

Property

Policy speculation + favourable data release = stock uptrend with volatility; Suggest buying the dip

Following a series of easing policy combinations from the government, various cities have continued to implement easing measures. We think regulators have showed its willingness to actively manage market expectations, so the speculation around more easing policies will continue, especially against the backdrop of important upcoming meetings like the Standing committee of the NPC and the Central Economic Work Conference. **We reiterate our view that the sector will exhibit an upward trend in 4Q24 (with some volatility), and suggest investors to buy the dip.** We think the trend will be driven by the interplay of speculation around easing policies and the release of favourable sales data in Oct, Nov and Dec, given the better-than-expected effect from 924 policies as well as increased promotional effort and more discounts offered by developers toward year-end. **We expect the trend to last until the New Year of 2025 and if more significant easing policies are introduced, the trend could extend into 1H25.** For stocks, in the short term, we recommend developers with stolid fundamentals such as CR Land, given developers' greater elasticity. In medium to long term, we prefer asset-light companies benefiting from the existing home market such as CR MixC, Greentown Services, Poly Services, Binjiang Service, Onowo, BEKE and Greentown Mgmt. **Risks:** escalating geopolitical tensions, sales sentiment collapse, and share replacement risk.

- **Policy speculation to continue in our view.** Following a series of easing policy combinations from the government, various cities have continued to implement easing measures. Some relaxed the limits and scope of CPF housing loans, including Zhejiang Jinhua, Hefei, Yunnan Pu'er and Shanxi Yangquan. Other cities continue to offer subsidies for property purchases or deed taxes, such as Sichuan Dazhou, Hubei Jingmen and Hunan Changde. We believe that regulatory authorities have demonstrated a determined effort to actively manage market expectations, thus the speculation about further policy easing is expected to persist for a period, particularly given the upcoming significant meetings (the Standing Committee of the NPC, Central Economic Work Conference, etc.)
- **High-frequency data:** The daily avg. transaction volume in Oct MTD went up 17% from Sep in primary markets mainly driven by tier-3 cities which booked +27% growth (vs. 13% for tier-1&2 cities). Daily avg. transaction in secondary market was on par with that in Sep despite the holiday impact. As of 22 Oct, [secondary home sales volume in 17 cities](#) recorded +12%/+17% MoM/YoY (vs +4% YoY in Sep). The YTD decline narrowed to -0.1% YoY from 0.1% one week ago. The [new-home sales volume in 30 major cities](#) in Oct MTD booked +45%/-6% MoM/YoY (vs. -32% YoY in Sep). The YTD decline narrowed to -32% YoY from one week ago. In the 7 days ending 22 Oct, weekly sales volumes for new homes/secondary homes declined by 6%/3% possibly due to the inclusion of the weekend. Our channel check shows that purchase sentiment remains intact. Our leading indicator also suggests a recovering property sales trend in Oct-Nov.
- **Transaction watch in tier-1 cities (weekly).** During the 42nd week of 2024 (14-20 Oct), [units of new homes sold](#) in all 4 cities showed recovery with GZ/SZ/BJ/SH surpassing their weekly avg. in 1H by 148/90/18/16%., [Units of secondary homes sold](#) also saw improvement with SZ/BJ/SH/GZ surpassing weekly avg. in 1H by 81/42/40/31%.

OUTPERFORM
(Maintain)

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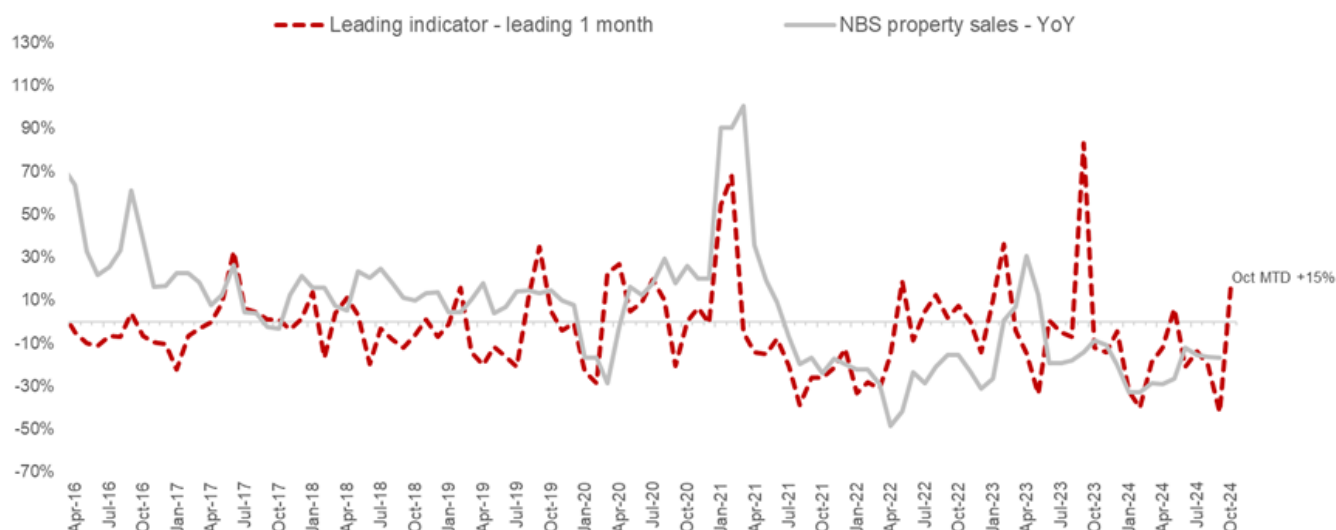
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Figure 1: Leading Indicator

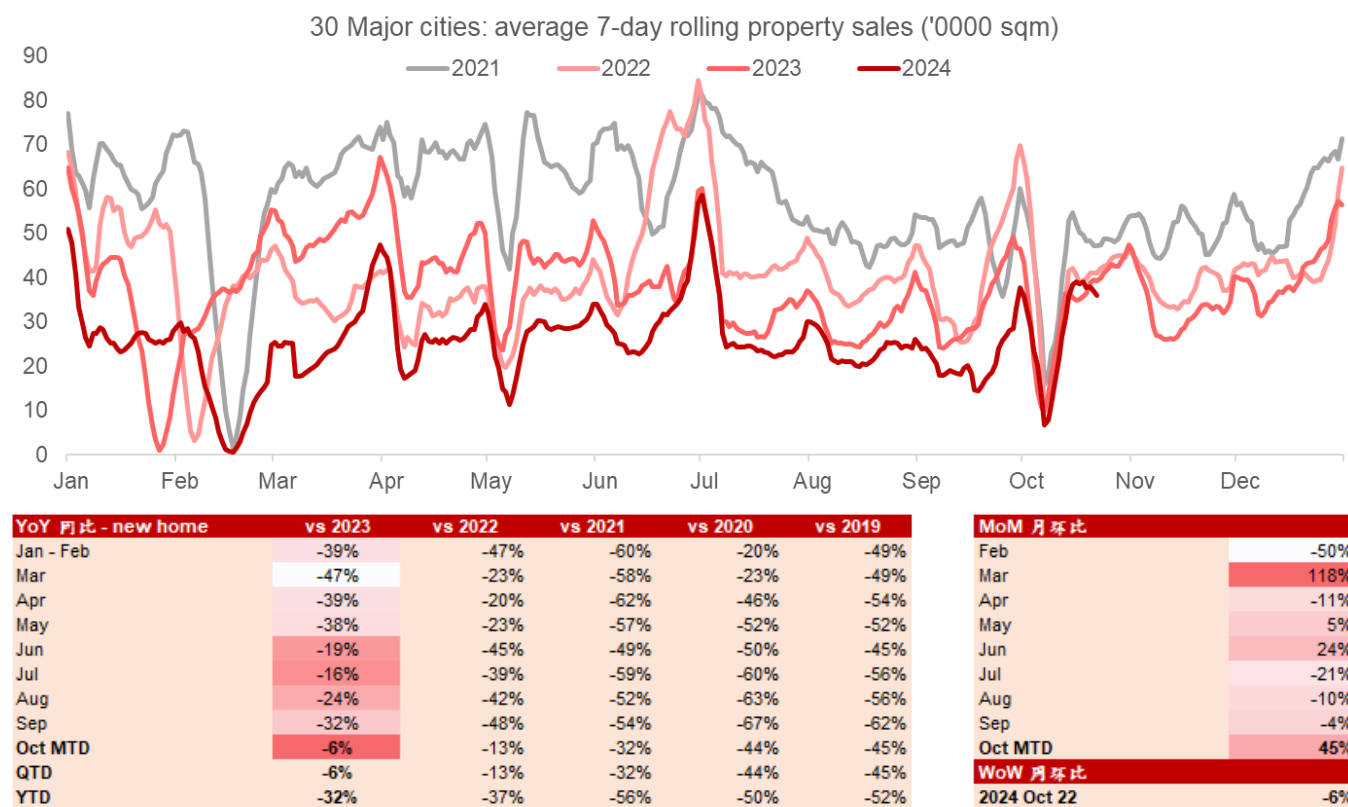
Source: Wind, CMBIGM

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

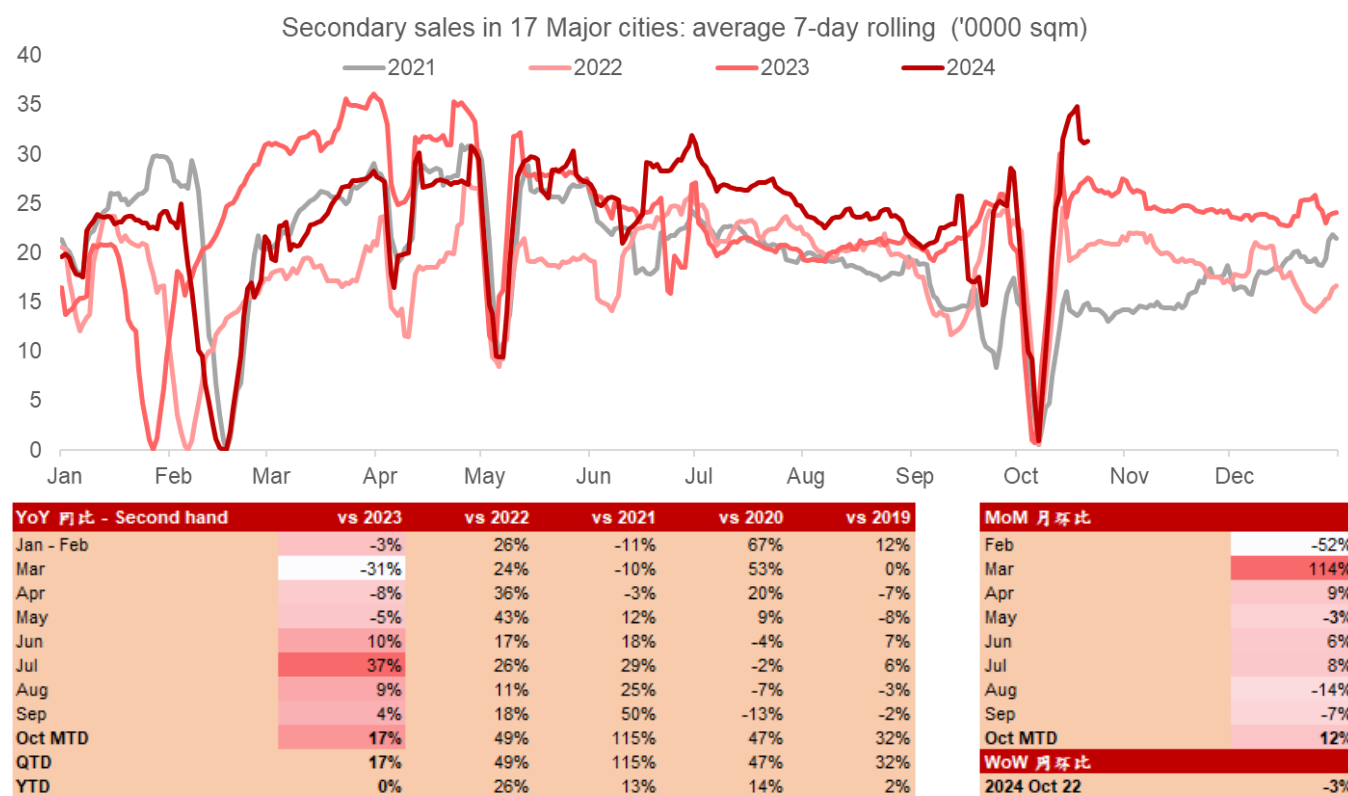
Primary sales	Jun	Jul	Aug	Sep	Oct MTD	Oct MTD vs. Sep	Pre-924 (1.1-9.24)	Post-924 (9.24-10.22)	Growth	2023 YTD (1.1-10.22)	2024 YTD (1.1-10.22)	YoY Growth
30 major cities	33.81	25.82	23.20	23.04	26.86	17%	25.04	29.49	18%	37.53	25.47	-32%
Tier 1&2	26.07	20.20	18.09	17.03	19.20	13%	19.56	21.27	9%	29.62	19.73	-33%
Tier 3	7.74	5.62	5.11	6.01	7.66	27%	5.48	8.22	50%	7.91	5.74	-27%
Guangzhou	3.43	2.36	2.78	2.28	3.54	56%	2.32	3.59	55%	2.84	2.44	-14%
Shanghai	4.74	4.39	4.23	3.73	3.32	-11%	3.82	4.02	5%	5.12	3.84	-25%
Shenzhen	1.12	1.05	1.10	0.99	0.86	-12%	0.89	1.10	23%	1.24	0.91	-27%
Chengdu	6.33	5.54	4.45	4.14	3.51	-15%	5.38	4.29	-20%	7.75	5.27	-32%
Beijing	2.95	2.84	2.54	2.52	2.02	-20%	2.56	2.54	-1%	3.18	2.56	-20%
Suzhou	1.72	1.13	1.37	1.87	1.46	-22%	1.36	2.28	67%	1.94	1.45	-25%
Hangzhou	3.95	1.75	1.39	1.97	1.30	-34%	1.93	2.20	14%	2.94	1.96	-33%

Secondary sales	Jun	Jul	Aug	Sep	Oct MTD	Oct MTD vs. Sep	Pre-924 (1.1-9.24)	Post-924 (9.24-10.22)	Growth	2023 YTD (1.1-10.22)	2024 YTD (1.1-10.22)	YoY Growth
17 major cities	25.90	26.96	23.18	22.16	22.16	0%	23.11	23.22	0%	23.15	23.12	0%
Hangzhou	1.82	1.56	1.12	1.11	1.57	42%	1.31	1.48	13%	1.16	1.32	14%
Shenzhen	1.63	1.73	1.44	1.29	1.82	41%	1.40	1.70	22%	0.99	1.42	44%
Shanghai	7.12	5.41	4.79	4.33	5.84	35%	4.77	5.76	21%	0.54	4.86	n.a.
Qingdao	1.88	2.04	1.67	1.62	2.00	23%	1.80	1.85	3%	1.64	1.80	10%
Chengdu	6.60	7.53	6.22	5.73	5.63	-2%	6.32	5.81	-8%	6.47	6.27	-3%
Beijing	4.83	4.92	4.54	4.30	4.22	-2%	4.14	4.62	12%	4.18	4.19	0%
Dongguan	0.91	0.90	0.91	0.91	0.85	-7%	0.81	0.92	14%	0.99	0.82	-17%
Foshan	2.41	2.39	1.92	1.94	1.75	-10%	2.11	1.90	-10%	2.37	2.09	-12%
Suzhou	2.34	2.26	2.07	1.89	1.38	-27%	2.15	1.73	-19%	2.12	2.11	-1%

Source: Wind, CMBIGM

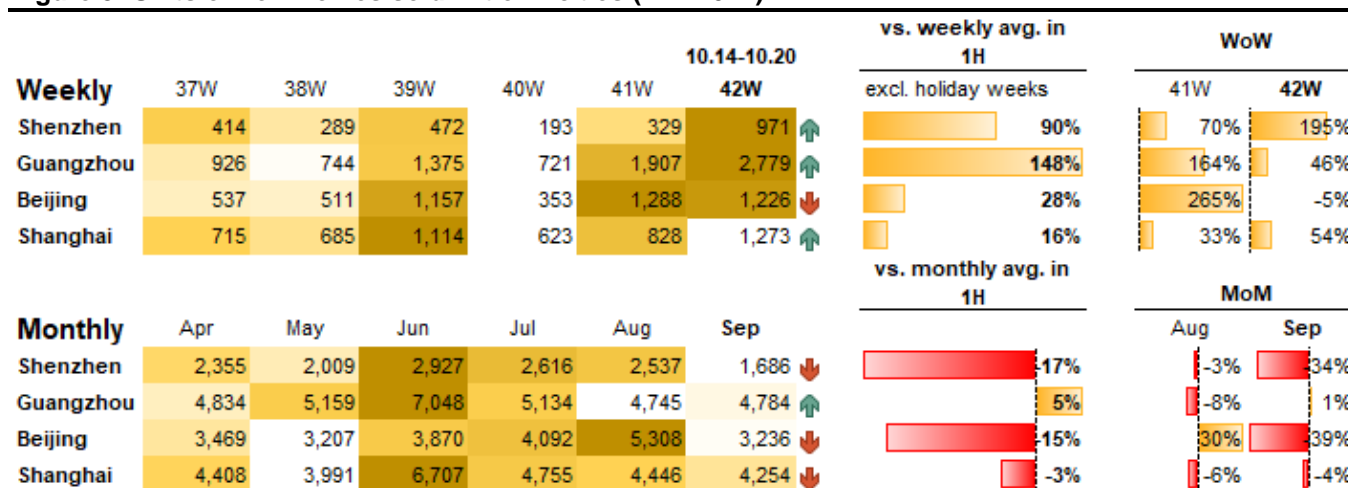
Figure 3: YTD new home sales decline has narrowed to -32% YoY

Source: Wind, CMBIGM

Figure 4: YTD secondary sales decline has recovered to being flat YoY

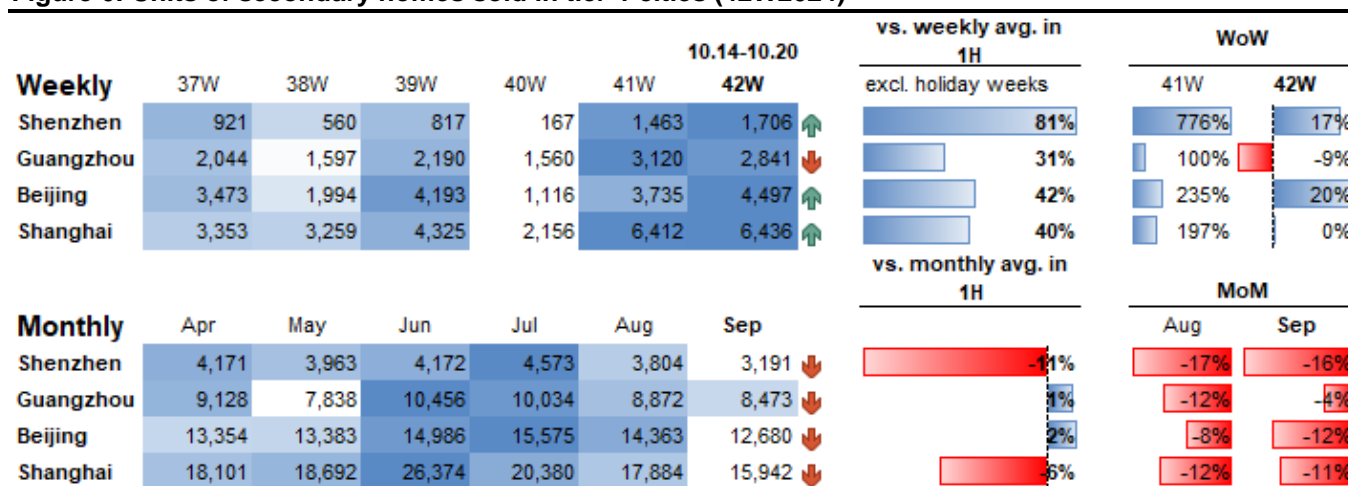
Source: Wind, CMBIGM

Figure 5: Units of new homes sold in tier-1 cities (42W2024)



Source: Local bureaus of MOHURD, CMBIGM

Figure 6: Units of secondary homes sold in tier-1 cities (42W2024)



Source: Local bureaus of 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)	(HK\$ mn)	24E	25E	26E	24E	25E	26E	24E	25E	26E		23A	24E
CR Land	1109.HK	26.20	24,037	5.9 x	5.7 x	5.3 x	0.6 x	0.5 x	0.5 x	(7.3)	3.6	7.3	33%	6.0%	5.7%
COLI	0688.HK	15.20	21,403	6.2 x	6.0 x	5.7 x	0.4 x	0.4 x	0.3 x	(4.4)	4.3	5.6	31%	5.3%	5.0%
Poly Developments	600048.SH	10.94	18,381	11.1 x	10.4 x	9.7 x	0.6 x	0.6 x	0.6 x	(1.9)	6.2	7.4	41%	3.7%	3.3%
CMSK	001979.SZ	11.08	14,091	15.7 x	14.4 x	12.7 x	0.9 x	0.8 x	0.8 x	1.0	9.2	13.4	49%	2.9%	2.6%
Longfor	0960.HK	12.72	11,265	7.0 x	6.8 x	6.4 x	0.5 x	0.4 x	0.4 x	(11.3)	3.0	6.6	26%	4.8%	4.1%
C&D International	1908.HK	14.40	3,737	5.5 x	4.9 x	4.5 x	0.7 x	0.7 x	0.6 x	(3.3)	12.7	7.8	45%	9.0%	0.0%
Binjiang Group	002244.SZ	9.56	4,175	10.7 x	9.3 x	8.5 x	1.1 x	1.0 x	0.9 x	10.4	14.7	9.8	11%	0.9%	1.6%
Yuexiu	0123.HK	6.29	3,257	7.2 x	6.7 x	6.0 x	0.4 x	0.4 x	0.4 x	0.7	7.7	11.4	40%	6.0%	6.6%
Huafa	600325.SH	6.91	2,669	10.1 x	9.4 x	8.8 x	0.8 x	0.8 x	0.7 x	NA	NA	NA	NA	0.0%	4.6%
Greentown China	3900.HK	9.49	3,091	6.9 x	6.1 x	5.8 x	0.6 x	0.5 x	0.5 x	2.7	13.6	5.2	35%	5.0%	4.1%
Midea RE	3990.HK	3.15	582	6.5 x	5.3 x	4.1 x	0.3 x	0.2 x	0.1 x	(29.8)	21.8	28.5	NA	NA	NA
COGO	0081.HK	2.13	975	3.8 x	3.9 x	3.5 x	0.2 x	0.2 x	0.2 x	(20.4)	(2.5)	11.1	22%	7.5%	4.6%
Average				8.6 x	8.0 x	7.4 x	0.6 x	0.6 x	0.5 x	(3.8)	6.0	7.8	34%	4.7%	4.1%

Source: Company data, Wind, CMBIGM

Note: Data as of 23 Oct 2024

Figure 8: Valuation comps – Property Management

Company	Ticker	Last Price	Mkt Cap	P/E (x)			Net Profit Growth (%)			Payout ratio	Dividend Yield	
		(LC)		24E	25E	26E	24E	25E	26E		23A	24E
CR MixC	1209.HK	32.95	9,676	19.1 x	16.2 x	13.9 x	23.2	17.8	16.5	99%	4.3%	3.3%
Onewo	2802.HK	23.75	3,580	13.6 x	12.0 x	10.6 x	(4.1)	13.7	13.1	66%	5.1%	5.6%
Country Garden Services	6098.HK	5.75	2,473	11.1 x	8.9 x	8.5 x	NA	24.5	5.7	NA	5.6%	5.4%
Poly Services	6049.HK	32.30	2,299	10.5 x	9.4 x	8.4 x	13.2	12.1	11.4	40%	3.4%	3.6%
COPH	2669.HK	6.02	2,543	11.6 x	10.0 x	8.7 x	16.4	15.6	15.1	31%	2.3%	2.7%
China Merchant PO	001914.SZ	11.28	1,679	14.6 x	13.1 x	11.7 x	11.2	12.0	11.9	24%	1.5%	2.3%
Greentown Services	2869.HK	4.17	1,697	16.5 x	14.0 x	12.1 x	21.0	18.3	15.4	72%	3.6%	3.8%
Greentown Management	9979.HK	3.47	897	5.9 x	5.2 x	4.6 x	11.3	13.4	12.1	100%	15.8%	13.3%
Binjiang Services	3316.HK	18.36	653	8.2 x	6.9 x	6.0 x	15.6	17.8	15.7	70%	7.5%	8.7%
Yuxiu Services	6626.HK	3.44	671	8.5 x	7.3 x	6.3 x	15.6	16.9	15.3	50%	5.1%	5.9%
C&D PM	2156.HK	2.67	484	6.9 x	5.6 x	4.8 x	7.3	22.1	17.7	67%	9.7%	NA
Ever Sunshine	1995.HK	2.45	545	8.1 x	7.3 x	0.0 x	10.7	10.2	NA	50%	5.6%	8.5%
S-Enjoy	1755.HK	3.50	392	5.7 x	5.4 x	5.2 x	10.4	4.4	5.4	39%	6.4%	NA
Jinmao Services	0816.HK	2.97	345	6.2 x	5.6 x	5.2 x	18.6	10.0	7.3	42%	5.7%	NA
Powerlong Commercial	9909.HK	2.58	213	3.8 x	3.7 x	0.0 x	(12.6)	4.0	NA	19%	5.8%	7.6%
Excellence CM	6989.HK	1.36	214	4.7 x	4.2 x	3.9 x	7.0	11.7	9.1	69%	14.0%	NA
New Hope Services	3658.HK	2.07	217	6.6 x	5.9 x	5.3 x	9.5	11.9	11.7	59%	8.4%	NA
E-star CM	6668.HK	1.31	171	7.5 x	6.7 x	5.9 x	(5.4)	12.7	13.9	70%	9.9%	6.4%
Average				13.9 x	11.3 x	9.8 x	12.7	15.3	12.6	64%	4.8%	4.2%

Source: Company data, Wind, CMBIGM

Note: Data as of 23 Oct 2024

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