

## China Property

## CRIC call takeaways: primary housing market may regain market share

Industry Overview

## CRIC call key takeaways

On 30 January, as a part of our Greater China Property Call Series, we hosted a conference call with Mr. Lin Bo, senior consultant, Centaline. During this call, Mr. Lin discussed the physical market outlook, new starts/completion trends, and urban village redevelopment (UVR) and social housing campaigns.

## Physical market: primary could regain share in 2024

**Primary home prices could catch up with pricing correction:** secondary home prices saw a larger correction than that of primary in 2023. However, at this point, homeowners could be reluctant to make more pricing concession, per Mr. Lin's observation; meanwhile, he expects more pricing cuts from primary projects.

**Contrary to consensus, primary housing could regain some market share:** Mr. Lin expects primary home sales volume to decline 5% YoY (vs. -8% in 2023), while he thinks secondary home transaction volume could fall 5-10% YoY (vs. +20%). The slight regain of primary's market share is likely due to more pricing cuts vs. the secondary.

**New starts/completion:** Mr. Lin expects new starts to drop by 10% in 2024, or by 5% if factoring in new starts contribution from UVR and social housing (implied 35mn sqm new starts from two campaigns). He expects completions to increase by 0-5%. Mr. Lin roughly estimates the completion rate for national stalled projects to be around 50% – the remaining projects are facing larger funding gaps.

## Cautious on UVR's scale and pace

**Limited scale for economically feasible projects:** based on CRIC's estimates, the UVR scale in the largest 22 cities is around 740mn sqm; however, Mr. Lin believes the projects with economic feasibility only account for 10% of the total. There could be limited marginal impact of expanding UVR to 50 cities, as there are not many feasible projects in smaller cities.

**Faster pace, but many impediments remain:** by witnessing more funding and policy support, Mr. Lin sees some acceleration in UVR, but he noted that villagers could see low incentives for redevelopment compared with shanty towns residents. He expects more cities to adopt house vouchers but is not sure how popular it could be among the villagers, given limited choice of home projects for voucher redemption.

**Social housing updates:** first of all, Mr. Lin believes local governments would not consider purchasing existing stocks from developers at a massive scale due to the pricing/cost issue. Of the RMB100bn loan quota granted to eight pilot cities for purchasing existing stock, only a fraction was drawn down to purchase LGFVs' projects at 30-50% pricing discount so far, per Mr. Lin's observation. Though the subsidized-for-sale housing could be expanded to over 100 cities, Mr. Lin expects local governments would proceed with caution, as it could further aggravate their financial burden if there is no demand.

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LGFVs: Local Government Financing Vehicles

UVR: Urban Village Development

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