

China: 70-city average primary property prices fell further in February

Bottom line:

The National Bureau of Statistics' 70-city house price data suggest the weighted average property price in the primary market decreased by 2.6% mom annualized in February after seasonal adjustments. The divergence between top-tier and lower-tier cities persists, as Tier-1 cities continued to show sequential increases in primary home prices in February, while prices in Tier-2 and Tier-3 cities declined sequentially. We emphasize the 70-city data are for primary market transactions (new home sales) only; secondary market data by NBS and some third-party platforms suggest price declines of 5%-15% over the past year.

Key numbers:¹

NBS' 70-city primary-market weighted average property price change in February: -2.6% mom annualized (seasonally adjusted by GS), -4.8% yoy. January: -0.9% mom annualized, -5.0% yoy.

Main points:

1. After seasonal adjustments, weighted average house prices in the primary market decreased by 2.6% mom annualized in February (vs. -0.9% in January; Exhibit 1), despite ongoing easing policies. The number of cities that experienced sequentially higher property prices decreased in both primary and secondary markets in February (Exhibit 3). Year-on-year change in the weighted average new home prices fell to -4.8% in February, compared to -5.0% in January. We emphasize the 70-city data are for primary market transactions (new home sales) only; secondary market data by NBS and some third-party platforms suggest price declines of 5%-15% over the past year (Exhibit 4).
2. By city tiers², house prices of Tier-1 cities increased sequentially by 0.9% mom annualized in February (vs. +0.5% in January) Exhibit 2. For Tier-2 and Tier-3 cities, house prices declined sequentially by 2.4% and 4.3% mom annualized (vs. +0.0% and -2.8% in January), respectively. Despite more local housing easing measures in recent months, we believe the property markets in lower-tier cities still face strong headwinds from weaker growth fundamentals than top-tier cities, including the more severe oversupply problems. We think divergences

¹ Our estimates of 70-city weighted average property price changes are population-weighted, which can differ from simple averages. Sequential change numbers here are based on GS seasonal adjustments.

² We classify the 70 cities into different tiers following the NBS definition.

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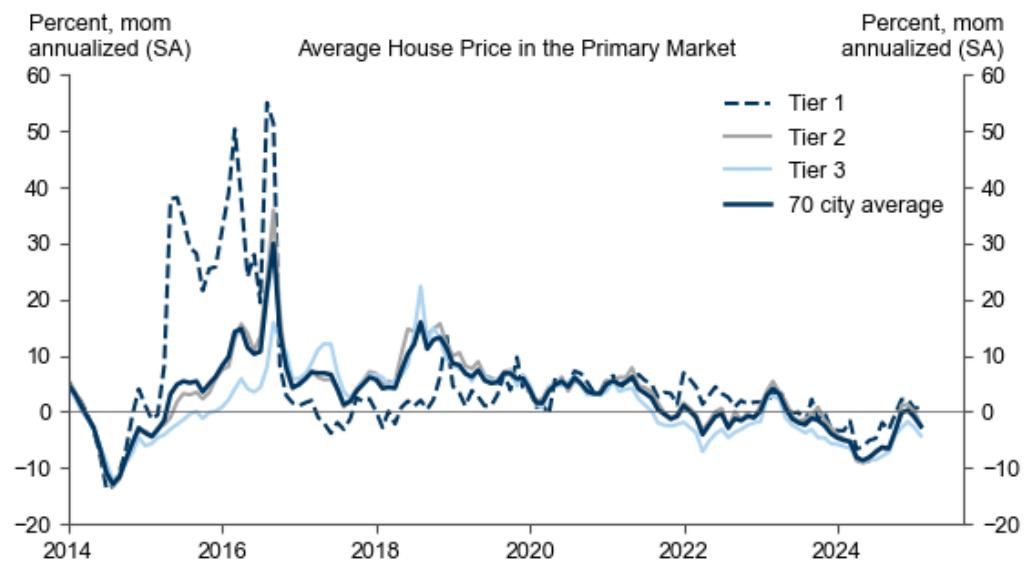
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between large and small cities' property markets are likely to persist in the coming years.

3. Our high frequency tracker suggests that the 30-city new home transaction volume increased by around 9% yoy in March month-to-date. Major cities' inventory months (sellable gross floor area divided by 12-month rolling gross floor area sold) rose slightly to 25.5 in February from 25.4 in January, with the increase mostly led by Tier-3 cities.
4. Since the September policy pivot, policymakers have further strengthened their housing easing efforts to counteract the property downturn, which appears more effective in boosting home sales and stabilizing secondary home prices than previous rounds. However, given the persistent structural divergences in the property sector and still-limited policy support for housing destocking, we maintain our view that the property sector may remain a growth drag in coming years, although the drag is likely to become smaller over time.

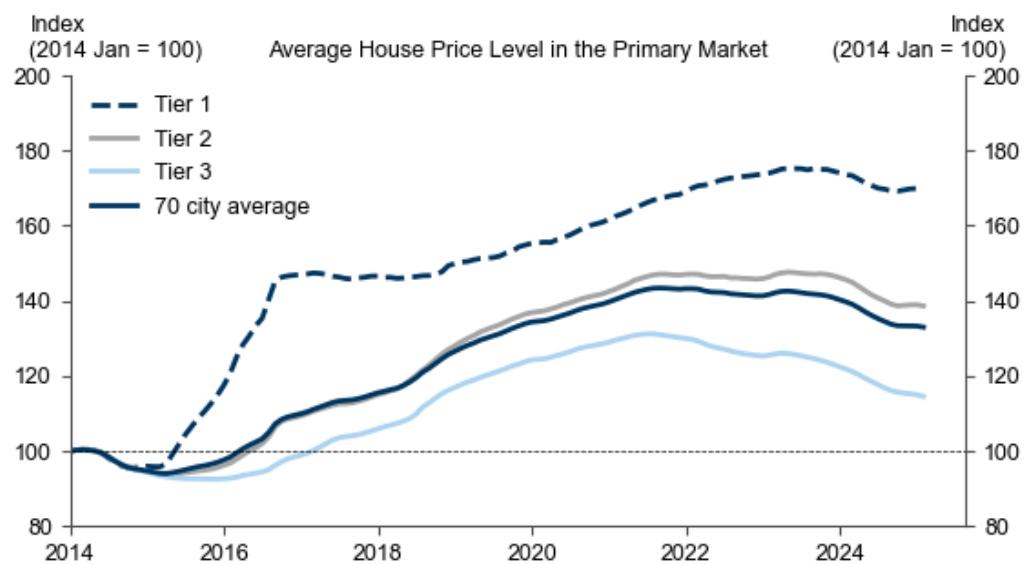
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Exhibit 1: In the primary market, the 70-city weighted average property price decreased by 2.6% mom annualized in February



Source: NBS, Goldman Sachs Global Investment Research

Exhibit 2: Primary home prices increased sequentially for Tier-1 cities but declined for Tier-2 and Tier-3 cities

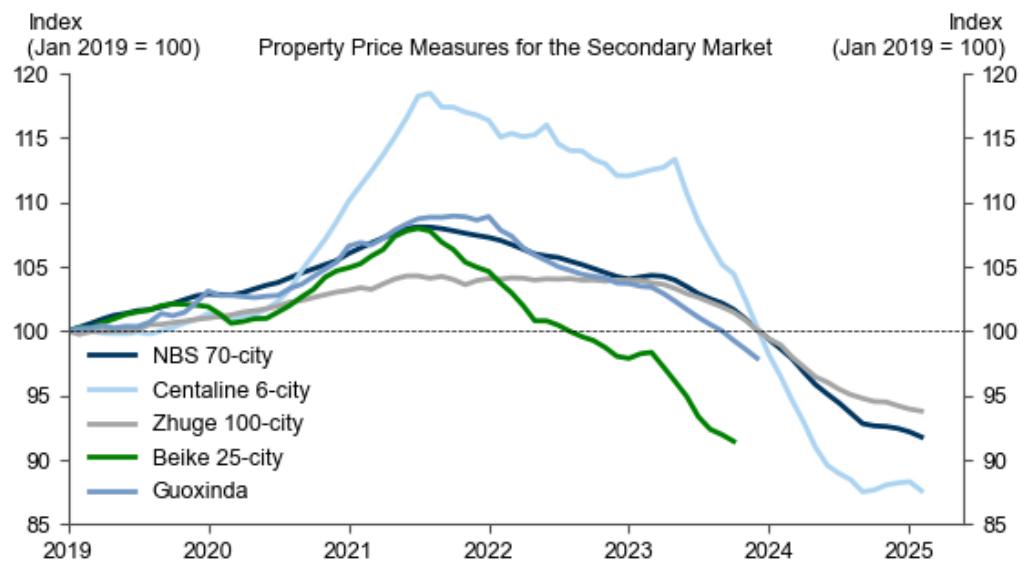


Source: NBS, Goldman Sachs Global Investment Research

Exhibit 3: The share of cities that experienced sequentially higher property prices fell in both primary and secondary markets in February



Source: NBS, Goldman Sachs Global Investment Research

Exhibit 4: Secondary home prices declined in February

Beike suspended its release of secondary home prices in November 2023.

Source: NBS, Centaline, Beike, Zhuge, Wind, Data compiled by Goldman Sachs Global Investment Research

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