

China Property

NBS: national sales value declined by 6% YoY in 2023; REI weakened

Industry Overview

NBS: National sales value -20% YoY in Dec.

According to NBS, national new home sales volume/value decreased by 16.1%/20.2% YoY in Dec, widening from decline of 12.9%/11.0% YoY in Nov. This showing beat the performance of top 100 developers' sales value (i.e., -33% YoY) but was in line with major cities' primary sales volume (-16% YoY). Sequentially, Dec. new home sales volume/value increased by 34.3% and 30.8% MoM (vs. +25% for major cities' volume and +23% MoM increase for top 100 developers' sales value). In full-year 2023, national new home sales volume declined by 8.2% YoY (vs. 33 major cities' 9% volume decline), slightly wider than our estimated decrease of 6-7% YoY. National sales value was down by 6% YoY (vs. Top 100 developers' 17% sales value decline). Again, NBS restated 12M22 sales volume/value downward by 9.9%/6.2%, respectively, and restated Dec. 2022 sales volume/value downward by 11.5%/6.8%.

Performance by tiers: According to CRIC, tier 1/2/3 cities' sales value decreased by -8%/-14%/-26% YoY, respectively in Dec. In 2023, tier-1/2/3 cities recorded new home sales value changes of -1%/+2%/-12% YoY. The blended ASP declined by 5% YoY in Dec (or -3% MoM), mainly attributable to the price decrease in tier-2/3 cities (i.e., -3%/-11% YoY in Dec).

Investment and new-starts weakened; strong completion

After the unexpected rebound in Nov, new starts resumed the downward trend in Dec, with YoY decline of 13.3% (vs. +6.2% YoY in Nov) and MoM decrease of 8.7%. In 12M23, total new-starts area came down by 20.9% YoY. Total real estate investments (REI) decreased by 12.5% YoY in Dec. (or -15.4% MoM), widening from the decrease of -10.6% YoY in Nov (or -9.4% YoY in 11M23). In full-year 2023, total real estate investment declined by 9.6% YoY. On the other hand, national completion area increased by 14.8% YoY in Dec. In 12M23, total completion area increased by 17.2% YoY.

Primary home price decline further widened in Dec

In Dec, 70 cities' primary home price decreased by 0.5% MoM, further widening from the decline of 0.4% in Nov. Across different cities, new home price edged down by 0.4%/0.4%/0.5% MoM in Tier-1-1/2/3 cities in Dec-2023. On YoY basis, tier-1/2/3 cities' primary home price index were -0.1%/+0.1%/-1.8%.

Secondary home price further declined by 0.8% MoM in Dec. Tier-1 cities recorded the largest price decrease of -1.1% MoM (vs. -1.4% MoM in Nov.). Across cities, Beijing/Shanghai/Guangzhou/Shenzhen recorded MoM price decline of 1.2%/0.6%/1.5%/1.1% MoM in Dec. Tier-2/3 cities saw MoM decrease of 0.8% MoM in Dec.

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NBS: National Bureau of Statistics

CRIC: China real estate information center

REI: real estate investment

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NBS property data summary

Exhibit 1: NBS property data summary

Home sales value decreased by 6.0% YoY in 2023

	Dec-23	12M23	MoM	Nov-23	11M23	MoM
Sales volume	-16.1%	-8.2%	34.3%	-12.9%	-7.3%	-0.6%
Sales value	-20.2%	-6.0%	30.8%	-11.0%	-4.3%	-0.7%
New Starts	-13.3%	-20.9%	-8.7%	6.2%	-21.5%	18.1%
Total REI	-12.5%	-9.6%	-15.4%	-10.6%	-9.4%	-6.1%
Residential REI	-13.8%	-9.3%	-17.9%	-11.3%	-9.0%	-7.2%
Completion	14.8%	17.2%	231.3%	14.4%	18.5%	57.6%
Under Construction	-7.7%	-6.6%	0.8%	-7.6%	-6.5%	1.0%

Source: NBS, BofA Global Research

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Exhibit 2: 2022 data restatement

NBS seems to have restated the 2022 annual sales volume/ value lower by 9.9%/6.2%

	2022 revised	2022 historical	Var.
Sales volume (mn sqm)	1,032.6	1,146.3	-9.9%
Sales value (Rmb bn)	10,956.4	11,674.7	-6.2%
New Starts (mn sqm)	875.9	881.4	-0.6%
Total REI (Rmb bn)	12,269.1	13,289.5	-7.7%
Resi REI (Rmb bn)	9,241.5	10,064.6	-8.2%
Completion (mn sqm)	618.0	625.4	-1.2%

Source: NBS, BofA Global Research

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Exhibit 3: Table 1: China 2023 property market statistics

Tier 1 & 2 cities outperformed during 2023

Sales value (Rmb bn)	2021	2022	12M23	YoY	Nov 23	Dec 23	MoM	YoY
National	16,273	10,900	10,299	-6%	714	934	31%	-20%
First tier cities	1,849	1,612	1,596	-1%	110	141	28%	-8%
Tier 2 cities	5,398	3,317	3,369	2%	241	292	21%	-14%
Lower tier cities	9,026	5,972	5,335	-12%	364	502	38%	-26%
Sales volume (Million sqm)								
National	1,565	1,030	948	-8%	66	88	34%	-16%
First tier cities	39	30	29	-3%	2	3	25%	-9%
Tier 2 cities	324	192	194	1%	13	16	18%	-12%
Lower tier cities	1,203	809	725	-11%	50	70	39%	-17%
ASP (Rmb/sqm)								
National	10,396	10,185	10,864	2%	10,860	10,580	-3%	-5%
First tier cities	47,718	54,396	55,528	2%	54,393	55,876	3%	1%
Tier 2 cities	16,677	17,287	17,385	1%	17,905	18,394	3%	-3%
Lower tier cities	7,503	7,386	7,353	-1%	7,231	7,177	-1%	-11%

Source: NBS, local city land transaction center, CRIC, BofA Global Research

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Exhibit 4: Developers' contracted sales performance in 2023

Quality developers' contracted sales decreased 47% YoY in December

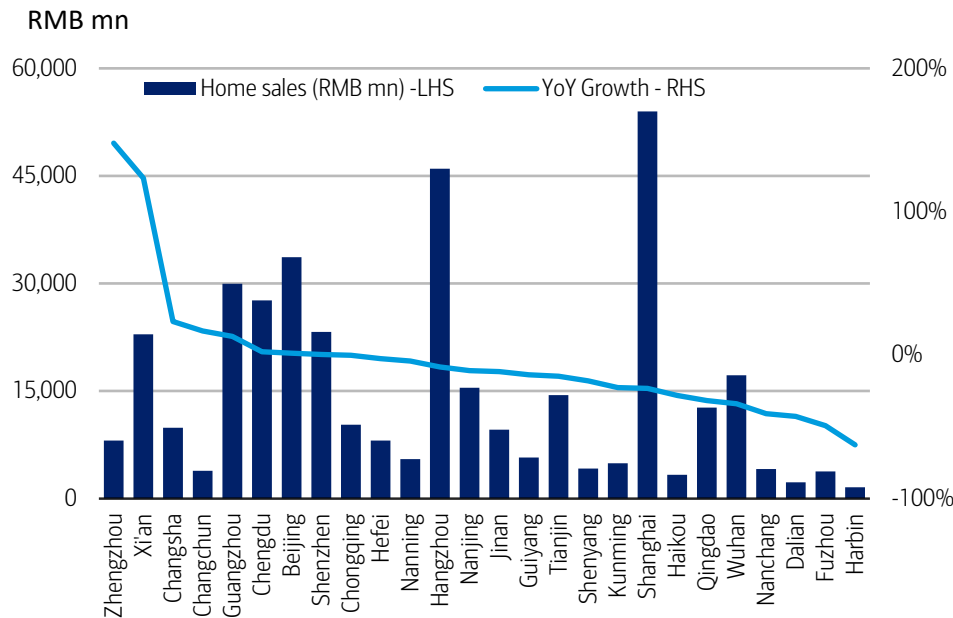
Rmb bn Company	Ticker	Nov-23	Dec-23	MoM	YoY	12M23	12M23 YoY
China Vanke	2202 HK	30.7	33.0	7%	-17%	376.1	-10%
Evergrande	3333 HK	2.1	3.6	77%	28%	60.3	32%
COLI	688 HK	22.9	22.8	-1%	-40%	309.8	5%
Country Garden	2007 HK	6.1	6.9	13%	-69%	174.3	-51%
CR Land	1109 HK	24.1	21.0	-13%	-58%	307.0	2%
Sunac	1918 HK	3.5	5.5	57%	-33%	84.8	-50%
Shimao	813 HK	2.4	2.8	16%	-60%	42.8	-50%
Longfor	960 HK	10.5	11.3	8%	-38%	173.5	-14%
R&F	2777 HK	0.6	1.0	70%	-49%	19.5	-49%
Agile	3383 HK	2.2	3.4	51%	-13%	45.3	-31%
Sino-Ocean	3377 HK	2.1	3.0	41%	-72%	50.5	-50%
Seazen	1030 HK	5.0	4.8	-5%	-28%	76.0	-35%
CIFI	884 HK	3.8	5.3	39%	-17%	70.0	-44%
Jinmao	817 HK	10.0	9.2	-9%	-48%	141.2	-9%
KWG	1813 HK	1.3	1.3	6%	-65%	25.2	-50%
Times	1233 HK	0.7	0.9	41%	-42%	14.3	-64%
Poly Real Estate	600048 CH	31.2	22.7	-27%	-60%	422.2	-8%
CMSK	001979 CH	23.6	22.8	-4%	-47%	293.6	0%
Gemdale	600383 CH	10.2	10.4	2%	-49%	153.8	-31%
Total/Average		193	192	-1%	-47%	2,840	-20%
Ex. Evergrande		191	188	-2%	-47%	2,780	-20%
SOE+Longfor		165	156	-6%	-47%	2,228	-9%

Source: Company filings, BofA Global Research

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Exhibit 5: Major cities sales value in December

Zhengzhou reached the largest growth of 148% YoY in December

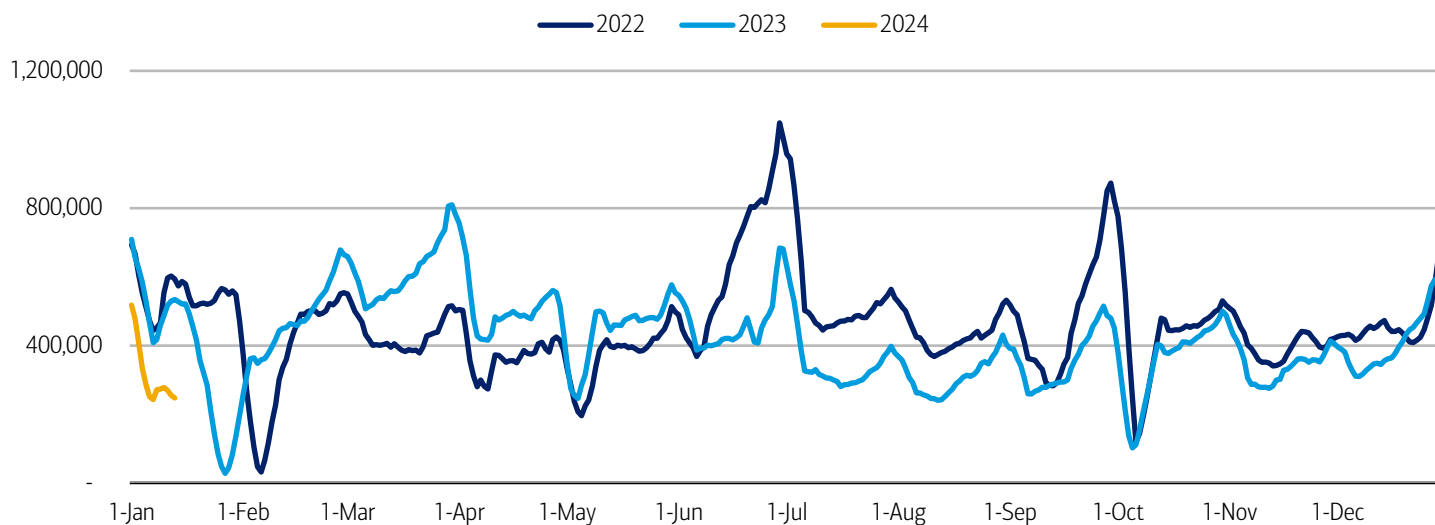


Source: CRIC, BofA Global Research

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Exhibit 6: 33 cities sales volume (7 days rolling average)

New home sales decreased by 53% YoY during past week

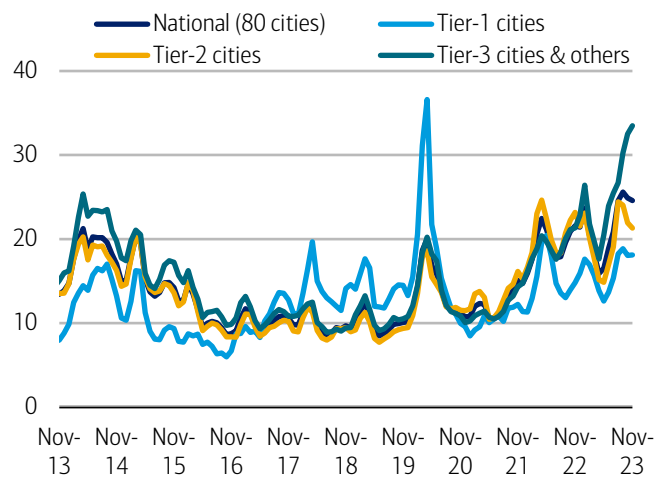


Source: Wind, BofA Global Research

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Exhibit 7: 80 cities Inventory times (months)

Tier 3 cities saw inventory turnover months increase in November

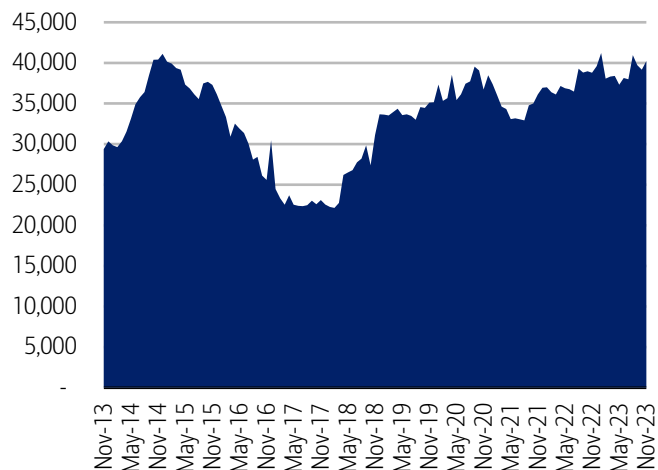


Source: CRIC, BofA Global Research

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Exhibit 8: Total inventory in Tier-1 cities (th sqm)

Tier 1 cities' inventories decreased in November

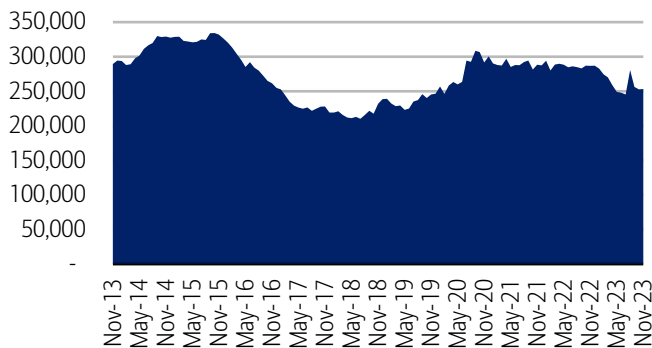


Source: CRIC, BofA Global Research

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Exhibit 9: Total inventory in Tier-2 cities (th sqm)

Tier 2 cities' inventories kept flattish in November

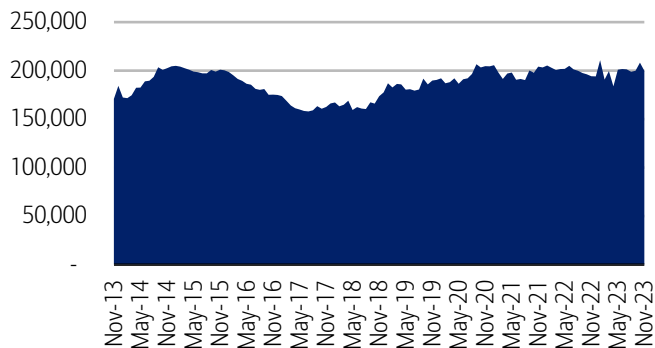


Source: CRIC, BofA Global Research

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Exhibit 10: Total inventory in Tier-3 cities (th sqm)

Tier 3 cities' inventories decreased slightly in November

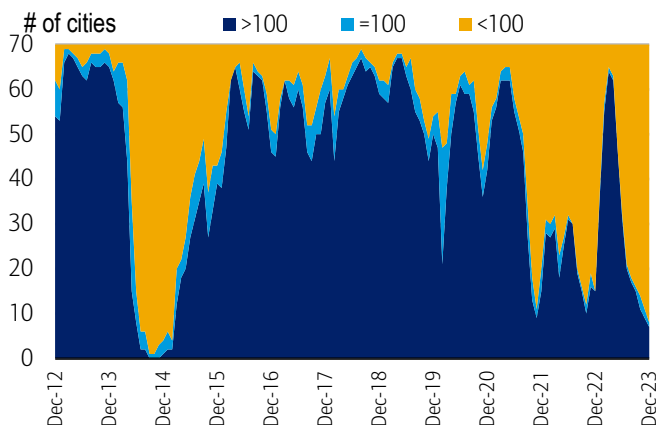


Source: CRIC, BofA Global Research

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Exhibit 11: New home price change in 70 cities

62 cities saw primary home price MoM decline in December

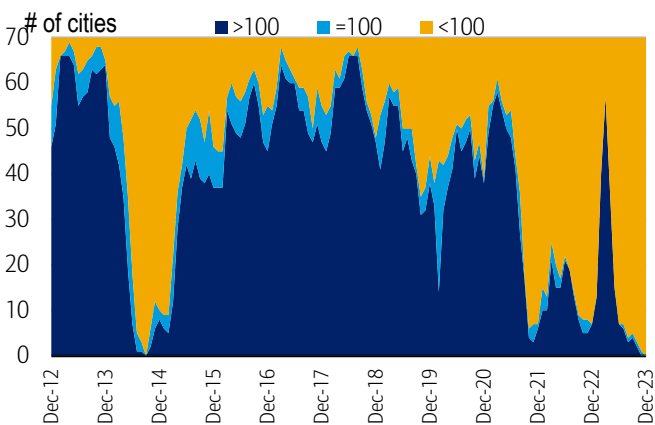


Source: NBS, BofA Global Research

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Exhibit 12: Secondary home price change in 70 cities

70 cities saw secondary home price MoM decline in December

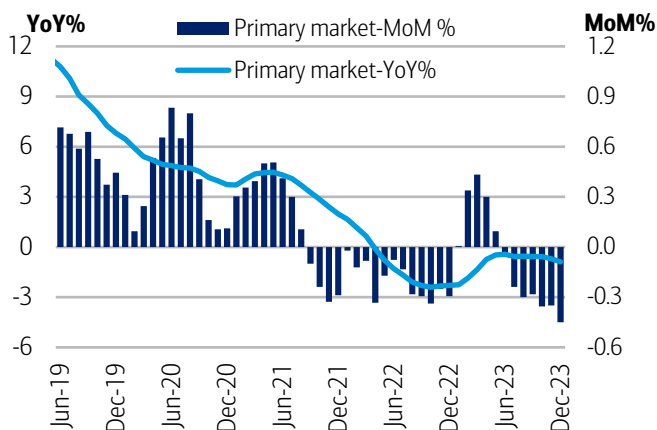


Source: NBS, BofA Global Research

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Exhibit 13: Primary home price index of 70 cities

70 cities new home price decreased by 0.5% MoM in December

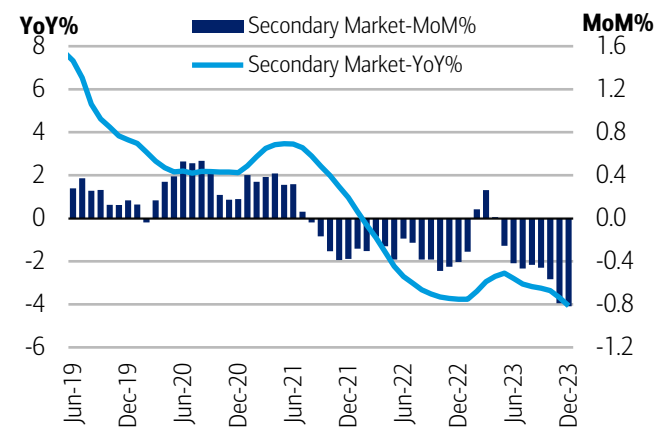


Source: NBS, BofA Global Research

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Exhibit 14: Secondary home price index of 70 cities

70 cities secondary home price decreased by 0.8% MoM in December



Source: NBS, BofA Global Research

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Exhibit 15: 70 cities price index

New home price index was down at 0.5% MoM in December

MoM	Primary market				Secondary Market			
	70 cities	Tier-1	Tier-2	Tier-3	70 cities	Tier-1	Tier-2	Tier-3
Nov-22	-0.3	-0.3	-0.2	-0.2	-0.3	-0.5	-0.4	-0.4
Dec-22	-0.3	-0.3	-0.2	-0.3	-0.3	-0.4	-0.5	-0.4
Jan-23	0.0	0.2	0.1	0.1	-0.1	-0.3	0.4	-0.3
Feb-23	0.3	0.2	0.4	0.3	0.1	0.7	0.1	0.0
Mar-23	0.4	0.3	0.6	0.3	0.3	0.5	0.3	0.2
Apr-23	0.3	0.4	0.4	0.2	0.0	0.2	0.0	0.0
May-23	0.1	0.1	0.2	0.0	-0.3	-0.4	-0.3	-0.2
Jun-23	-0.1	0.0	0.0	-0.1	-0.4	-0.7	-0.4	-0.4
Jul-23	-0.2	0.0	-0.2	-0.3	-0.5	-0.8	-0.5	-0.4
Aug-23	-0.3	-0.2	-0.2	-0.4	-0.4	-0.2	-0.5	-0.4
Sep-23	-0.3	0.0	-0.3	-0.3	-0.5	0.2	-0.5	-0.5
Oct-23	-0.4	-0.3	-0.2	-0.5	-0.6	-0.8	-0.5	-0.6
Nov-23	-0.4	-0.3	-0.3	-0.4	-0.8	-1.4	-0.7	-0.8
Dec-23	-0.5	-0.4	-0.4	-0.5	-0.8	-1.1	-0.8	-0.8

Source: NBS, CRIC, BofA Global Research

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Exhibit 16: China Property Valuation Summary

The sector is trading at 5.5x 24 E P/E on average

Company	BBG tickers	BofA Rating	Price (LC)	Mkt Cap (US\$ mn)	NAV LC/shr	Disc/ Premium	P/E (x)			P/B (x)			Div. yield			
							23E	24E	25E	22	23E	24E	22	23E	24E	QRQ
C&D																
International	1908 HK	Buy	14.62	3,544	22.5	-35%	6.0	4.4	5.3	1.4	1.3	1.1	9.1%	7.6%	10.2%	C-1-8
China Vanke	2202 HK	Buy	6.19	14,751	26.9	-77%	3.3	4.7	6.6	0.3	0.3	0.2	12.8%	10.9%	7.4%	B-1-8
COLI	688 HK	Buy	11.98	16,766	40.4	-70%	5.4	5.5	6.0	0.3	0.3	0.3	6.8%	5.6%	5.5%	B-1-7
CR Land	1109 HK	Buy	24.20	22,065	58.2	-58%	5.5	5.5	5.5	0.6	0.6	0.6	6.7%	6.8%	6.7%	B-1-7
Jinmao	817 HK	Underperform	0.67	1,156	1.6	-57%	7.1	27.0	n.m	0.2	0.2	0.2	16.8%	2.3%	0.0%	C-3-8
Longfor	960 HK	Buy	9.51	8,015	28.1	-66%	4.2	4.5	4.7	0.4	0.4	0.3	13.8%	4.8%	3.4%	C-1-8
Seazen	1030 HK	Underperform	1.03	931	2.9	-65%	2.2	3.3	9.8	0.1	0.1	0.1	0.0%	0.0%	0.0%	C-3-9
Average							4.8	5.5	5.7	0.48	0.45	0.42	9.4%	5.4%	4.7%	

Source: Bloomberg, BofA Global Research

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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R1} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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