

China Property Sector

Secondary sales see strong rebound for third consecutive week

- Secondary sales recorded positive YoY increase in three straight weeks:** Following last week's rally in the property sector, many worry sales recovery may not persist. To answer, we need to exclude the impact from relocation housings, which is included in the new home sales data (mainly from Qingdao), solely focusing on secondary home sales. In the eight major cities, secondary home sales were at 1.2mn sq m in the week of 20-26 June, marking the third consecutive week of YoY increase at +10% YoY (+10%/+1% YoY in previous two weeks). Within the eight cities, Chengdu has outperformed all with average weekly YoY rise of +448% in June and +561% YoY during the week of 20-26 June. Suzhou saw its first weekly positive reading with 7% YoY rise last week, while cities like Hangzhou and Shenzhen showed marginal tightening in weekly YoY decline. The logic follows that when secondary market home prices rise due to stronger rebound, it will further widen the gap of new home prices, leading new home market on a rebound. Therefore, this can be viewed as a precedent cause for sales to rebound.
- Next to watch – June full month sales:** With the recovery in these weekly high frequency data, we presume the whole month sales for June will perform better MoM and see tightening of YoY decline. This is also in line with the predictions in our leading GAIN indicator, which forecasts June sales may be better than that in May. As we brace through the bottom in May with lockdowns and fresh stimulating policies, there will be changes that are more meaningful in the months ahead.
- Key risks are still mounting offshore debt crisis:** As we mentioned in our [previous report](#), Jun/July 2022 is another debt repayment peak with US\$10.6bn, vs. US\$8bn in Aug/Sep and US\$8bn in Apr/May. Among which, Sunac needs to pay 10% principal of its onshore bond by the end of June, which equals to RMB400mn. There is high possibility of a further extension. Other developers also face heavy repayments, including Powerlong (US\$200mn due in 25 July), Central China (US\$500mn in Aug), Agile (US\$600mn in Aug) and KWG (US\$900mn in Sep).

Figure 1: Property Comps

Company	Ticker	Last price (LC)	Mkt Cap (LC mn)	TP (LC)	P/E			PB 21A	Dividend Yield	
					20A	21A	22E		21A	22E
Vanke - H	2202 HK	18.14	243,734	33.92	4.6	4.1	3.9	0.7	7%	6%
COLI	688 HK	23.15	253,374	30.49	5.8	5.5	4.8	0.5	6%	6%
Country Garden	2007 HK	4.61	106,714	13.36	2.8	2.2	1.9	0.7	12%	9%
CR Land	1109 HK	35.40	252,435	44.79	8.5	7.9	7.3	0.9	5%	5%
Longfor	960 HK	34.00	206,643	52.59	10.0	6.8	6.5	1.5	6%	6%
Shimao	813 HK	4.42	16,786	44.94	1.2	1.0	0.9	NA	26%	29%
Agile	3383 HK	3.05	11,947	13.89	1.3	1.2	1.1	0.2	24%	22%
KWG	1813 HK	2.41	7,672	17.87	1.1	0.9	0.8	0.3	33%	32%
Times China	1233 HK	2.43	5,107	16.20	1.0	0.7	0.6	0.3	35%	26%
China SCE	1966 HK	1.10	4,644	5.60	1.2	1.1	0.8	0.3	27%	28%
Redsun	1996 HK	2.58	8,447	3.52	5.2	4.1	3.5	0.4	6%	8%
Vanke - A	000002 CH	18.34	207,736	31.36	4.7	4.2	4.0	0.7	7%	6%
Radiance	9993 HK	4.44	17,961	5.55	5.0	4.4	3.6	0.6	8%	10%
Dafa	6111 HK	0.45	371	8.32	1.1	0.6	0.5	0.9	NA	NA
Dexin	2019 HK	2.67	7,213	3.56	7.2	6.4	5.6	1.0	7%	8%
Average					4.0	3.4	3.1	0.6	14.9%	14.4%

Source: BBG, CMBIGM

OUTPERFORM
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China Property Sector

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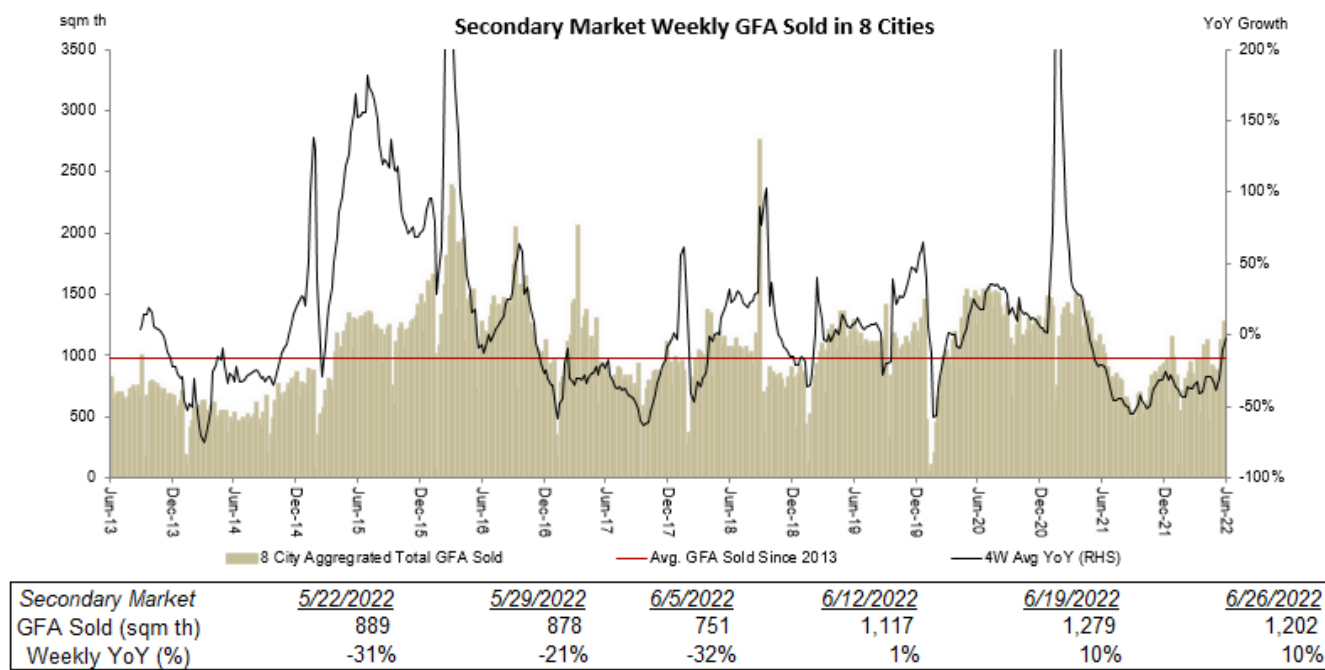
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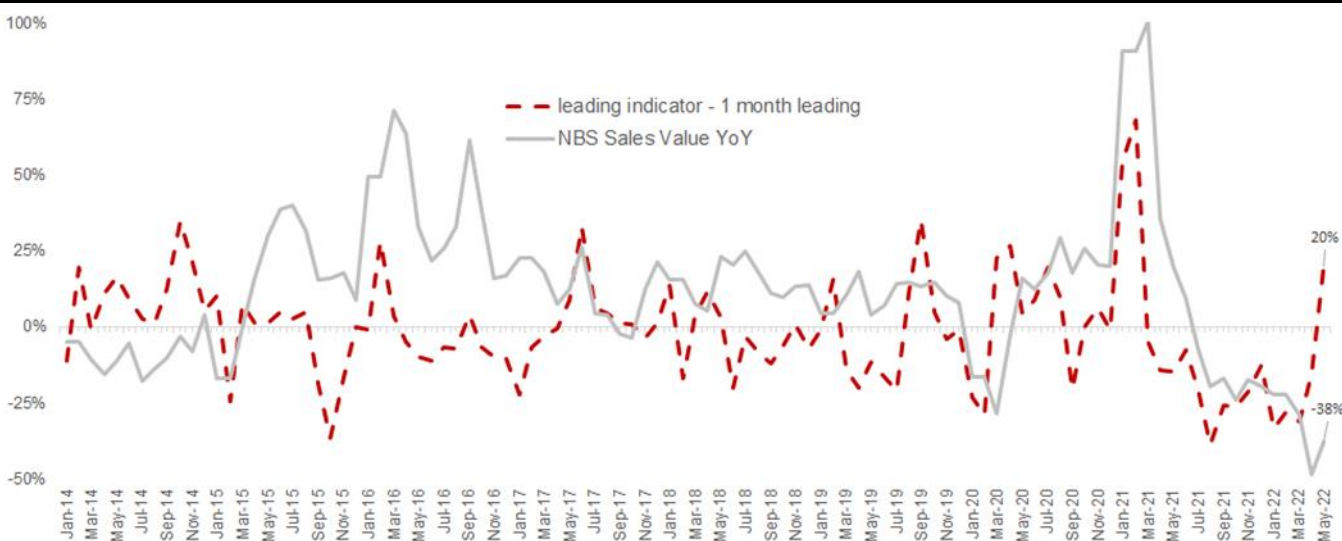
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Figure 2: 2nd home weekly GFA sold in 8 cities



Source: Wind, CMBIGM

Figure 3: Leading indicator GAIN – a strong sales recovery in June



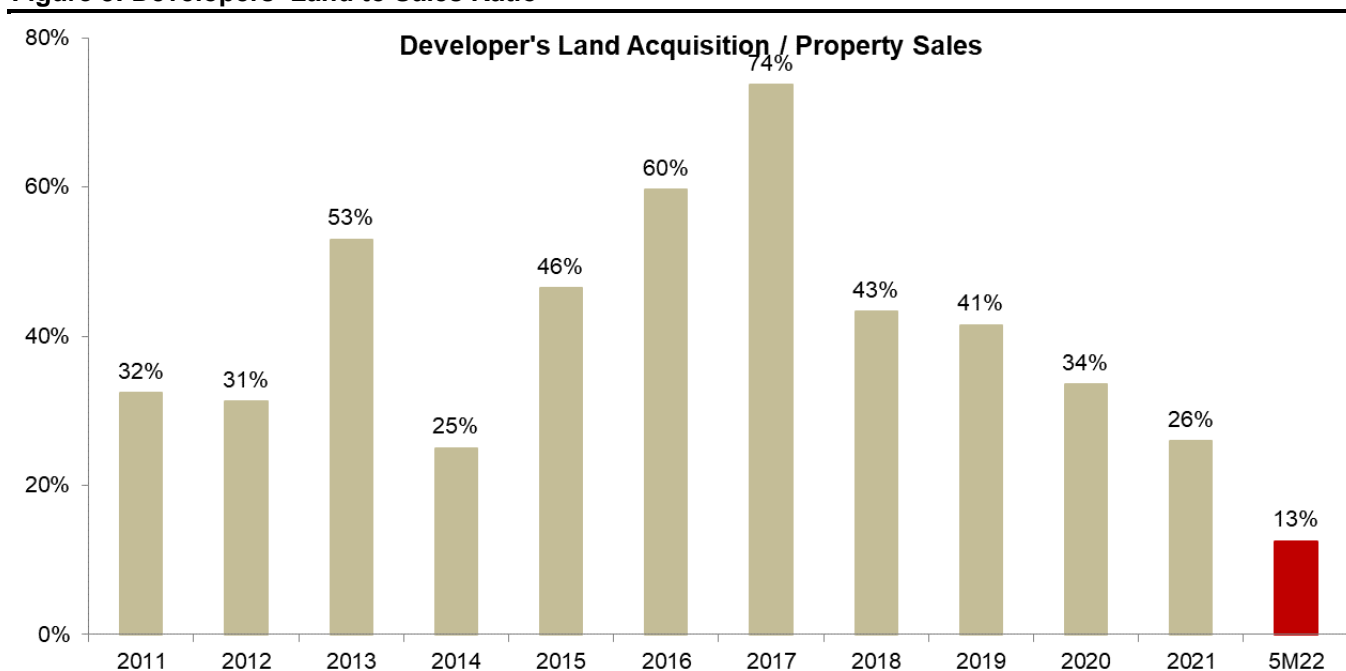
Source: Wind, CMBIGM

Figure 4: YTD Land Acquisition for Developers (up to 31 May, 2022)

Company	No. of Cities Entered	Plots (#)	Total GFA (000' sq. m)	Total Value (RMB Bn)	Land AV (RMB/sqm)	5M22 Sales (RMB Bn)	Land to Sales Ratio
Greentown	6	13	1,669	37.0	22,181	58.8	63%
CR Land	11	15	2,467	36.0	14,595	81.3	44%
Poly	15	23	2,697	35.9	13,315	159.2	23%
CM Shekou	9	13	1,342	31.0	23,122	77.6	40%
C&D Intl.	6	9	871	27.8	31,952	46.4	60%
Vanke	12	13	2,357	23.8	10,086	167.3	14%
COLI	9	10	1,681	23.6	14,053	96.5	24%
Binjiang	2	11	1,408	21.2	15,047	45.0	47%
Yuexiu	3	7	1,918	21.2	11,073	34.6	61%
Longfor	6	7	1,447	18.6	12,841	62.1	30%
Gemdale	2	3	247	6.2	24,952	72.2	9%
CIFI	3	3	263	2.2	8,336	49.6	4%
Jinmao	1	1	171	0.4	2,598	50.9	1%
Sino-Ocean	1	2	116	0.4	3,193	29.4	1%
Central China	1	1	9	0.0	1,149	11.1	0%
Country Garden	1	1	4	0.0	1,628	150.1	0%
Shimao	-	-	-	-	-	34.3	-
Seazen	-	-	-	-	-	51.2	-
R&F	-	-	-	-	-	21.8	-
Times	-	-	-	-	-	22.3	-
Midea	-	-	-	-	-	31.9	-
Sunac	-	-	-	-	-	98.6	-
Agile	-	-	-	-	-	27.3	-
Logan	-	-	-	-	-	26.6	-

Source: Company, CRIC, Guandian, CMBIGM

Figure 5: Developers' Land to Sales Ratio



Source: Company, CMBIGM

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