

China Property

China Index Academy: optimistic on UVR and “Coordination Mechanism”

Industry Overview

China Index Academy call takeaways

On 2nd Feb., as part of our Greater China Property Call Series, we hosted a conference call with Ms. Cao Jingjing, who serves as Research Director at China Index Academy.

Primary homes: Ms. Cao expects the primary home sales volume in 2024 to drop slightly (better than BofA’s estimate of 5%-10% drop). According to Ms. Cao, the large magnitude of YoY drop in Jan was both due to weaker demand and lesser supply: new issuance of pre-sale permits was 20% less YoY. Ms. Cao expects primary home projects to cut more pricing starting from Chinese New Year season, but developers still need to balance price cuts vs. margin.

Secondary home: secondary home would continue to outperform primary home in terms of volume in 2024 given still large listing volume and huge demand for upgrade. She expects the secondary home transaction volume to be flat or rise slightly in 2024 (BofA projects 10%-20% volume growth). Ms. Cao expects the pricing correction among secondary home market to be less in 2024 compared to that of 2023 (tier-1&2 cities saw 10% pricing correction on average in 2023). The leading indicator for pricing stabilization could be peak-out in the listing volume, and a pick-up in volume.

New starts/completion: Mr. Cao believes the new starts will drop by another 10% in 2024, but completion would continue to edge up with a smaller magnitude compared to that of 2023. Ms. Cao said the overall completion assurance program is proceeding well, and most remaining delayed projects could be handed over in 1H24. *BofA: there is less visibility for delayed projects not included in the assurance program.*

Financing Coordination Mechanism: Ms. Cao stated that the pace of implementation is faster than previous measures. The major implications could be faster & simplified processing of loans, but the risk control would remain. She believes this mechanism will benefit POE developers’ projects as well, and by means of proceeds escrow account, it could cut off the contagion risk between projects and developers.

Urban Village Redevelopment (UVR): Ms. Cao said the pace is accelerating and the funding support is arriving. Besides the RMB500bn PSL issued by PBoC, Ms. Cao noted 20 more cities received quota of RMB500bn UVR specialized loan. The UVR target released by local governments also met her expectation (see details in the report). However, UVR would not significantly contribute to home sales and new starts in 2024. Finally, whether house coupons would be widely adopted by many cities looks unclear. According to MoHURD, 400+ UVR would translate into RMB1.8tn total investment.

HPR in tier-1 cities: expects Guangzhou’s relaxation on home purchase restriction (HPR) to cast a larger impact than Shanghai’s minor relaxation. In 2024, she believes Guangzhou will scrap the HPR, while three other tier-1 cities will further optimize theirs.

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POE: privately-owned enterprise

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Urban Village Redevelopment (UVR) target in 2024 announced by local governments

- Shanghai: to implement 10 UVR
- Guangzhou: accelerate UVR in four districts.
- Shenzhen: accelerate the redevelopment for 60 urban villages
- Tianjin: to implement 7 UVR
- Nanning: to implement 8 UVR
- Zhejiang province: to implement 27k units redevelopment in urban villages
- Liaoning province: to implement 51 UVR
- Sichuan province: to implement 70 UVR

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