

China Property Sector

NBS Nov data improved slightly; About Shanghai and Shimao

Property data in Nov showed some MoM improvement partly due to the policy support on mortgages, but remained lackluster with 60 cities seeing MoM price drop. Given seemingly no big support from the political standing bureau meeting, the market believes towards more companies to default before 1Q22 due to the peak season of offshore bond and still weak fundamentals. Our view is that standing at this crucial moment, government will or should do more in order to achieve the goal of healthy market otherwise the systematic risk is NOT IMPOSSIBLE to happen as it's hard to decouple from big developers' spreading risks. We suggest investors to wait for more clear policy support such as cancellation of property loan cap by banks and allowing more non-SOE to issue domestic bonds.

- **NBS national property data in Nov improved MoM.** In particular,
 - **Property sales saw volume and value up 19%/17% MoM in Nov**, which is stronger than the seasonality of Nov 2020 at +5%/6% MoM. It also showed a narrowing YoY decline at -14/-16% in Nov 2021 vs. -22/23% in Oct 2021. We think the policy support, especially from the mortgage side (Banks issued RMB53bn more mortgages in Nov compared to Oct) helped stabilize the property market to some extent.
 - **Property investment declined 4.3% YoY in Nov, narrowing from -5.4% in Oct.** However, the YTD figure remained stable at 6.0% YoY, still above the historical line of massive policy relaxation at 5%.
 - **New Starts remained weak in Nov:** It recorded 161mn sq m at -21% YoY vs. -33%/14% YoY in Oct/Sep. This has led to 9% YoY decline in new starts in 11M21 (-1% YoY in 2020).
 - **Property completion back to growth track at 15% YoY in Nov vs. -21% YoY in Oct.**

About Shimao: Despite big falls in its stock price on the speculation of liquidity issue, we think its case will be still better than those already in trouble as 1) Chairman has enough personal wealth to help the listco in the worst case scenario, similar to R&F. 2) It has little exposure to the wealth management products. 3) Its property sales has been in line with the market trend, not particularly impacted by all the rumours in the market. 4) The structure change in the senior management may imply that **Chairman Hui Wing Mau may be back to deal with this crisis. Whether or not to bottom fish, we think investors may wait for two signals** when 1) Chairman is willing to lend some liquidity to the listco and 2) Long funds finish liquidating their stakes.

Our channel check in Shanghai: 1) **Financing:** there has been more mortgage quota relaxed since Oct. However, it still takes longer time to get approved compared to 1H21. 2) **Supply side:** Large developers like Sunac have been under pressure to push for more sales. One of its projects in Shanghai is launching 1000 units at one go with saleable resources of RMB7bn. 3) **Demand side** is still polarized: Projects in core locations (Hongkou district) are still seeing strong demands with buyer/units ratio at 3-5:1 while non-core areas may only see up to 1 to 1 ratio. 4) **Property price:** secondary market has seen some drop of 5-10%, which is quite normal in the previous down cycle. However, primary projects are still selling at 10-20% discount to secondary market, which seems more attractive to buyers.

OUTPERFORM
(Maintain)

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Jeffrey Zeng
(852) 3916 3727
jeffreyzeng@cmbi.com.hk

Xiao Xiao
(852) 3761 8952
xiaoxiao@cmbi.com.hk

Figure 1: Quick view of national property data in Nov 2021

	Nov-21	YoY	Oct-21	YoY	Sep-21	YoY	11M21	YoY	2020	YoY
Property GFA sold (mn sqm)	151	-14.0%	127	-21.7%	161	-13.1%	1,581	4.8%	1,761	2.6%
Property sales (RMB bn)	1,448	-16.3%	1,239	-22.6%	1,575	-15.8%	16,167	8.5%	17,361	8.7%
New starts (mn sqm)	161	-21.0%	138	-33.1%	174	-13.5%	1,828	-9.1%	2,244	-1.2%
GFA under construction (mn sqm)	9,597	6.3%	9,429	7.1%	9,281	7.9%	9,597	6.3%	9,268	3.7%
GFA completion (mn sqm)	115	15.4%	63	-20.6%	43	0.7%	688	16.2%	912	-4.9%
Property investment (RMB bn)	1,238	-4.3%	1,237	-5.4%	1,451	-3.5%	13,731	6.0%	10,144	7.0%
Domestic loans of developers (RMB bn)	149	-20.6%	138	-27.2%	185	-25.1%	2,164	-10.8%	2,668	5.7%

Source: NBS

Figure 2: Cash shortage if chairpersons are willing to bailout

Company	As of Dec 2020 (RMB Bn)			Cash shortage - (1H21 ST debt - total unrestricted cash - personal wealth)
	Chairperson's wealth by HuRun	Worth of its listco	Personal wealth	
Evergrande	204	126	78	-75
Shimao	102	46	56	61
Country Garden	215	177	38	63
R&F	41	18	23	-16
Agile	45	22	23	17
Longfor	110	97	13	53
Sunac	59	50	9	4
Times	19	11	8	15
Central China	14	6	7	10
KWG	24	18	6	15
Kaisa	9	5	4	0
CIFI	24	21	3	20
Aoyuan	13	10	2	0
Redsun	7	5	2	9
Sinic	11	10	1	-1
COLI				37
CR Land				25

Source: CMBI research; Restricted ratio is assumed at 30-50% of total cash for different developers as stress testing

Figure 3: NBS data summary

	Residential GFA Sold (sqm mn)	YoY	Residential Sold (RMB bn)	YoY	REI (RMB bn)	YoY
2010	931	9%	4,395	15%	3,404	33%
2011	970	4%	4,862	11%	4,431	30%
2012	985	1%	5,347	10%	4,937	11%
2013	1,157	18%	6,770	27%	5,895	19%
2014	1,052	-9%	6,240	-8%	6,435	9%
2015	1,124	7%	7,275	17%	6,460	0%
2016	1,375	22%	9,906	36%	6,870	6%
2017	1,448	5%	11,024	11%	7,515	9%
2018	1,479	2%	12,639	15%	8,519	13%
2019	1,501	1%	13,944	10%	9,707	14%
2020	1,549	3%	15,457	11%	10,445	8%
2021E	1,590	3%	16,281	5%	11,144	7%
2022E	1,558	-2%	16,281	0%	11,702	5%

Source: NBS

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CMB International Securities Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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