

Property

Weekly highlight: Tier-1 cities showed WoW recovery, YoY decline remains deep

The State Council's meeting held last Friday reiterated the crucial role of real estate industry for stabilizing the macro economy, which sparked another round of anticipation for more supporting policies among investors. Share prices of quality names in the sector inched up 2-3% yesterday in response. We think it is possible to see more relaxation in tier-1 cities while the effect on property sales could be limited as residents' future income expectation has not yet recovered and developers are still deeply mired in debt crisis. [High-frequency data](#) of property sales showed a WoW recovery trend while the YoY decline remains deep. We are monitoring units of new/secondary homes sold in four tier-1 cities to capture the purchasing sentiment change, based on data in the 5th week post the CNY (ended at Mar 24th). Secondary markets in SH and SZ have shown relatively better recovery. BJ is the only one where the recovery momentum in new home market was better than the secondary home market. For stocks, we prefer beneficiaries of the existing market - PM companies like CR MixC, COPH, Poly Services, Yuexiu Service and Onowo, property agents BEKE, PJM company Greentown Management ([FY23 earnings >30% with 100% div. pay out](#)). For developers, we recommend CR Land with long-term value.

- **What is new.** Last Friday, Premier Li Qiang held a state council meeting that reiterated the importance of real estate market and its crucial role for stabilizing the macro economy. He stated that "real estate industry involves a long supply chain and covers a wide range of sub-industries, and it's closely related to the immediate interest of the people and the overall economic and social development". He also mentioned further implementation of "financing coordination mechanism" (the white-list program) and systematically planning support policies for the industry. This led the market to once again anticipate more big moves on relaxation in tier-1 cities and an acceleration in the implementation of financing-side policies. Quality names of the sector inched up 2-3% yesterday. We believe there is a possibility of further relaxation in tier-1 cities while the boost to property sales may be limited since residents' expectation for future income has not yet recovered, leading to continued insufficient purchasing power.
- **Property sales – WoW recovery has been observed while YoY decline remains deep.** As of Mar 24th, new home sales in 30 major cities went up 27% WoW and narrowed Mar MTD decline to 54% YoY, mainly driven by better performance in Tier-1&2 cities where sales surged 32% WoW and narrowed Mar MTD decline to 51% YoY. The YTD decline for new home sales and that in Tier-1&2 cities remain deep at -45% and -44% ([Figure 1](#)). Secondary home sales in 14 cities increased 13% WoW with MTD decline in Mar at -34% YoY, and YTD decline was at -16% YoY. ([Figure 3](#))
- **Transaction monitoring in tier-1 cities.** During the 5th week post the CNY (18-24 Mar), units of new homes sold in SZ, GZ, BJ and SH surged 12%, 8%, 70% and 57% WoW respectively. New home sales in BJ recovered to 97% (units sold in the 5th week post the CNY in 2024 vs. in 2023), leading tier-1 cities. Recovery rate in SZ, SH and GZ was at 81%, 72% and 59%, slightly worse than the previous week as sales recovery was faster during the same period last year ([Figure 4](#)). Units of secondary homes sold in SZ, GZ, BJ and SH rose 3%, 5%, 7% and 10% WoW, with SH's recovery rate climbing to 85% from 72% in the previous week. SZ was the only city with a recovery level >120% ([Figure 5](#)). In summary, SH performed best in secondary market, while BJ performed well in new home market. BJ is the only one where the recovery momentum in new home market was better than in the secondary home market.

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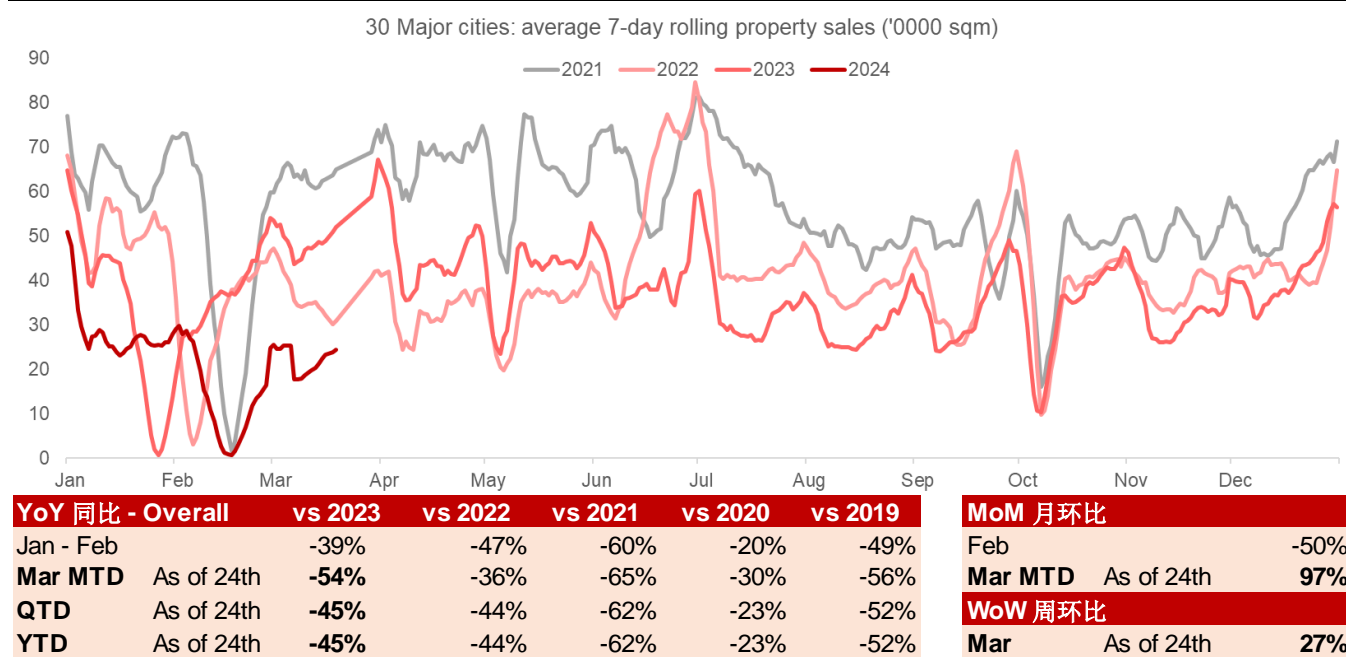
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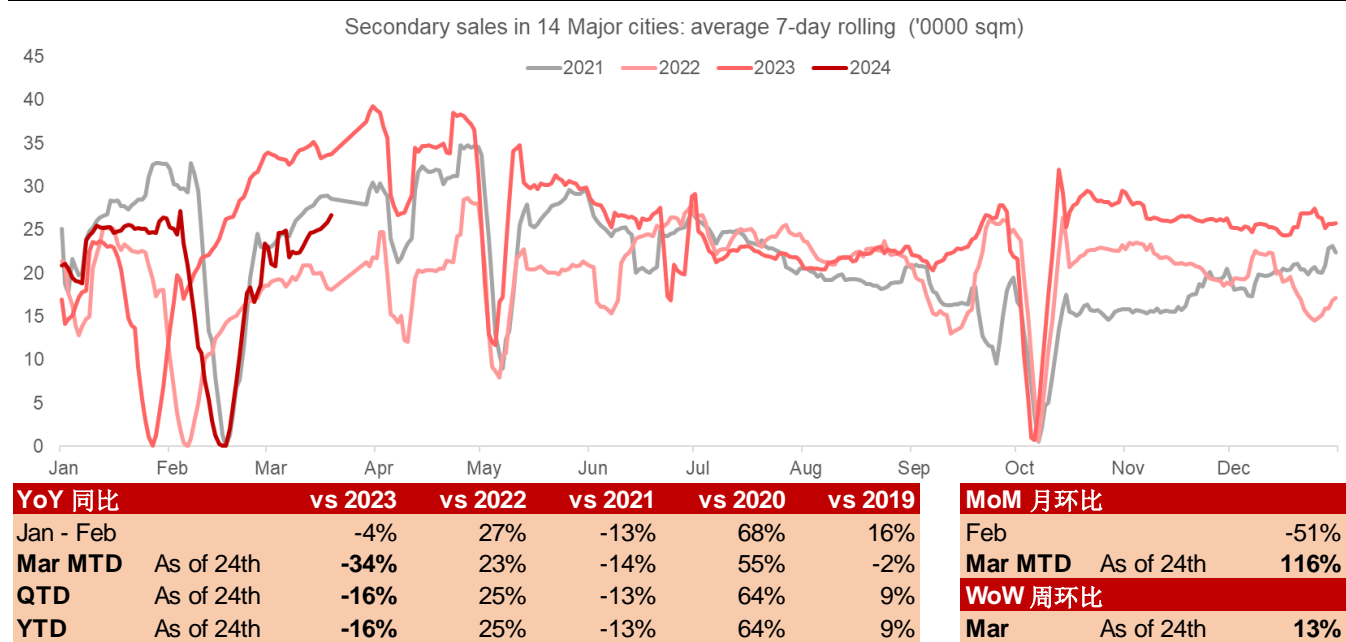
Figure 1: YTD new home sales declined 45% YoY as of end of 24 Mar 2024

Source: Wind, CMBIGM

Figure 2: New home sales by city tier

YoY 同比 - Tier 1&2	vs 2023	vs 2022	vs 2021	vs 2020	vs 2019	MoM 月环比
Jan - Feb	-39%	-50%	-58%	-13%	-44%	Feb -56%
Mar MTD As of 24th	-51%	-33%	-64%	-19%	-51%	Mar MTD As of 24th 105%
QTD As of 24th	-44%	-46%	-60%	-15%	-46%	WoW 周环比
YTD As of 24th	-44%	-46%	-60%	-15%	-46%	Mar As of 24th 32%
YoY 同比 - Tier 3	vs 2023	vs 2022	vs 2021	vs 2020	vs 2019	MoM 月环比
Jan - Feb	-44%	-44%	-71%	-40%	-66%	Feb -48%
Mar MTD As of 24th	-58%	-38%	-65%	-45%	-66%	Mar MTD As of 24th 92%
QTD As of 24th	-50%	-42%	-69%	-42%	-66%	WoW 周环比
YTD As of 24th	-50%	-42%	-69%	-42%	-66%	Mar As of 24th 12%

Source: Wind, CMBIGM

Figure 3: YTD secondary sales declined 16% YoY as of end of 24 Mar 2024

Source: Wind, CMBIGM

Figure 4: Units of new homes sold in tier-1 cities – weekly

New home transaction (as of 2024.03.24)

							as % of last year			
2024	Holiday weeks	1st week post-CNY	2nd week post-CNY	3rd week post-CNY	4th week post-CNY	5th week post-CNY		3rd w eek post-CNY	4th w eek post-CNY	5th w eek post-CNY
						3.18-3.24				
	Shenzhen	13	231	343	432	489	549	90%	84%	81%
	Guangzhou	387	712	1,120	1,043	1,042	1,121	86%	64%	59%
	Beijing	189	476	535	435	611	1,036	27%	64%	97%
Shanghai	251	390	740	385	722	1,137	42%	79%	72%	
2023	Holiday weeks	1st week post-CNY	2nd week post-CNY	3rd week post-CNY	4th week post-CNY	5th week post-CNY				
	Shenzhen	80	471	517	482	583	677			
	Guangzhou	86	817	970	1,218	1,616	1,915			
	Beijing	n.a.	n.a.	1,326	1,600	956	1,069			
	Shanghai	1,204	812	1,654	917	912	1,590			

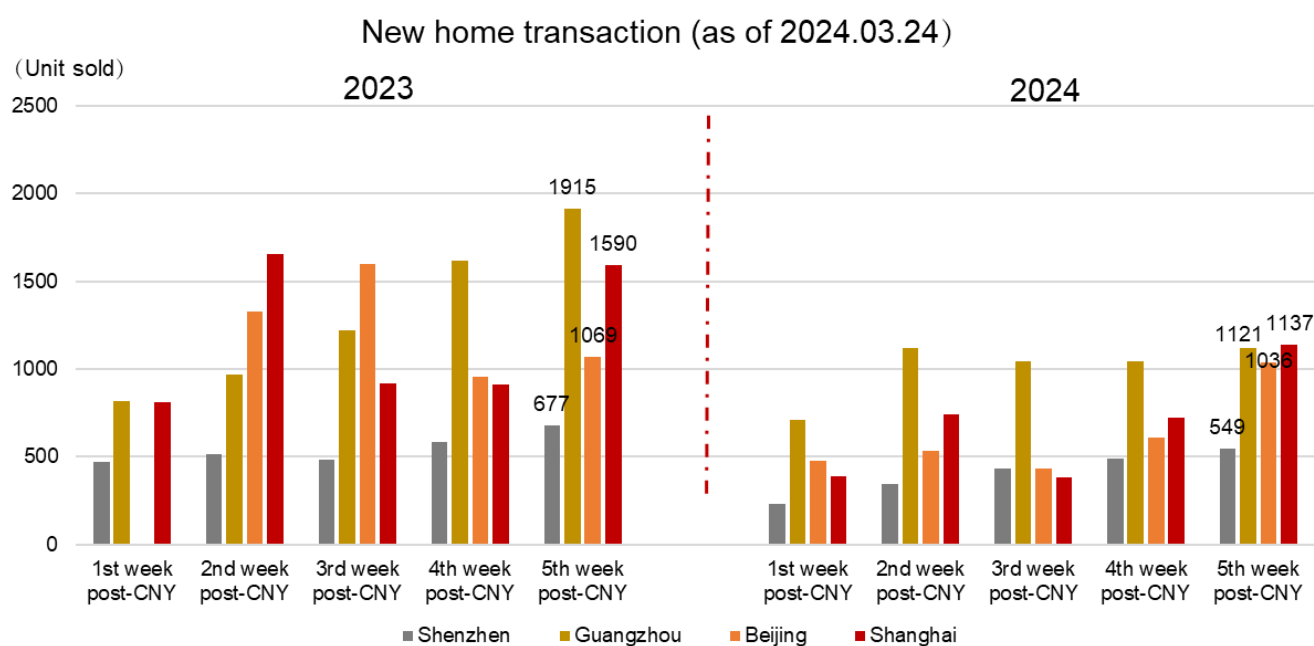
Source: Local MOHURD, CMBIGM

Figure 5: Units of secondary homes sold in tier-1 cities – weekly

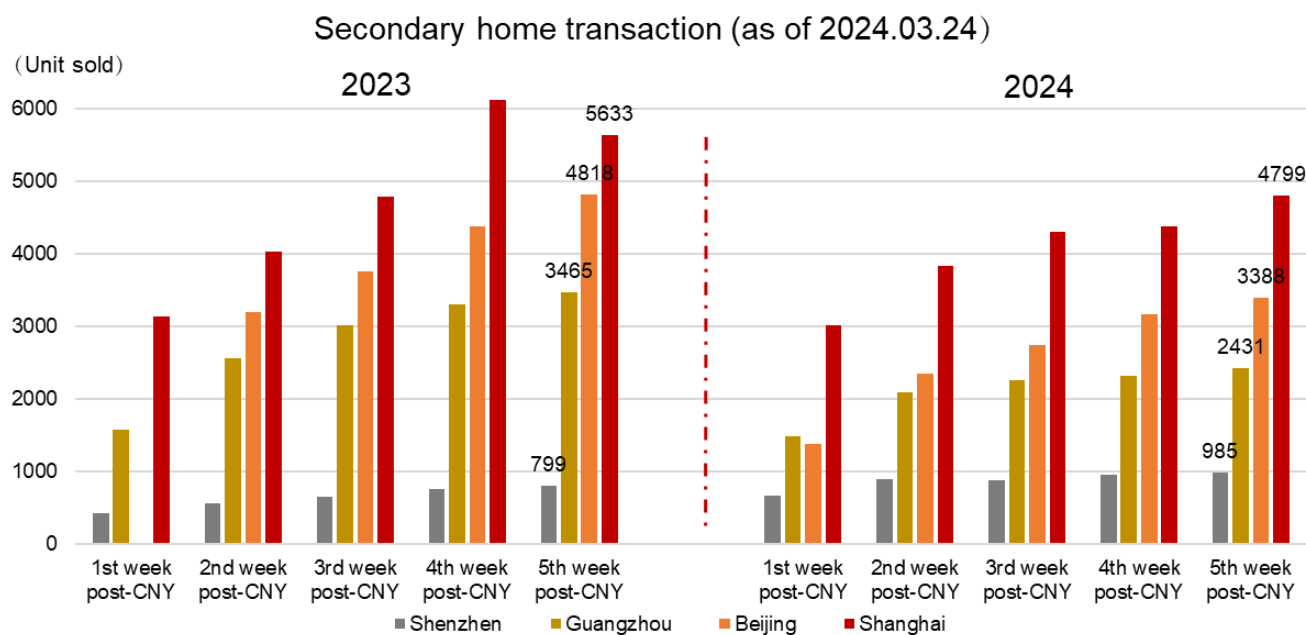
Secondary home transaction (as of 2024.03.24)							as % of last year		
2024	Holiday weeks	1st week post-CNY	2nd week post-CNY	3rd week post-CNY	4th week post-CNY	5th week post-CNY	3rd week post-CNY	4th week post-CNY	5th week post-CNY
Shenzhen	62	666	893	881	959	985	134%	127%	123%
Guangzhou	962	1,489	2,086	2,252	2,321	2,431	75%	70%	70%
Beijing	1,062	1,375	2,349	2,740	3,172	3,388	73%	72%	70%
Shanghai	n.a.	3,008	3,834	4,309	4,377	4,799	90%	72%	85%

2023	Holiday weeks	1st week post-CNY	2nd week post-CNY	3rd week post-CNY	4th week post-CNY	5th week post-CNY
Shenzhen	139	426	557	657	753	799
Guangzhou	1,437	1,578	2,565	3,013	3,301	3,465
Beijing	n.a.	n.a.	3,190	3,761	4,381	4,818
Shanghai	n.a.	3,133	4,030	4,793	6,116	5,633

Source: Local MOHURD, CMBIGM

Figure 6: Units of new homes sold in tier-1 cities – weekly

Source: Local MOHURD, CMBIGM

Figure 7: Units of secondary homes sold in tier-1 cities – weekly

Source: Local MOHURD, CMBIGM

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