

China Property

Weekly home sales update; MoHURD policy updates

Industry Overview

Major cities' new home sales volume -37% WoW

Primary home sales volume in 33 major cities decreased by 60% YoY during the past week (Mar 3 to Mar 9), or -37% WoW. Across different cities, new home sales volume declined by 57%/63%/55% YoY during the past week. YTD, major cities' new home sales volume declined by 46% YoY. Seasonally, it is not unusual to see a dip in sales WoW in early March, but this makes it crucial if we see WoW pick up in sales in the next week. During the past week, secondary home sales in 11 major cities declined by 39% YoY, but increased by 6% WoW (Exhibit 2).

Head of MoHURD gave more policy updates

Mr. Ni Hong, the head of MoHURD (Ministry of Housing Urban-Urban Development) gave more policy updates during the press conference post the "Two Sessions"

Key point 1-pre-sale scheme: MoHURD calls for exiting the pre-sale scheme in a forceful but orderly manner. **Our view:** the exit of pre-sale scheme may not necessarily be harmful to the sector. The exit of pre-sales would reduce supply in near term and may re-consolidate the sector.

Key point 2- social housing: Per the policy scheme, social housing could meet the basic living demand for people, and commodity housing could meet the other layers of housing demand on top. **Our view:** social housing makes sense as a social policy; however, there is market concern that social housing could be over-built and crowd out commodity housing demand.

Key point 3- demand-supply balance: local governments should assume their responsibilities to plan ahead of property policies based on population, demand-supply dynamics. **Our view:** MoHURD is trying to guide the cities with excess/tight inventories to decrease/increase the land supply going forward.

Key point 4- huge potential for housing demand in China: per MoHURD, there are 30bn sqm existing home stocks which require redevelopment/renovation in future. **Our view:** we estimate that the existing living space requiring redevelopment/renovation could be over 10bn sqm in near term. Our estimate, though smaller than MoHURD's estimate, is also a large potential source of demand and would continue growing.

Key point 5- equally support property projects' reasonable financing demand

Financial institutions should support quality projects' financing demand regardless of owner entities' financial condition. Also distressed developers should proceed with liquidation or restructuring process per relevant rules.

Key point 6- more proactive management of existing home stocks

MoHURD calls for faster establishment of such schemes: house quality screening, house insurance, and house maintenance fund.

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Karl Choi, CFA >>
Research Analyst
Merrill Lynch (Hong Kong)
+852 3508 3108
karl.choi@bofa.com

Eric Du >>
Research Analyst
Merrill Lynch (Hong Kong)
+852 3508 3329
eric.du@bofa.com

Summer Wang, CFA >>
Research Analyst
Merrill Lynch (Hong Kong)
+852 3508 4351
summer.wang@bofa.com

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Tier-1 cities' sales performance

In terms of # of units sold, primary home sales declined by 56%/54%/52%/46% YoY in Beijing/Shanghai/Guangzhou and Shenzhen during the past week. Sequentially, Shenzhen and Shanghai achieved WoW increase of 42%/7% for primary home unit sale (vs. -15%/-6% WoW for Beijing/Guangzhou). Sentiment of secondary home market was better with all these four tier-1 cities recorded WoW growth (i.e., +10%/+20%/+20%/+8% WoW in Beijing/Shanghai/Guangzhou/Shenzhen).

Exhibit 1: Major cities' home sales update

In 33 key cities, the primary home sales volume was down by 46% YTD

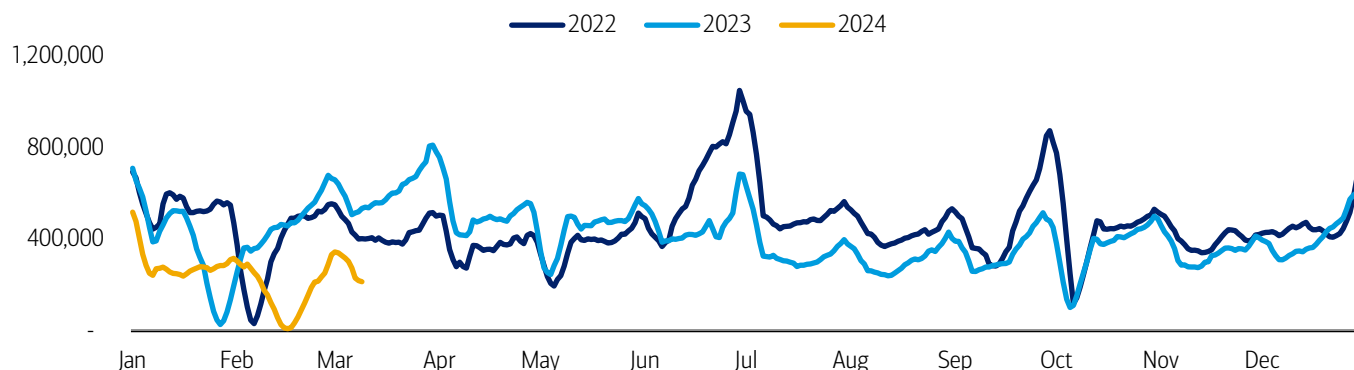
End	City	Weekly WoW	Weekly YoY	MTD YoY	YTD YoY
3/9/2024	Total (33 cities)	-37%	-60%	-58%	-46%
3/9/2024	New home				
3/9/2024	Tier-1 (4 cities)	-27%	-57%	-52%	-39%
3/9/2024	Tier-2 (10 cities)	-22%	-63%	-62%	-49%
3/9/2024	Tier-3 (19 cities)	-57%	-55%	-54%	-42%
3/9/2024	Secondary home (11 cities)	6%	-39%	-44%	-16%

Source: Wind, BofA Global Research

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

Home sales registration decreased WoW



Source: Wind, BofA Global Research

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

Home sales registration increased WoW

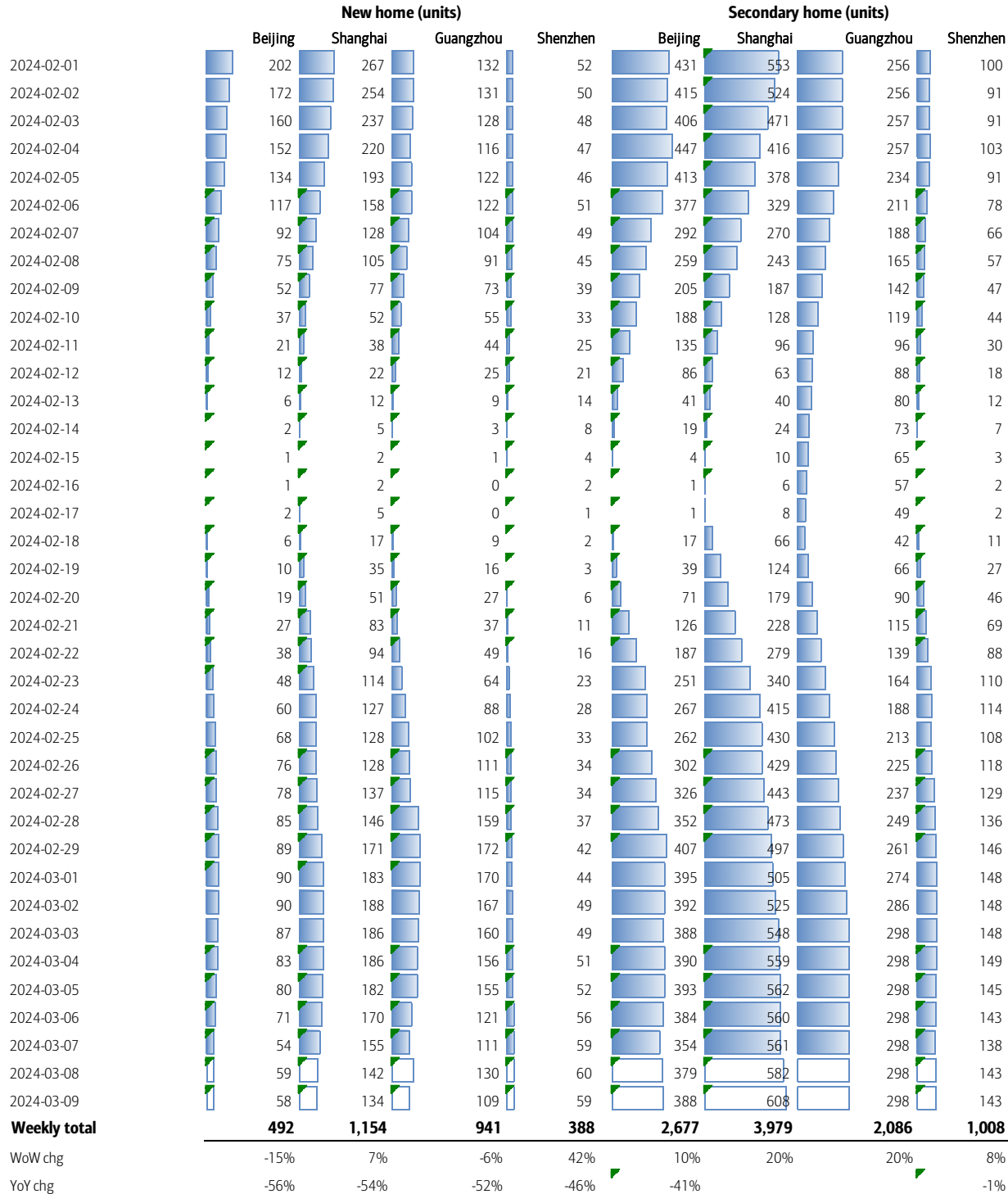


Source: Wind, BofA Global Research

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Exhibit 4: Daily property sales in tier-1 cities

Tier-1 cities' sales performance



Source: Wind, BofA Global Research

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