%
Greentown Management	9979.HK	4.31	1,109	6.4 x	5.1 x	4.2 x	27.1	25.1	22.5	100%	12.7%	12.8%
Sunac Services	1516.HK	1.69	661	7.5 x	6.5 x	5.7 x	NA	14.7	14.0	NA	23.2%	9.1%
Jinke Services	9666.HK	7.83	619	10.9 x	9.4 x	7.9 x	NA	16.0	18.6	NA	NA	4.9%
Yuexiu Services	6626.HK	2.83	550	6.8 x	5.7 x	4.9 x	18.9	18.9	16.0	50%	6.2%	7.4%
Binjiang Services	3316.HK	15.26	540	6.7 x	5.7 x	4.9 x	17.0	17.7	16.4	70%	9.0%	9.0%
A-Living	3319.HK	2.61	474	3.1 x	2.8 x	2.4 x	NA	8.2	16.1	26%	3.6%	6.8%
C&D PM	2156.HK	2.60	469	6.0 x	4.8 x	4.0 x	20.1	23.1	20.6	67%	10.0%	NA
Ever Sunshine	1995.HK	1.53	339	5.7 x	4.9 x	0.0 x	(1.6)	15.7	NA	50%	8.9%	10.1%
S-Enjoy	1755.HK	2.81	313	4.5 x	4.1 x	3.8 x	12.5	9.4	7.4	39%	8.0%	NA
Jinmao Services	0816.HK	2.45	284	5.2 x	4.5 x	4.0 x	15.9	14.1	13.7	42%	6.9%	NA
Central China New Life	9983.HK	1.25	208	4.0 x	3.7 x	2.9 x	NA	9.7	26.9	NA	26.2%	14.3%
Excellence CM	6989.HK	1.31	205	4.4 x	3.9 x	3.6 x	10.7	11.3	7.8	69%	14.5%	NA
Powertong Commercial	9909.HK	2.48	204	3.1 x	2.8 x	0.0 x	5.1	8.2	NA	19%	6.0%	9.7%
New Hope Services	3658.HK	1.58	165	5.0 x	4.7 x	4.4 x	9.1	7.5	5.0	59%	11.0%	NA
E-star CM	6668.HK	1.17	152	5.9 x	5.3 x	4.7 x	7.4	11.2	12.9	70%	11.1%	11.2%
Sino-Ocean Services	6677.HK	0.44	66	1.7 x	1.5 x	0.0 x	NA	12.2	NA	40%	3.7%	NA
Average				9.3 x	7.9 x	6.7 x	16.1	18.1	15.2	73%	6.0%	5.4%

Source: Company data, Wind, CMBIGM

Note: Data as of 30 Jul 2024

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