

Property

NBS 7M24: REI decline widened but its components all performed better, why?

NBS data in 7M24 weakened as the market expected. REI decline widened to -10.2% from -10.1% in 6M24. In terms of monthly data in July, the decline in REI widened by 0.7ppt to -10.8% from -10.1% in June while both GFA under construction and land purchase costs performed better (affected c.90% of total REI) with their declines only widened 0.1ppt and narrowed 4.7ppt respectively. We estimate the worse REI data may be caused by material price declines that resulted in lower construction cost per sqm under construction ([Figure 2](#)). NBS property sales volume/value declines widened in July even with a lower base. [High-frequency data](#) reveals that momentum of both the new home and secondary home sales continues weakening after the surge in June with daily avg. transaction volume down 20%/ 18% in Aug MTD (vs. daily avg. in July). Our leading indicator hints at a narrower decline in Aug and a wider one in Sep. Our [tier-1 cities watch](#) finds that secondary home sales saw a weak week in 32W with all four cities booking a number below their weekly avg. With a benign policy outlook, 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.

■ NBS REI decline widened while its components decline narrowed. Why?

Noting that 90% of REI consists of 1) construction and installation (C&I) costs, 2) equipment expenses and 3) land purchase costs, where C&I and equipment expenses together (1+2) equate to GFA under construction times (x) per-sqm expenses. In July, the decline in REI widened by 0.7 ppt (from -10.1% in June to -10.8%), while GFA under construction decline widened just 0.1 ppt (new starts and completions showed narrowed declines). Land purchase performed better with a 4.7ppt narrower decline from June's -2%. Thus, we estimate the wider decline in REI was primarily due to per-sqm construction costs, influenced by material price like cement and steel, which fell by 3% and 6%, respectively, in July. ([Figure 2](#))

■ NBS sales volume/value decline widened 1/4% even with lower bases.

Property GFA sold in July dropped 15.4% YoY to 74mn sqm, reaching levels last seen in May 2009. Sales value declined 18.5% YoY to RMB62 bn, marking the lowest level since May 2015. This corresponds to a YoY/MoM decrease in property selling price of 3.7%/2.3%. Looking ahead, our leading indicator shows a widened property search interest decline in Aug, suggesting a slightly wider sales decline in Sep. ([Figure 1](#))

■ High-frequency data: The daily avg. transaction volume went down 20%/ 18% in Aug MTD (vs. daily avg. in July) in primary/secondary markets which indicate the sales momentum is continue weakening after the surge in June. As of 18 Aug, [new home sales volume in 30 major cities](#) in Aug MTD was -18%/-23% MoM/YoY (vs. -16% YoY in July). The YTD decline narrowed to -34% YoY (vs. -37% at end-Jun). The [secondary home sales volume in 17 cities](#) was -22%/+2% MoM/YoY in Aug MTD (+37% YoY in July). The YTD decline largely narrowed to -3% YoY (vs. -8% at end-Jun).

■ Transaction watch in tier-1 cities (weekly). During the 32nd week of 2024 (05-11 Aug), [units of new homes sold](#) in BJ and SZ surpassed their weekly avg. in 1H24 by 94% and 14%, while GZ and SH underperformed by -21% and -41%. [Units of secondary homes sold](#) saw a weak week with SH/BJ/SZ/GZ underperforming their weekly avg. in 1H24 by 14/7/5/2%.

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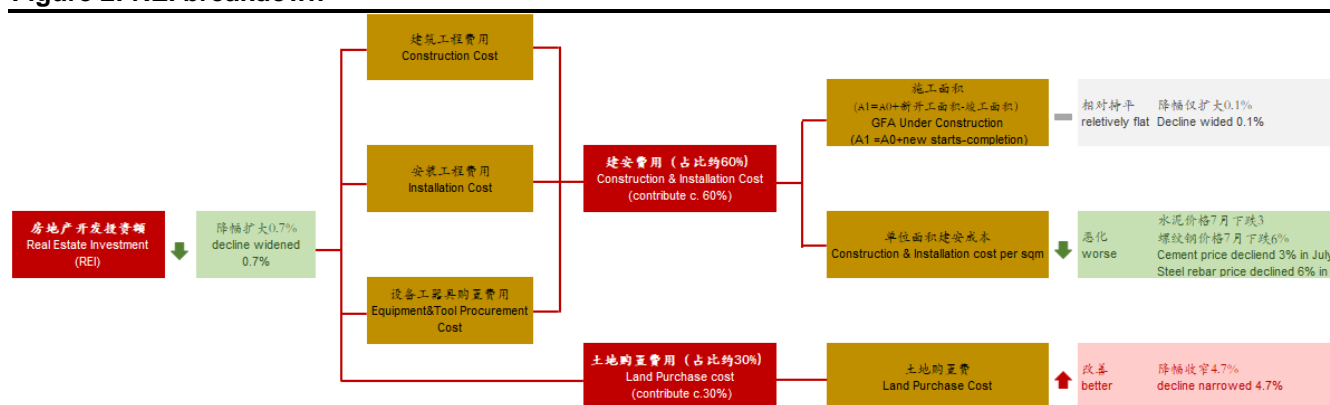
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Figure 1: Quick review of national property data in 7M24

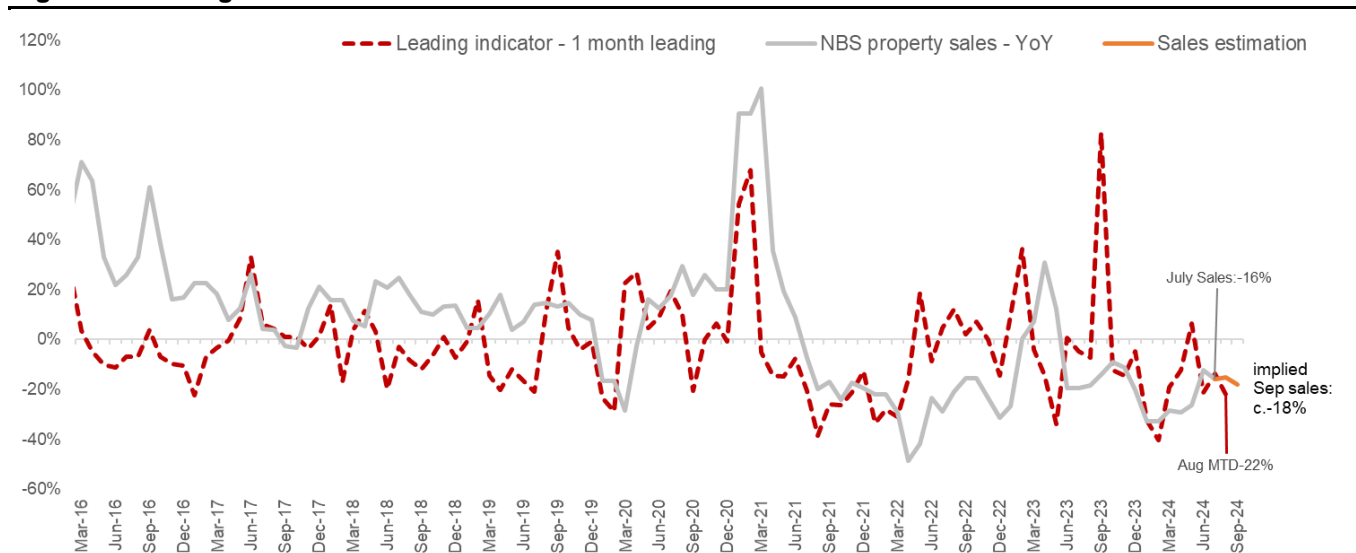
	Jul-24	YoY	MoM	Jun-24	YoY	7M24	YoY	2023	YoY
Property GFA sold (mn sqm)	62	-15.4%	-44.7%	113	-14.5%	541	-18.6%	1,117	-8.5%
Property sales (RMB bn)	620	-18.5%	-46.0%	1,147	-14.3%	5,333	-24.3%	11,662	-6.5%
Implied property price (RMB/sqm)	9,942	-3.7%	-2.3%	10,172	0.2%	9,849	-7.0%	10,437	834.1%
Unsold Inventory (mn sqm)	739	14.5%	0.0%	739	15.2%	739	14.5%	673	19.0%
New starts (mn sqm)	57	-19.7%	-28.0%	79	-21.7%	437	-23.2%	954	-20.4%
GFA under construction (mn sqm)	7,033	-12.1%	0.9%	6,968	-12.0%	7,033	-12.1%	8,384	-7.2%
GFA completion (mn sqm)	35	-21.8%	-18.2%	43	-29.6%	300	-21.8%	998	17.0%
Property investment (RMB bn)	835	-10.8%	-29.8%	1,190	-10.1%	6,088	-10.2%	11,091	-9.6%
Domestic loans of developers (RMB bn)	101	-3.8%	-27.8%	140	-8.5%	922	-6.3%	1,560	-9.9%

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

Source: NBS, Wind, CMBIGM

Figure 2: REI breakdown

Source: NBS, Wind, My Steel, CMBIGM

Figure 3: Leading Indicator

Source: Wind, CMBIGM

Note: Data as of 18 Aug 2024

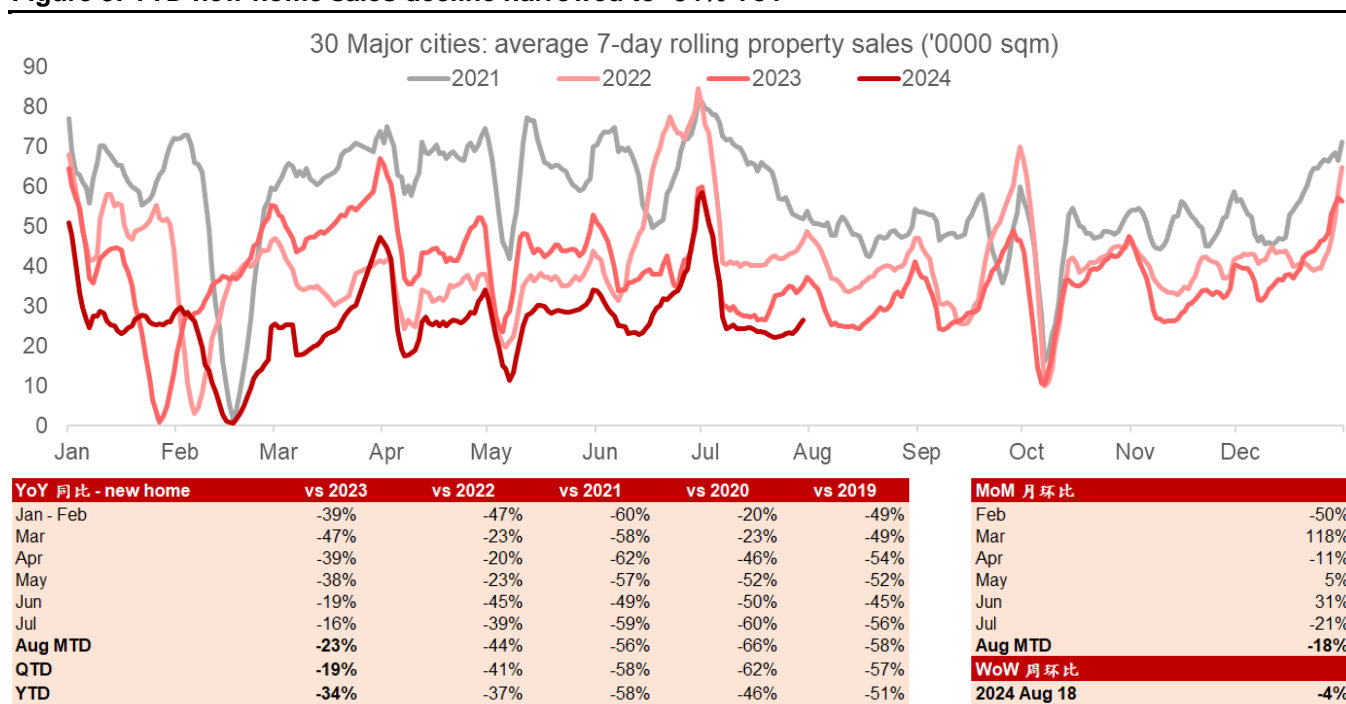
Figure 4: Daily avg. transaction volume ('0000 sqm)

Primary sales	Mar	Apr	May	Jun	Jul	Aug MTD	Aug Growth	Pre-517 (1.1-5.16)	Post-517 (5.17-8.18)	Growth	2023 (1.1-8.18)	YTD (1.1-8.18)	YoY Growth
30 major cities	28.41	26.00	26.48	33.81	25.82	20.73	-20%	23.72	28.29	19%	38.92	25.58	-34%
Tier 1&2	22.29	20.61	20.70	26.07	20.20	16.11	-20%	18.70	22.05	18%	30.58	20.07	-34%
Tier 3	6.12	5.39	5.77	7.74	5.62	4.62	-18%	5.02	6.24	24%	8.34	5.52	-34%
Shenzhen	0.96	1.00	0.79	1.12	1.05	1.19	13%	0.79	1.07	35%	1.33	0.90	-32%
Guangzhou	2.39	2.38	2.39	3.43	2.36	2.58	9%	1.99	2.79	40%	2.91	2.32	-20%
Suzhou	2.13	1.07	1.55	1.72	1.13	1.08	-4%	1.30	1.50	15%	2.08	1.38	-34%
Beijing	2.60	2.40	2.00	2.95	2.84	2.34	-17%	2.54	2.69	6%	3.28	2.60	-21%
Shanghai	4.65	4.23	3.63	4.74	4.39	3.54	-19%	3.48	4.34	25%	5.28	3.83	-27%
Chengdu	5.62	6.14	7.01	6.33	5.54	4.24	-24%	5.35	6.02	13%	8.23	5.62	-32%
Hangzhou	2.58	1.62	1.96	3.95	1.75	1.11	-37%	1.72	2.49	45%	2.84	2.03	-28%

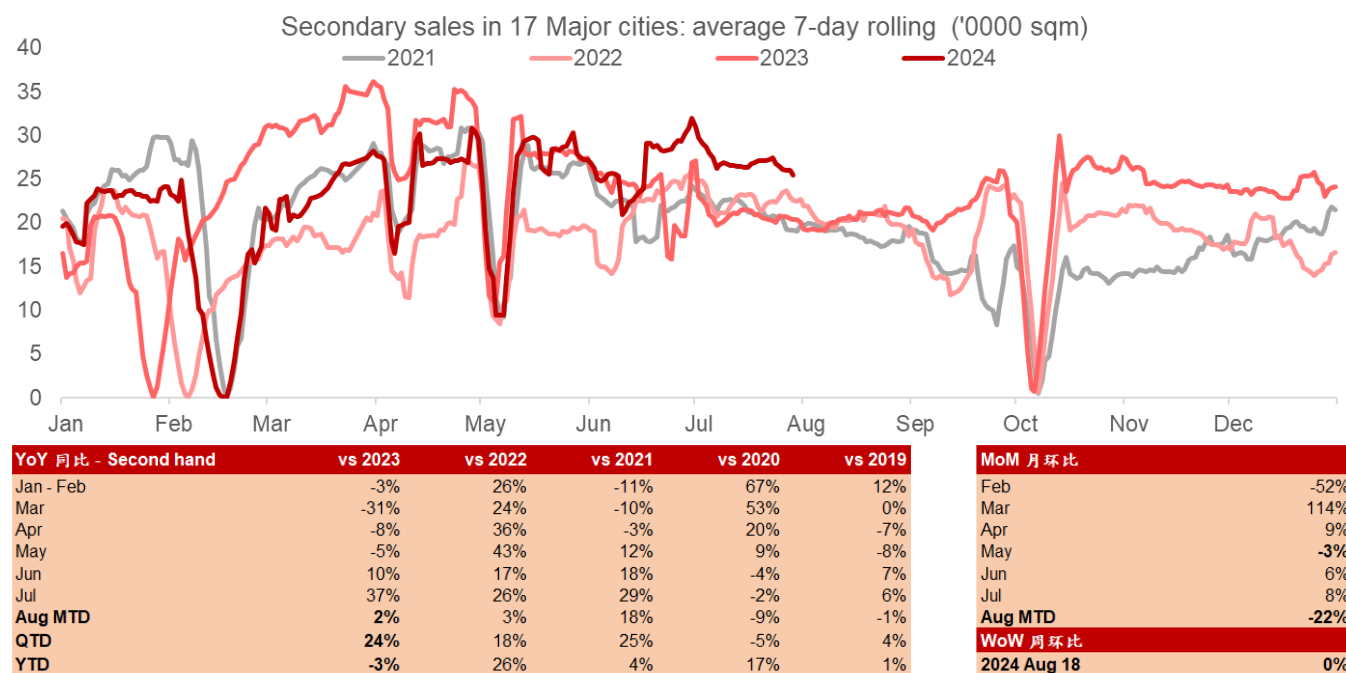
Secondary sales	Mar	Apr	May	Jun	Jul	Aug MTD	Aug Growth	Pre-517 (1.1-5.16)	Post-517 (5.17-8.18)	Growth	2023 (1.1-8.18)	YTD (1.1-8.18)	YoY Growth
17 major cities	23.51	26.38	24.66	25.90	26.96	22.19	-18%	21.44	25.90	21%	23.93	23.26	-3%
Dongguan	0.74	0.81	0.75	0.91	0.90	0.81	-10%	0.74	0.86	15%	1.05	0.79	-25%
Suzhou	1.91	2.60	2.59	2.34	2.26	2.03	-10%	2.03	2.46	21%	2.25	2.20	-2%
Shanghai	5.20	4.65	4.80	7.12	5.41	4.85	-10%	4.10	5.92	44%	0.00	4.85	n.a.
Foshan	2.18	2.17	2.42	2.41	2.39	2.06	-14%	2.01	2.39	19%	2.43	2.16	-11%
Qingdao	1.87	2.37	1.99	1.88	2.04	1.71	-16%	1.75	1.92	9%	1.68	1.82	8%
Shenzhen	1.34	1.54	1.53	1.63	1.73	1.39	-20%	1.25	1.62	30%	1.01	1.40	38%
Beijing	4.36	4.30	4.21	4.83	4.92	3.96	-20%	3.68	4.72	28%	4.29	4.11	-4%
Chengdu	6.56	7.47	6.72	6.60	7.53	6.00	-20%	6.04	6.89	14%	6.71	6.39	-5%
Hangzhou	1.51	1.47	1.45	1.82	1.56	1.16	-26%	1.16	1.60	37%	1.14	1.34	17%

Source: Wind, CMBIGM

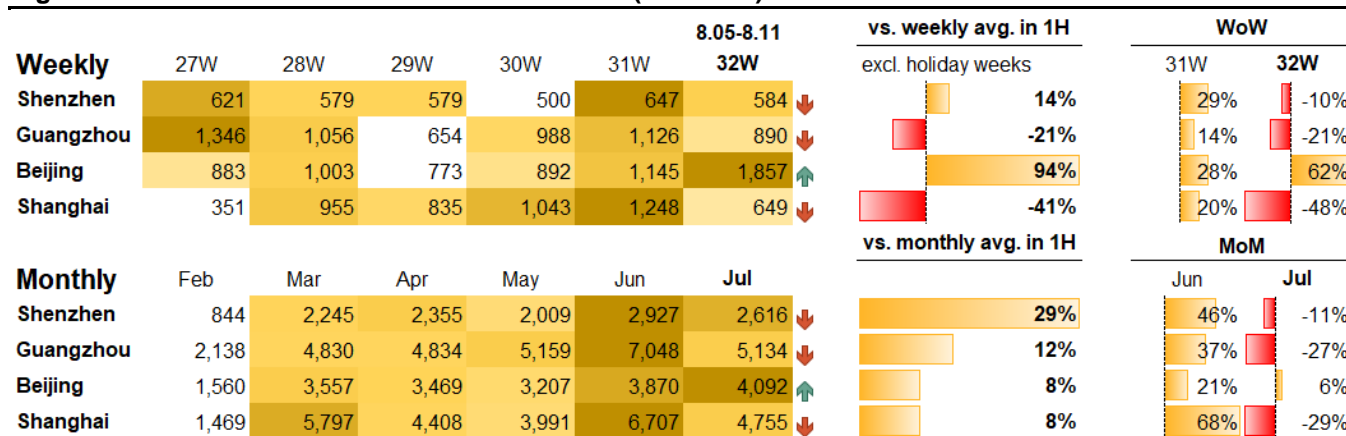
Note: Data as of 18 Aug 2024

Figure 5: YTD new home sales decline narrowed to -34% YoY

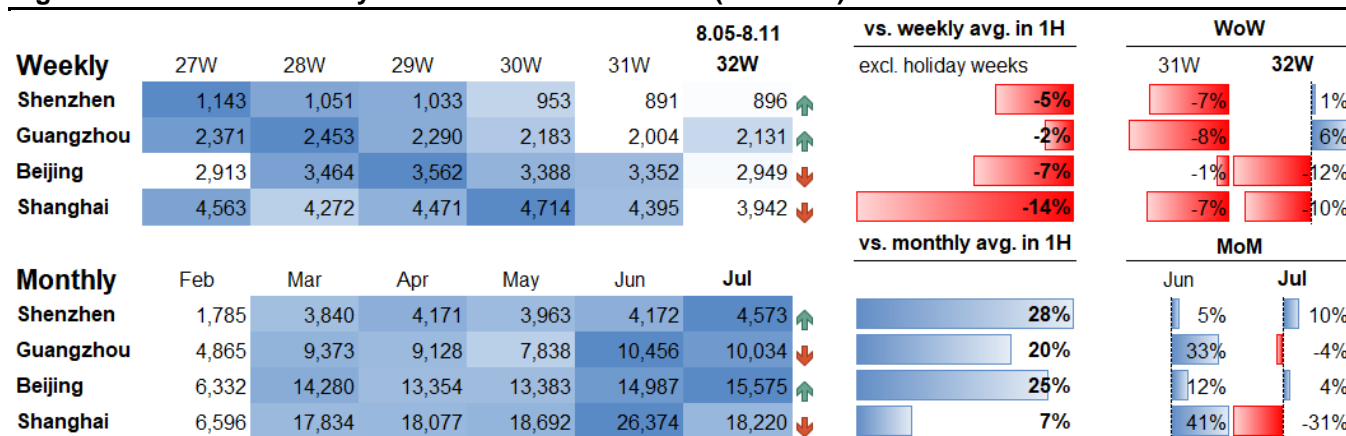
Source: Wind, CMBIGM

Figure 6: YTD secondary sales decline narrowed to -2% YoY

Source: Wind, CMBIGM

Figure 7: Units of new homes sold in tier-1 cities (32W2024)

Source: Local MOHURD, CMBIGM

Figure 8: Units of secondary homes sold in tier-1 cities (32W2024)

Source: Local MOHURD, CMBIGM

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