

China Property Sector

Property+ Weekly: hopes are returning post-CNY

Despite lagging construction activity, property sales started to pick up post-CNY, again correctly predicted by our leading indicator GAIN. In particular, new home sales in 30 cities narrowed YoY decline to -21% post-CNY vs. -25% pre-CNY (vs. the similar period in 2022). Existing home market is seeing much stronger momentum with sales in 9 major cities +38% YoY post-CNY vs. +15% YoY pre-CNY. This has slightly overturned investors' negative view on sales recovery. With the policy relaxation in Changsha/Wuhan and potential ones in Tier 1 cities (we think the chance is high starting from Guangzhou), this may give more hopes to the sales recovery (at least in Feb). As for stocks pick, we continue to favor BEKE (BEKE US, BUY) (the key beneficiary of existing home sales boom), property management (Yuexiu Service (6626 HK) and COPH (2669 HK) on earnings) and developers (CRL/Longfor on shopping malls and Binjiang/Huafa Holdings (potential Shanghai relaxation)).

- Post-CNY sales improved with secondary sales growth accelerated.** Based on daily data, new home and secondary sales recorded -21%/+38% YoY post-CNY (28 Jan to 7 Feb) when compared to the similar period in 2022. Both exceed market expectation given a sluggish CNY, but this is in line with our [CNY channel check report](#) and [more-bullish-than-market views on existing home 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 25% 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. The chance is relatively high in Guangzhou based on the [news](#).
- A slow pick up in construction activity:** According to [100NJZ's channel check](#) among 12,220 projects, the work resumption rate remains low at 38.4% on the 17th day since the beginning of CNY vs. 51% in the same period of 2022. It was mainly dragged by property constructions (infra relatively better). By region, South China still performed the worst in constructions due to the tight cash flow of developers and governments lead to low money collection expectation of construction companies. While North/Southwest were better on the back of quick recovery of infra projects/active fund inflow.
- Cement: price edged down on weaker constructions.** As of 7 Feb, national cement price dipped 0.5% WoW to RMB448/mt and storage ratio remains high at 74 % as it is usually off-season post-CNY and the work consumption rate is particularly low in this year, thus the weak demand drove some factories like those in Hebei to cut price in exchange for sales volume.
- Steel rebar** price went down 2% WoW to RMB 4,254 per mt as of 7 Feb partly driven by both slow demand recovery and price fall of iron ore.
- Other Materials: Aluminum Ingot** price inched up 0.1%/7% WoW/MoM to RMB 18,995/mt and **Float glass** price ramped up 0.7%/5% WoW/MoM on 7 Feb to RMB 1,681/mt, both backed by better housing completion driven by direct funding support.

OUTPERFORM
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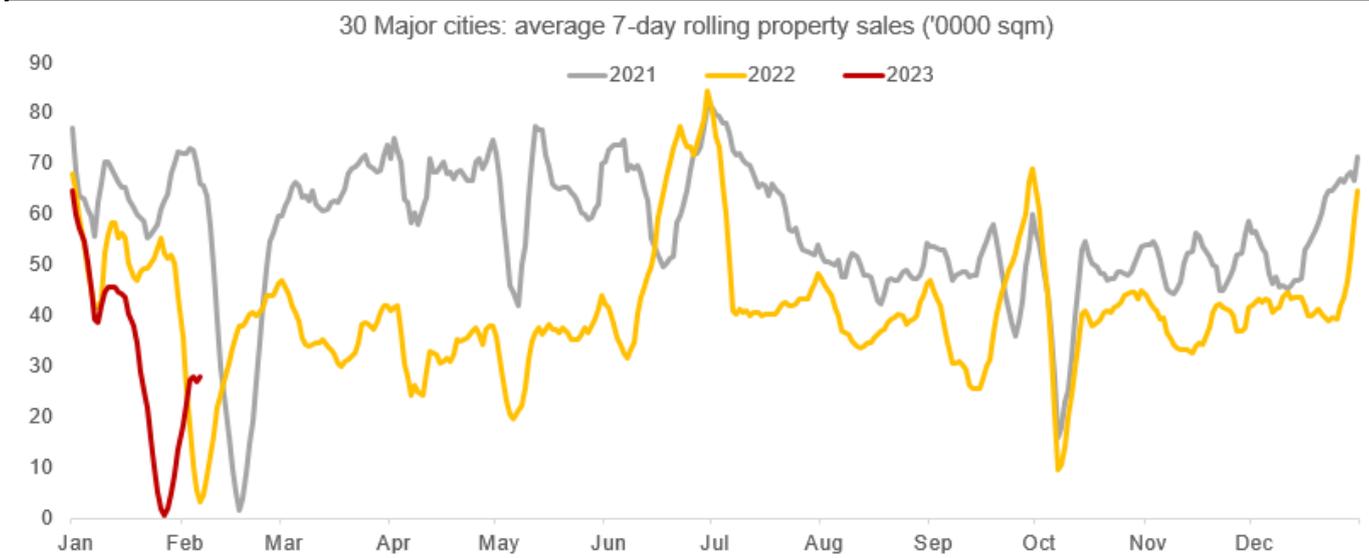
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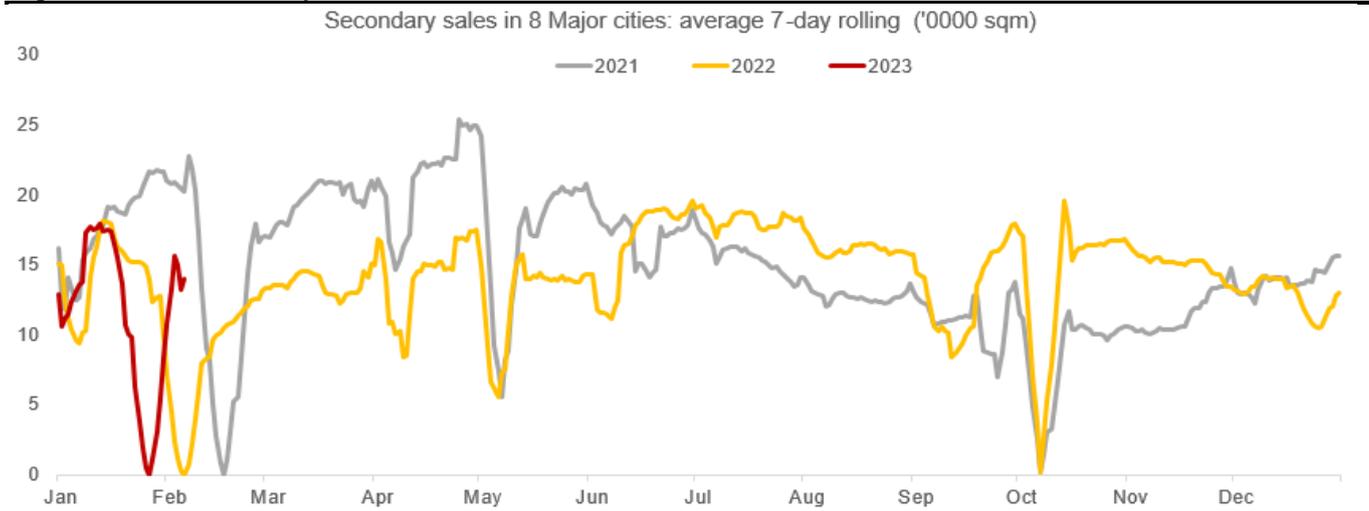
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Figure 1: YTD sales declined 30% YoY vs. -21%/-25% in Dec/Nov 2022



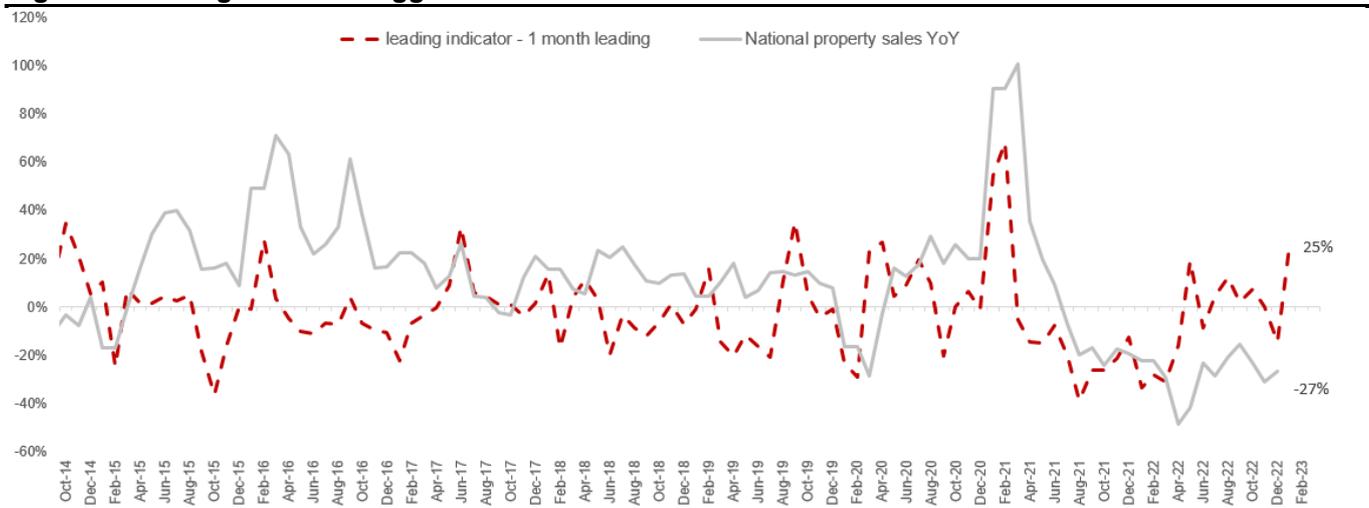
Source: Wind, CMBIGM

Figure 2: Jan secondary sales declined 12% YoY vs. -12%/+25% in Dec/Nov 2022



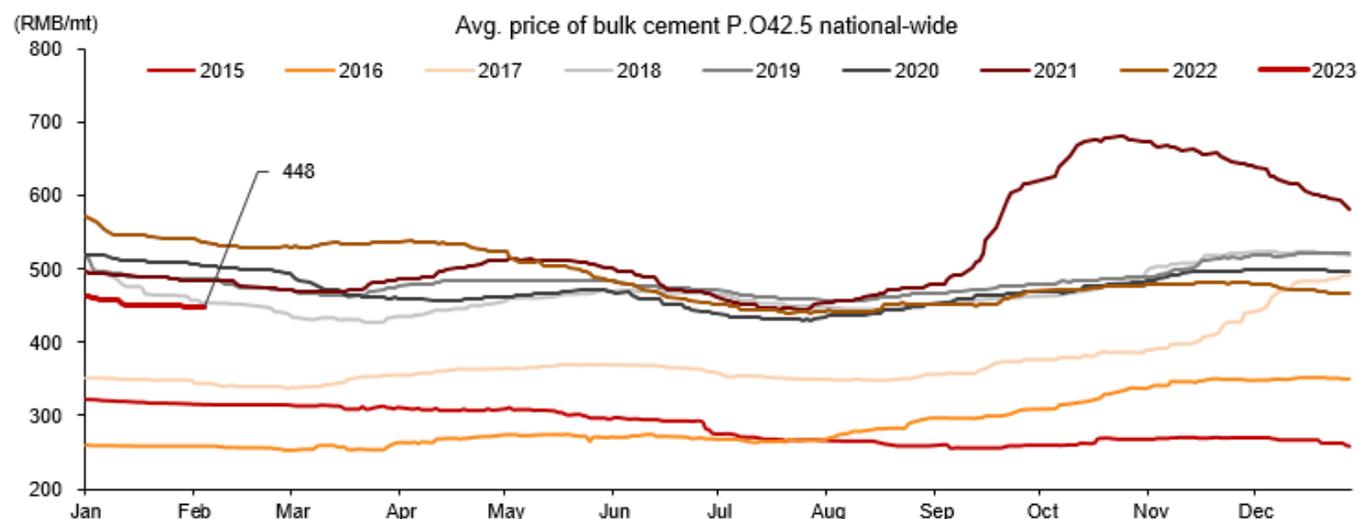
Source: Wind, CMBIGM

Figure 3: Leading indicator suggests better sales YTD 2023



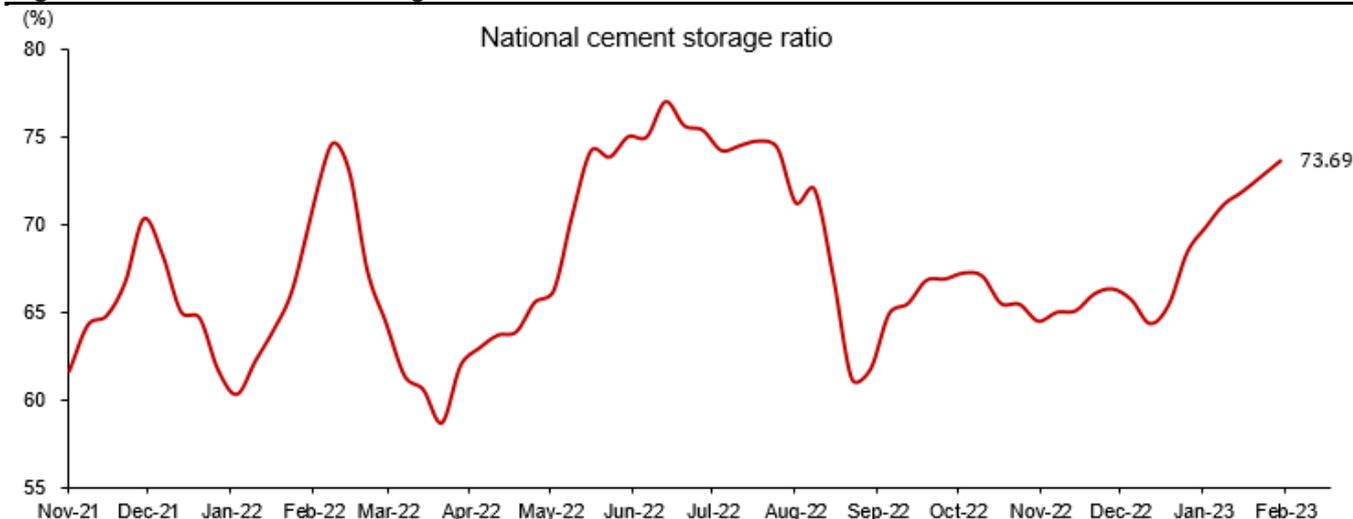
Source: NBS, CMBIGM

Figure 4: Avg. price of bulk cement P.O42.5 national-wide



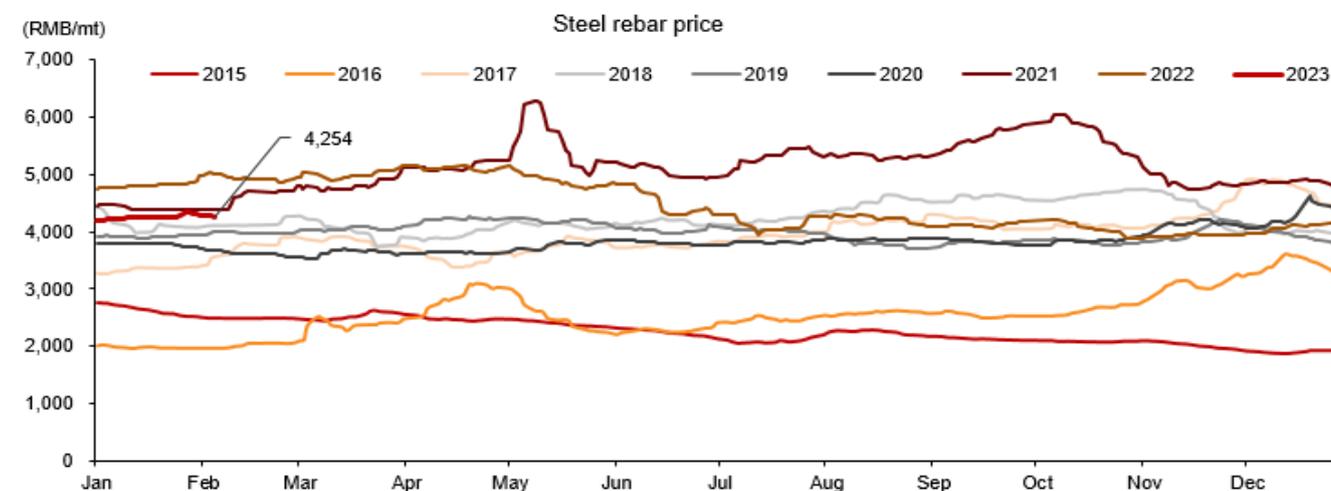
Source: My Steel, CMBIGM,

Figure 5: National cement storage ratio



Source: My Steel, CMBIGM,

Figure 6: Steel rebar price



Source: My Steel, CMBIGM

Figure 7: Aluminum Ingot price

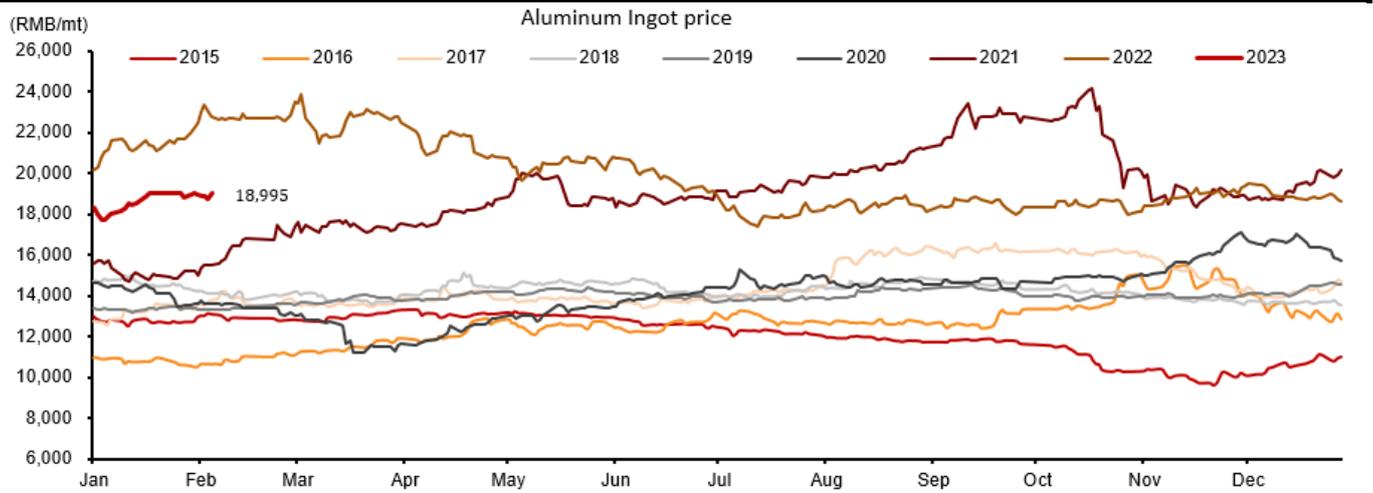


Figure 8: 5mm plain float glass price

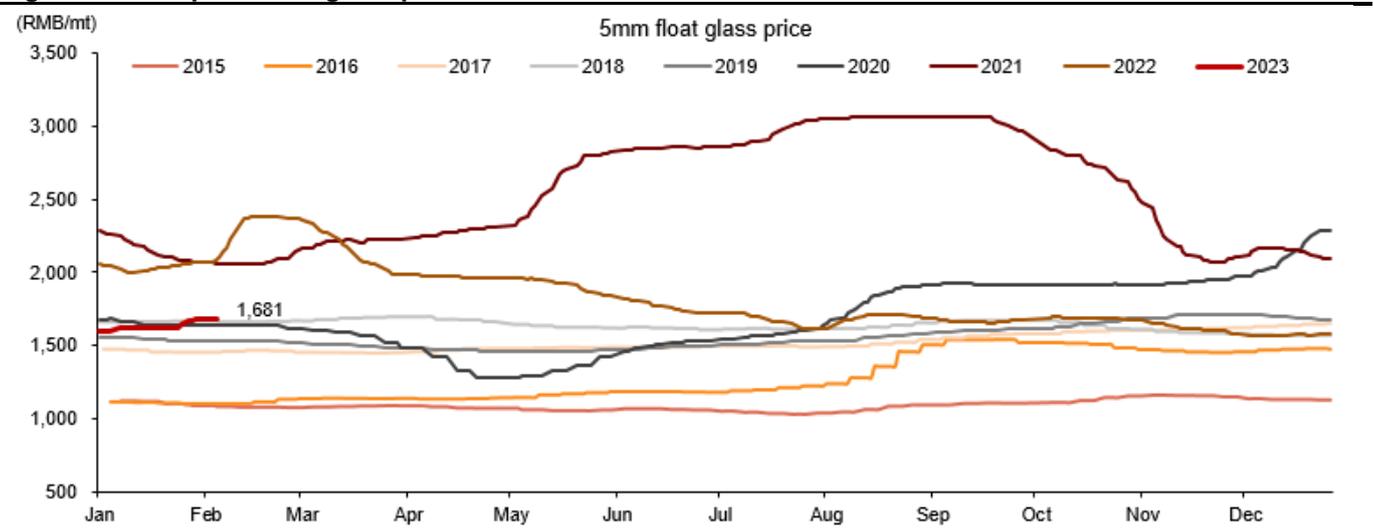


Figure 9: Comp sheet of developers

Company	Ticker	Last price (LC)	Mkt Cap (LC mn)	TP (LC)	P/E				PB	Dividend Yield	
					20A	21A	22E	23E		22E	21A
Vanke - H	2202 HK	16.22	236,708	33.92	4.0	6.9	8.2	8.0	0.7	7%	5%
COLI	688 HK	21.40	234,221	30.49	5.5	5.3	6.2	5.9	0.6	7%	5%
Country Garden	2007 HK	3.03	83,743	13.36	1.8	2.1	5.1	4.5	0.3	12%	3%
CR Land	1109 HK	38.20	272,402	44.79	10.0	8.5	8.5	7.8	1.0	4%	4%
Longfor	960 HK	25.85	163,933	52.59	7.2	5.6	6.6	6.3	1.1	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	2.56	12,032	NA	0.9	3.2	2.2	2.4	0.1	24%	0%
KWG	1813 HK	2.12	7,247	NA	0.9	1.4	2.5	2.4	0.1	21%	0%
Times China	1233 HK	1.55	3,258	NA	0.5	0.8	1.7	1.2	0.1	6%	0%
China SCE	1966 HK	1.08	4,561	NA	1.2	1.2	1.6	1.6	0.2	18%	0%
CIFI	884 HK	1.19	12,392	NA	1.1	1.2	2.2	1.9	0.2	15%	5%
Seazen	1030 HK	3.01	21,268	NA	1.9	1.7	4.2	3.7	0.4	0%	0%
Midea	3990 HK	11.78	15,967	NA	3.0	3.1	4.6	4.6	0.5	16%	9%
Vanke - A	000002 CH	18.19	203,464	NA	5.0	9.4	9.0	8.7	0.8	5%	5%
Poly Development	600048 CH	15.59	186,619	NA	6.4	6.8	7.8	7.3	0.9	4%	4%
Binjiang Real Estate	002244 CH	10.50	32,670	NA	14.0	10.8	8.6	7.5	1.4	2%	2%
Average					4.0	4.3	5.0	4.7	0.5	11.0%	4.8%

Source: BBG, CMBIGM

Figure 10: 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	15.88	65,340	10.0	5.5	9.8	8.7	1.7	9%	5%
CNBM	3323 HK	6.98	58,875	3.3	3.0	6.0	4.7	0.5	12%	7%
China Res Cement	1313 HK	4.36	30,446	3.4	3.9	12.2	9.0	0.6	13%	4%
China Lesso	2128 HK	8.89	27,580	6.6	7.7	7.1	6.0	1.0	4%	4%
Anhui Conch Cement	600585 CH	28.87	147,384	4.3	4.6	8.8	7.8	0.8	8%	4%
Tangshan Jidong Cement	000401 CH	8.71	23,153	4.4	4.9	8.6	7.3	0.7	7%	4%
Baoshan Iron & Steel	600019 CH	6.10	135,836	10.7	5.7	8.7	7.5	0.7	5%	4%
Oriental Yuhong	002271 CH	35.26	88,801	23.4	20.3	31.9	21.4	3.2	0%	NA
Inner Mongolia Iron & Steel	600010 CH	2.06	93,905	228.9	32.7	-68.7	45.8	1.7	2%	1%
Aluminum Corp of China	601600 CH	5.38	85,467	192.1	18.8	16.3	16.7	1.5	12%	12%
Beijing New Building Materials	000786 CH	27.86	47,070	NA	13.4	14.8	12.3	2.2	0%	0%
Yunnan Aluminum	000807 CH	13.43	46,575	46.3	12.7	10.3	9.0	2.1	1%	2%
Shandong Nanshan Aluminium	600219 CH	3.65	42,736	21.5	12.6	11.2	10.4	1.0	16%	17%
Weixi New Building Materials	002372 CH	22.22	35,377	29.2	28.9	26.8	22.3	6.6	NA	NA
Kinlong Hardware	002791 CH	96.22	30,939	37.9	34.7	88.2	42.0	6.4	1%	0%
Zhuzhou Kibing	601636 CH	11.39	30,565	16.6	7.3	21.0	13.0	2.3	7%	5%
Maanshan Iron & Steel	600808 CH	2.95	20,703	11.4	4.3	42.1	10.2	0.7	12%	3%
Keshun Waterproof	300737 CH	13.20	15,588	16.1	22.4	33.0	19.0	2.8	NA	NA
Era Co Ltd	002641 CH	4.95	6,114	7.3	10.5	NA	NA	NA	1%	NA
Canlon Building Materials	300715 CH	14.61	5,624	16.0	73.1	38.0	22.8	2.0	4%	NA
Average				36.3	16.3	17.2	15.6	2.0	6.4%	4.8%

Source: BBG, CMBIGM

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