

China Property Sector

Loan relaxation for affordable rental housing positive for property investments

We think PBOC's loan relaxation for affordable rental housing has very limited impacts on developers given its small percentage (only 1% of total property loans). However, this is more important to drive up social housing constructions to meet the target of 6.5mn units during 2021-2025. We estimate this may boost 2022E new starts and investments by 4/6% respectively, which may lessen the worry of property investment pressure. As for the sector, we still like COLI, CR Land and Longfor, which seem a bit crowded at this stage. The key debate right now is whether we should chase 2nd-Tier SOEs or some non-SOEs. We still prefer SOEs such as Yuexiu property (123 HK NR), Jinmao Property (817 HK NR) rather than CIFI (884 HK NR). The key rationale is due to non-SOE's USD debt refinancing issue and JV risks (partner risks).

- **What's new:** During the afternoon HK trading hour of 8 Feb, PBOC and CBIRC jointly [announced](#) that the loans for affordable rental housing can be excluded from the [property loan quota limit](#). To recall, on 4 Jan 2021 PBOC announced that all outstanding property loans as % of total cannot exceed 30% (blended average) and set the limits for different types of banks.
- **How much loan quota it can help free?** As of 3Q21, the total debt balance for affordable housing was RMB4.64tn or 9% of total property debts (RMB51.4tn). As the relaxation is only targeting rental housing, the actual debt exclusion should be much less than RMB4.64tn. To be conservative, we may only assume 10% of it for rental housing mainly because 1) Previously shanty down redevelopment (棚户区改造) still has a significant outstanding balance of >RMB2tn. 2) There are also other type of affordable housing loans, including public housing for sale, old town renovation loans and so on. Therefore, we think **the loan quota to be relaxed could be only RMB400-500bn or 1% of total property loan.**
- **Very limited impacts on developers:** 1) Firstly we think this policy is consistent with PBOC's positive attitude towards property sector despite the baby steps. 2) Secondly based on our calculation above, the total loan quota freed is RMB400-500bn but the actual new loans to property sector could be much less than that given the weak demand and risk appetite of the banks.
- **More meaningful to drive affordable rental housing and thus new starts:** As PBOC lifted the quota limit for affordable rental housing, we think this is positive to drive up the construction in this area. Quantitatively speaking, [MOHURD announced to construct 6.5mn units of social housing](#) during 2021-2025 and this may **provide 4% and 6% support for 2022 new starts and property investments** based on our calculation.
- **Sales remained weak in Jan:** Based on CRIC's preliminary sales data, major developers we track still saw 40% YoY sales decline in Jan 2022. This is worse than Dec 2021 at -20% YoY partly due to higher base. In particular, R&F, Shimao and Vanke recorded >50% sales decline in Jan. We also observed some developers like Sunac started to push more sellable resources during CNY in cities like Shanghai in order to improve liquidities.

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Figure 1: All types of affordable housing debts

房地产贷款	地产开放贷款	保障性安居工程	公共租赁住房贷款	
			廉租住房贷款	
			棚户区及垦区危房改造贷款	
			经济适用住房开发贷款	
			限价商品住房开发贷款	
			农村危房改造贷款	
			游牧民定居工程贷款	
			城镇老旧小区改造贷款	
	房产开发贷款	住房开发贷款	保障性住房开发贷款	
			商业用房开发贷款	--
			其他房产开发贷款	--
	商业用房购房贷款	按购买主体	企业购买商业用房贷款	
			个人购买商业用房贷款	
	个人住房贷款	按住房套数	第一套房	
第二套房				
第三套房及以上				
按是否新建		新建住房贷款		
	二手房屋贷款			
其他房地产贷款	经营性物业贷款	--		

Source: FR

Figure 2: The impact of affordable housing on 2022E new starts and investments

City	No. of cities	No. of affordable housing units per city ('000)	Total no. during 2021-25 ('000)	No. of units per year('000)	New starts per year (k sqm)	Land costs (RMB/sqm)	Construction costs (RMB/sqm)	Property investments (RMB bn)
Tier 1	4	500	2,000	400	28,000	7,000	4,000	308
Upper Tier 2	15	200	3,000	600	42,000	5,000	3,000	336
Lower Tier 2	21	70	1,500	300	21,000	3,000	3,000	126
Total	40		6,500	1,300	91,000			770
		2021 New Starts (k sqm)			1,988,950			
		Boost			5%			
		2021 Property Investments (RMB bn)			14,760			
		Boost			5%			

Source: CMBIS

Figure 3: Major developers' Jan sales remained weak

Company		Jan 22 sales		Dec 21		2021	
		(RMB bn)	YoY	Sales	YoY	Sales	YoY
Country Garden (attri)	2007 HK	36	-11%	23	97%	557	-2%
Vanke	2202 HK	34	-53%	56	-45%	620	-12%
Sunac	1918 HK	28	-21%	48	-12%	598	4%
COLI	688 HK	16	-43%	41	4%	371	3%
CR Land	1109 HK	15	-38%	45	16%	316	11%
Shimao	813 HK	8	-63%	12	-68%	270	-10%
Longfor	960 HK	11	-45%	40	43%	290	7%
CIFI	884 HK	8	-48%	22	-31%	247	7%
Jinmao	817 HK	10	-50%	22	-29%	236	2%
Seazen	1030 HK	9	-46%	21	-32%	234	-7%
Agile	3383 HK	7	-33%	14	-38%	139	1%
Aoyuan	3883 HK	3	-75%	5	-73%	121	-9%
R&F	2777 HK	5	-59%	8	-65%	120	-20%
SCE	1966 HK	5	-38%	7	-40%	105	3%
KWG	1813 HK	4	-39%	10	-21%	104	0%
Times	1233 HK	8	-4%	8	-52%	95	-6%
Average			-40%		-22%		-2%

Source: CRIC

Figure 4: Property Sector Comps

Company	Ticker	Last price (LC)	Mkt Cap (LC mn)	Rating	TP (LC)	P/E			PB		Dividend Yield	
						20A	21E	22E	20A	21E	20A	21E
Vanke - H	2202 HK	19.80	284,338	BUY	33.92	4.2	3.7	3.5	0.9	8%	8%	
COLI	688 HK	22.10	241,880	BUY	30.49	4.6	4.4	3.8	0.5	5%	6%	
Country Garden	2007 HK	6.39	147,918	BUY	13.36	3.3	2.5	2.2	0.7	9%	8%	
CR Land	1109 HK	35.65	254,218	BUY	44.79	7.1	6.6	6.1	1.1	3%	4%	
Longfor	960 HK	40.70	247,224	HOLD	34.27	9.9	6.7	6.5	1.9	4%	5%	
Shimao	813 HK	4.98	18,913	BUY	44.94	1.1	1.0	0.8	0.2	32%	32%	
Agile	3383 HK	3.66	14,336	BUY	13.89	1.2	1.2	1.1	0.2	30%	26%	
KWG	1813 HK	4.50	14,324	BUY	17.87	1.8	1.5	1.2	0.3	25%	28%	
Times China	1233 HK	3.58	7,103	BUY	16.20	1.2	0.8	0.7	0.3	26%	28%	
China SCE	1966 HK	1.70	7,178	BUY	5.60	1.6	1.4	1.1	0.3	21%	21%	
Redsun	1996 HK	2.53	8,447	BUY	3.52	4.2	3.3	2.9	0.6	7%	7%	
Vanke - A	000002 CH	20.70	232,006	BUY	31.36	5.3	4.7	4.5	1.1	6%	7%	
Radiance	9993 HK	4.28	17,314	BUY	5.55	4.0	3.5	2.9	0.8	7%	8%	
Dafa	6111 HK	4.37	3,618	BUY	8.32	8.8	4.8	4.2	0.9	2%	4%	
Dexin	2019 HK	2.91	7,861	BUY	3.56	6.5	5.8	5.0	1.3	6%	7%	
Average						4.3	3.5	3.1	0.7	12.7%	13.2%	

Source: BBG, CMBIS

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