

China Property

Shenzhen rolled out guidelines on UVR; Weekly primary sales volume -40% YoY

Industry Overview

Shenzhen rolled out guidelines on UVR

On Jan. 4th, Shenzhen rolled out its drafted guidelines on urban village revitalization (UVR) - the second major city following Guangzhou to publish such guidelines. In our view, this set of guidelines enlarges the scope of redevelopment (specified 4 types as priority of redevelopment vs. 2 types stated before) and slashes the kick-off threshold from 3/4 villagers' consents to 2/3. However, house coupon as compensation was not mentioned in the guideline - but if to be adopted in future, could have a very meaningful impact on home sales given the large size of UVR in Shenzhen. Per China Development Institute (Shenzhen), as of 2022, there were 5.9mn units with 220mn sqm GFA located in Shenzhen urban villages vs. 80k+ units of primary + secondary home transaction during 2022 in Shenzhen, but we note that UVR would be implemented over a few years. Further, households to be resettled would have the choice to select resettlement housing instead of house coupons.

Qingdao granted specialized loan to do direct purchase

According to PBoC Qingdao Branch, a specialized loan amount of RMB1.85bn was granted to Qingdao to purchase existing home stocks for the use of subsidized rental housing. This amount aims to purchase 2,319 units or around RMB800k per unit. During 2023, primary home sales units in Qingdao was 96k, and hence the government purchase would account for 2.4% of the new home sales. The loan was granted from China Development Bank and some other commercial banks.

Major cities' weekly new home sales volume -40% YoY

During the past week (31 Dec 2023 to 6 Jan 2024), primary home registered sales volume in 33 major cities declined by 40% YoY, or -59% WoW (Exhibit 2). We note the first week is usually short for sales window due to the holiday, and hence not a reliable indicator for sales performance. Across different cities, new home sales volume decreased by 58%/35%/23% YoY in Tier-1/2/3 cities. During the past week, secondary home sales in 11 major cities decreased by 3% YoY and 27% WoW. Going ahead, the timing of Chinese New Year (CNY) will play a factor - in Jan 2023 but in Feb 2024 - which would make sales comparisons a bit easier in 2H of Jan but tougher in 1H of Feb.

Primary home unit sales weakened in tier-1 cities

During the past week, tier-1 cities' primary home market weakened with sales units down by 23%/69%/41%/26% YoY in Beijing/Shanghai/Guangzhou/Shenzhen. Compared to the previous week, new home unit sales declined by 66%/23% WoW in Beijing/Shanghai but increased by 16%/35% WoW in Guangzhou/Shenzhen. Performance of secondary home market was stronger with unit sales +33%/4% WoW in Beijing/Shanghai but down by 35% WoW in Shenzhen. Compared to the sales in 2023, secondary home unit sales increased by 30%/25% YoY in Beijing/Shenzhen during the past week (Exhibit 4).

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GFA: gross floor area

UVR: urban village revitalization

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Timestamp: 07 January 2024 10:56AM EST

Exhibit 1: Weekly primary home sales trend

Primary home sales volume in major cities declined by 40% YoY

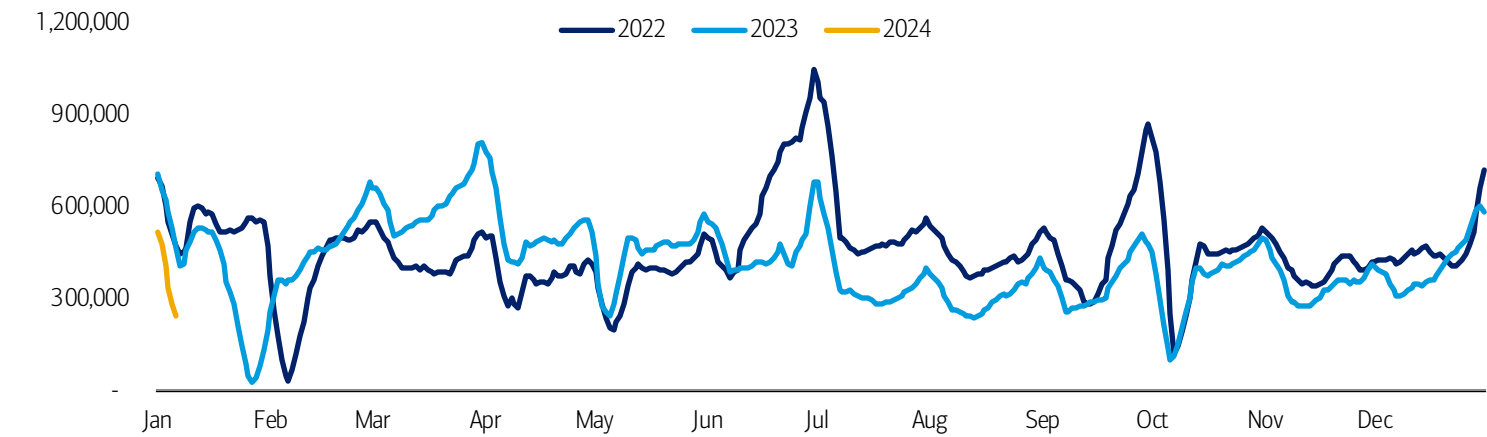
End	City		Weekly WoW	Weekly YoY	MTD YoY	YTD YoY
1/6/2024	New home	Total (33 cities)	-59%	-40%	-38%	-38%
1/6/2024		Tier-1 (4 cities)	-52%	-58%	-58%	-58%
1/6/2024		Tier-2 (10 cities)	-61%	-35%	-34%	-34%
1/6/2024		Tier-3 (19 cities)	-60%	-23%	-8%	-8%
1/6/2024	Secondary home (11 cities)		-27%	-3%	2%	2%

Source: Wind, BofA Global Research

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Exhibit 2: Primary home sales volume in 33 cities (7-day rolling average) in sqm

Sales in 33 cities declined by 40% YoY during the past week



Source: Wind; BofA Global Research

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Exhibit 3: Secondary home sales volume in 11 cities (7-day rolling average) in sqm

Secondary transaction volume increased YoY



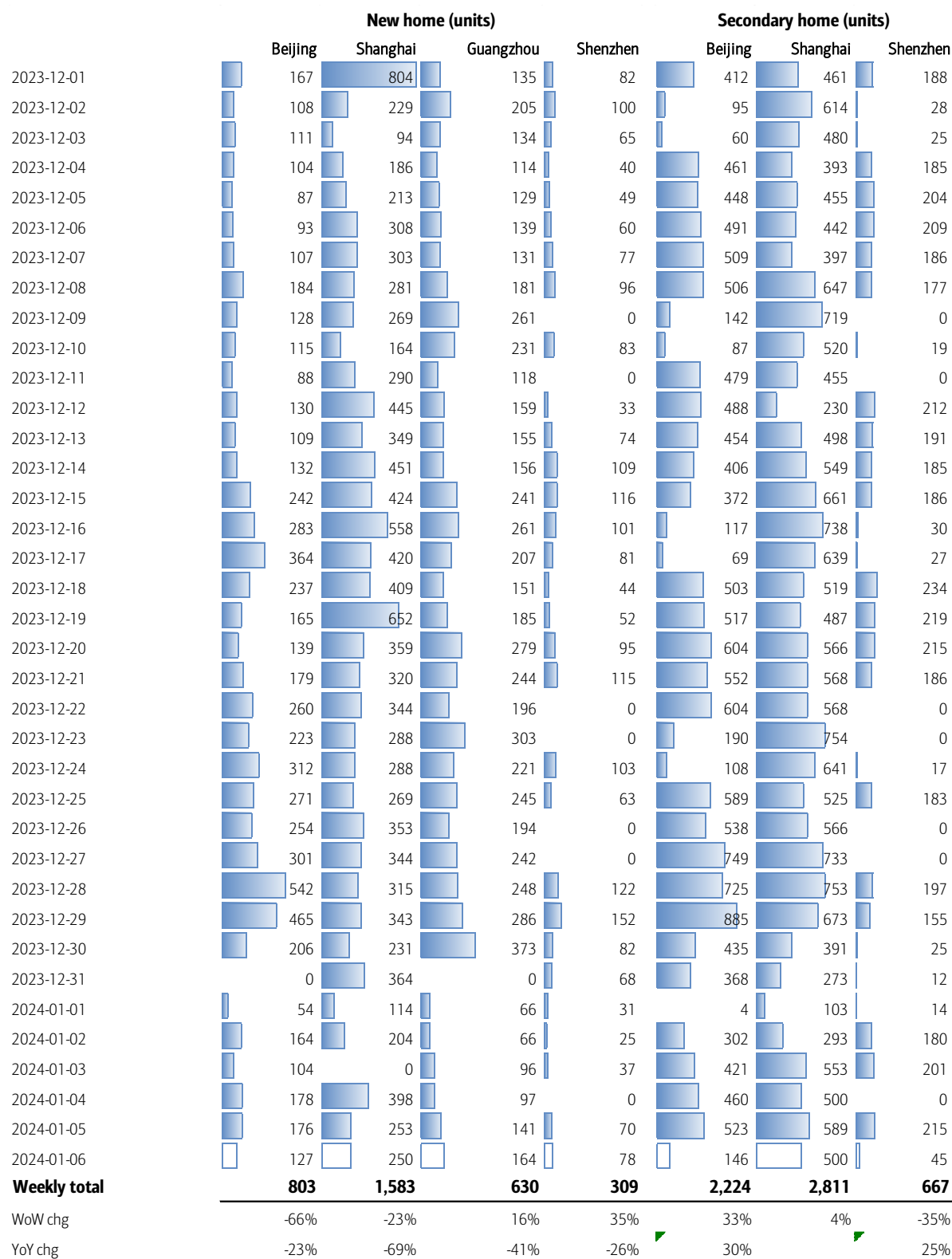
Source: Wind; BofA Global Research

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Exhibit 4: Daily property sales in tier-1 cities

Weekly sales units in tier-1 cities weakened YoY



Source: Wind, BofA Global Research

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