

# China Property Sector

## NBS 5M23 data in line: expect sales growth to recover in July

NBS May data showed sales value growth narrowed to 7% YoY from 28% YoY in Apr, in line with market expectation. Sales volume turned to decline reflecting ASP hike as higher proportion was sold in high tier cities and the price continued to hike in core tier 1&2 cities according to NBS. Looking forward, we expect negative growth in June based on high frequency data and the high base, with sales recovery afterward as 1) our leading indicator suggests a better Jul and 2) policy remains supportive, 3) extra liquidity released by key policy rate cut may boost sales. The property stocks already went up 14% MTD due to higher expectation on easing, while we only expect more tier-2 cities to join the relaxation as Tsingtao did ([report](#)). We continue to like Developers: CRL/Yuexiu/Binjiang. Property management: Poly Services/ Binjiang Service/CR Mixc/COPH. Property agency: BEKE

■ NBS property data of 5M23 – continuously declining investment and still sluggish new starts. Land purchase may be a drag for investment. Completion growth narrowed after the peak in Apr as results assessment for funding support to housing delivery was set in in Apr, Jul and Oct 2023.

- **Property investment further declined to -11% YoY in May 23 (vs. -7%/-7% YoY in Apr/Mar 2023)** as the new starts was still sluggish at -27.3% YoY in May (vs. -27%/-29% in Apr/Mar 2022). We think another drag may be the land purchase fee which reflects the land sales approximately a year ago as the payment is allowed to be finished in maximum one year after the bidding, and we notice that the land sales growth in May 2022 hit the historical low at -72% YoY ([Figure 5](#)).
- **Property sales value growth narrowed to 7% YoY in May 23 from 28% YoY in Apr 23.** GFA sold turned to decline in May (-3% YoY vs. +5% YoY in Apr) which reflects the continuously rise of property ASP, which is mainly driven by 1) higher percentage of GFA sold in Tier 1&2 cities, which accounted 81% total for major 30 cities in May 23 vs. 76% in Mar 23, 2) ASP for new home went up 1.7%/0.5% YoY in Tier 1/2 cities but declined 1.6% YoY in tier-3 cities according to NBS ([Figure 6](#)). Looking into Jun, high frequency data showed a slightly weaker sales Jun. New home sales in MTD Jun was flat MoM and declined 11% YoY as of 14 Jun (vs. 25%/31% YoY in May/Apr). Secondary home sales declined 3% MoM in MTD Jun and narrowed YoY growth to 25% as of 14 Jun (vs. 59%/65% in May/Apr). We expect June sales to book a YoY decrease mainly due to the high base in last year over Shanghai's reopening. Going forward, we expect sales growth to continue to recover as 1) our sales leading indicator suggests better momentum after Jun, 2) policy remains supportive evidenced by city-level relaxation in Tsingtao/Dalian, and 3) liquidity released by key rate cut would boost sales.
- **Completion growth narrowed to 24% YoY in May after the peak in Apr (42% YoY)** mainly because the result assessment on direct funding support from the central government and local banks were set in Apr, Jul and Oct.
- **Completed but unsold inventory growth inched up:** The overall unsold residential inventory was 311 mn sqm, up 16% YoY vs +15% YoY in Apr 2023. We think this is due to the completion growth > sales growth causing inventory accumulation.

**OUTPERFORM**  
(Maintain)

### China Property Sector

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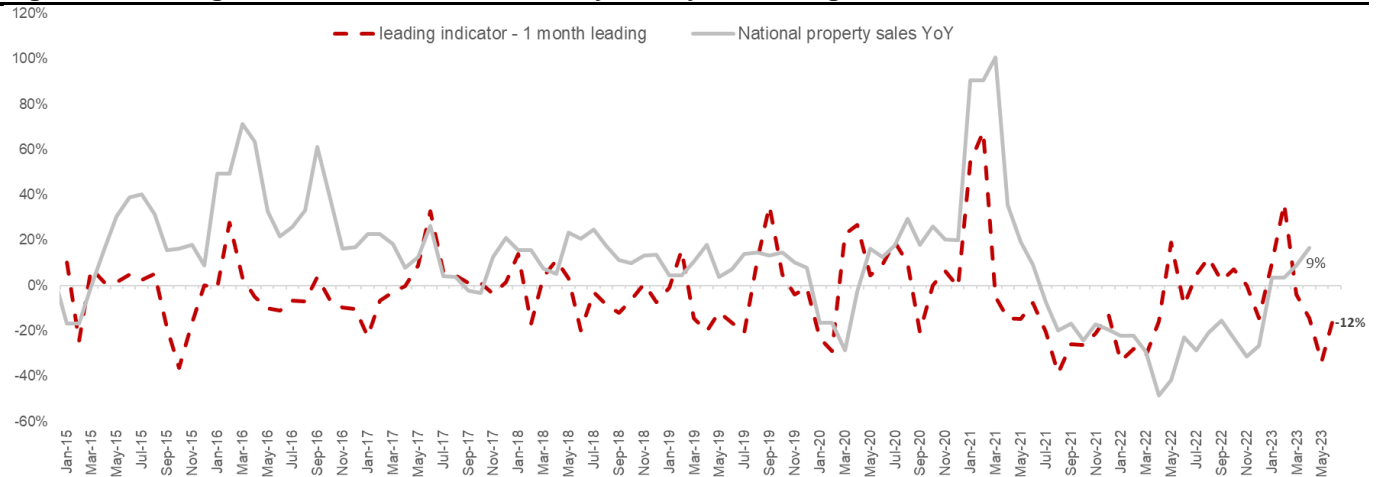
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**Figure 1: Quick view of national property data in 5M23**

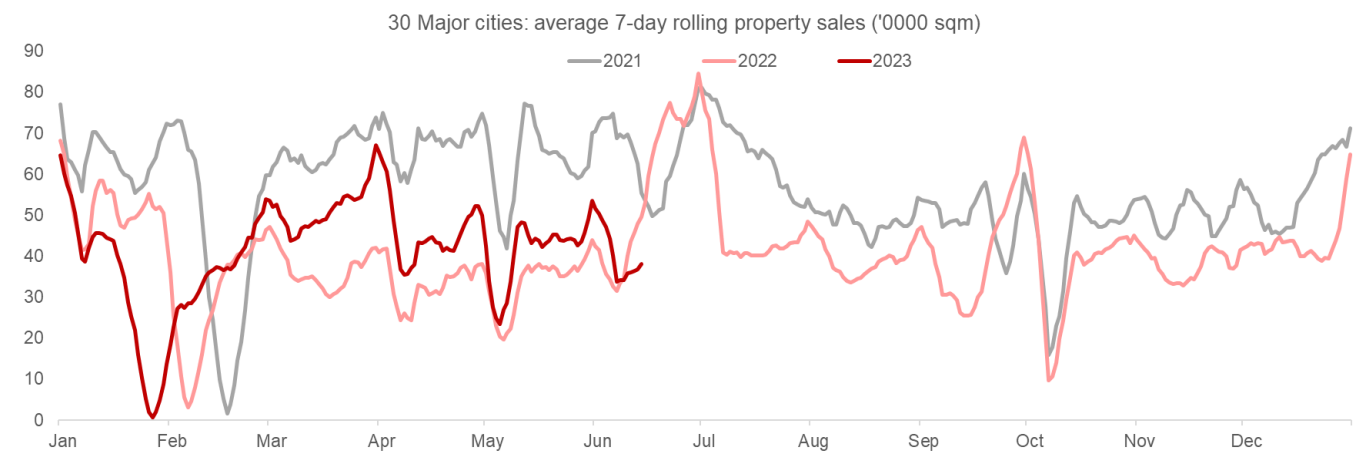
	May-23	YoY	MoM	Apr-23	YoY	5M23	YoY	2022	YoY
Property GFA sold (mn sqm)	88	-3%	14%	77	5%	464	-1%	1,358	-24%
Property sales (RMB bn)	1,004	7%	9%	921	28%	4,979	8%	13,331	-27%
New starts (mn sqm)	85	-27%	20%	71	-27%	397	-23%	1,206	-39%
GFA under construction (mn sqm)	7,795	-6%	1%	7,713	-6%	7,795	-6%	9,050	-7%
GFA completion (mn sqm)	41	24%	-3%	43	42%	278	20%	862	-15%
Property investment (RMB bn)	1,019	-11%	7%	954	-7%	4,570	-7%	13,290	-10%
Domestic loans of developers (RMB bn)	103	-13%	-10%	115	-12%	718	-11%	1,739	-25%

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

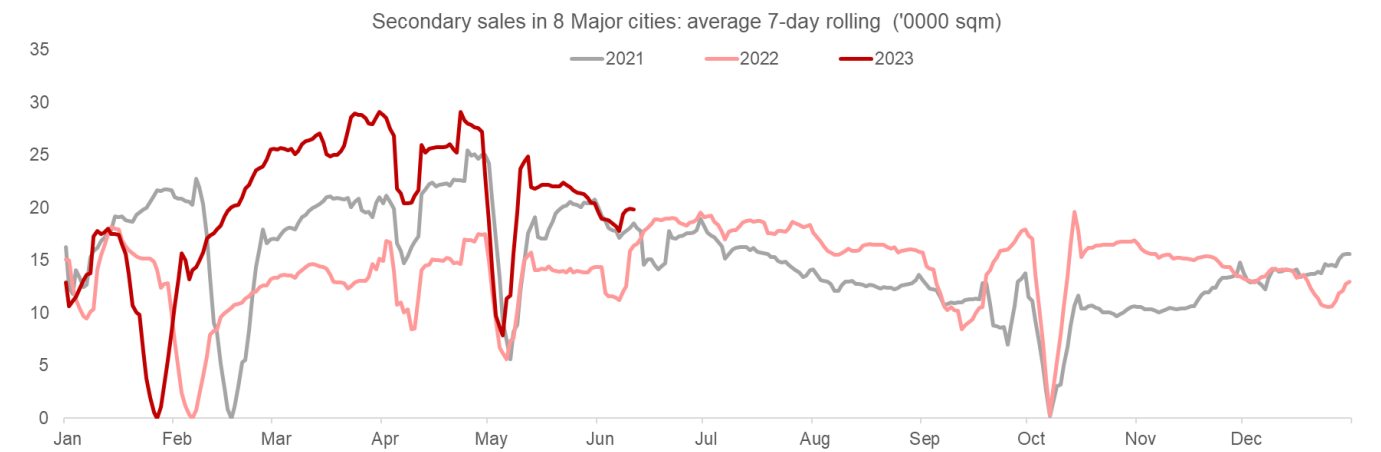
Source: NBS, CMBIGM

**Figure 2: Leading indicator indicates a recovery in July after trough in Jun**

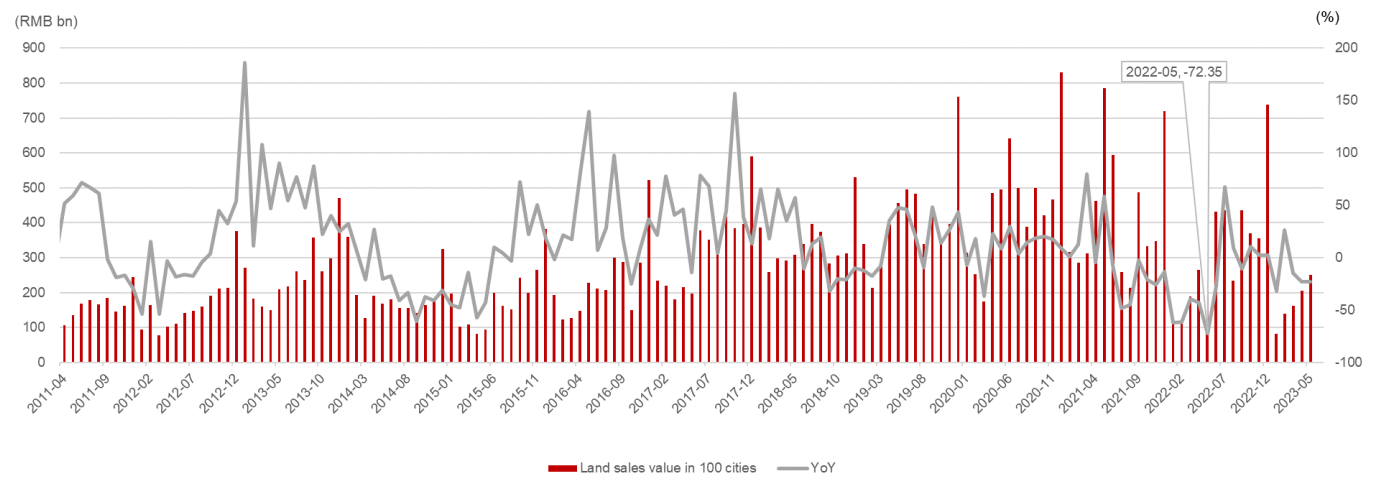
Source: Company, CRIC, CMBIGM

**Figure 3: Primary market weekly units sold in 30 cities**

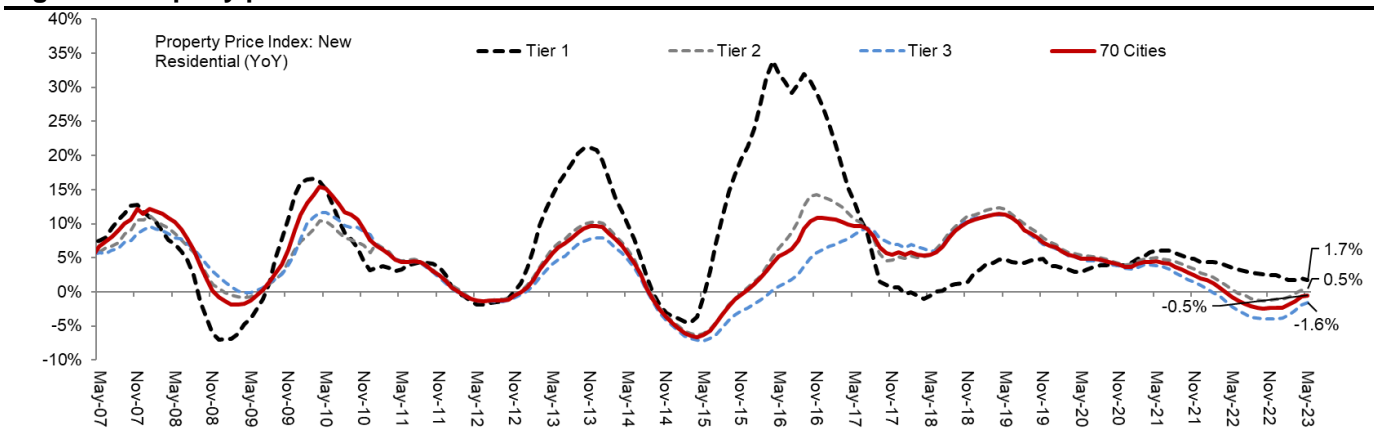
Source: Wind, CMBIGM

**Figure 4: Secondary market weekly GFA sold in 8 cities**

Source: Wind, CMBIGM

**Figure 5: Land sales in 100 cities**

Source: Wind, CMBIGM

**Figure 6: Property price in 70 cities**

Source: NBS, Wind, CMBIGM

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