

SECTOR UPDATE

Property – China

Faster-than-expected Destocking; Higher 2025 National Residential Sales Forecast

According to the latest NBS data, national sales were stronger than expected but new starts remained sluggish in 2M25, leading to a faster destocking pace. Due to improved supply-demand dynamics and enhanced destocking policies, we raise our forecast for national residential GFA sold growth in 2025 to -2.5% yoy under a neutral scenario. Maintain OVERWEIGHT. CR Land and Longfor remain our top picks.

WHAT'S NEW

- National Bureau of Statistics (NBS) released Jan-Feb 25 economic data on 17 Mar 25.

ESSENTIALS

- National sales recovering, but the growth in start of new property projects remained slow in Jan-Feb 25.** In 2M25, the value of property sales declined 2.6% yoy, and the GFA sold declined 5.1% yoy. The GFA of residential properties sold declined 3.4% yoy, better than our estimate of an 8% yoy decline. There is an improvement in the fund source, which decreased 3.6% yoy. Investment sentiment among developers remained weak, with start of new property construction decreasing by 29.6% yoy and property investment decreasing by 9.8% yoy.

NBS PROPERTY INDUSTRY DATA

	----- Monthly reading -----			-- Quarterly reading --		---- Latest YTD ----	
	Dec 24	Nov 24	Oct 24	4Q24	3Q24	2M25	2M24
Property investment	-3.2	-9.8	-11.8	-8.6	-8.9	-9.8	-9.0
New start of property construction	-16.9	-26.5	-26.6	-23.3	-19.0	-29.6	-29.7
Completion of property construction	-26.0	-39.0	-19.7	-27.8	-30.4	-15.6	-20.2
GFA sold	0.4	3.2	-1.6	0.6	-11.6	-5.1	-20.5
Property sales	2.8	1.4	-1.4	1.2	-16.3	-2.6	-29.3
Fund source	6.4	-3.7	-10.1	-2.1	-13.4	-3.6	-24.1

Source: NBS, UOB Kay Hian

- Faster pace of destocking.** As of Feb 25, our estimated national residential inventory level has decreased to 1.9b sqm. This figure is derived by subtracting the total GFA sold since 1999 from the total GFA of new property construction since 1999. This latest inventory estimate implies an inventory month of 26.93, compared to the 29.21 months recorded for Aug 24.
- New home prices are stabilising while second-hand home prices are still trending down.** According to the NBS, new home prices in T1/T2/T3 cities changed by +0.1%/+0.0%/-0.3% mom respectively, compared to +0.1%/+0.1%/+0.2% mom in Jan 25. In Feb 25, second-hand home prices in T1/T2/T3 cities changed by -0.1%/-0.4%/-0.4% mom respectively, compared to +0.1%/-0.3%/-0.4% mom in Jan 25. New home prices in major cities are stabilising, indicating improved sentiment of developers due to continuous policy support. However, with high supply, the prices of second-hand homes in most cities are still trending down.

PEER COMPARISON

Company	Ticker	Rec	Price @	Target	Upside/(Downside)	Market Cap	----- PE -----		----- P/B -----		----- Yield -----	
			17 Mar 25	Price	to TP		2024F	2025F	2024F	2025F	2024F	2025F
			(HK\$)	(HK\$)	(%)	(HK\$m)	(x)	(x)	(x)	(x)	(%)	(%)
China Resources Land Ltd	1109 HK	BUY	26.85	32.40	20.7	191,465.7	6.9	6.1	0.6	0.6	5.1	5.7
Sunac China Holdings Limited	1918 HK	SELL	1.88	1.06	-43.6	18,528.1	nm	nm	0.5	0.0	0.0	0.0
China Overseas Land	688 HK	BUY	14.82	16.30	10.0	162,203.2	7.8	7.5	0.4	0.4	4.4	4.6
Longfor Properties	960 HK	BUY	10.94	11.99	9.6	75,356.5	6.7	6.7	0.4	0.4	4.2	4.2

Source: Bloomberg, UOB Kay Hian

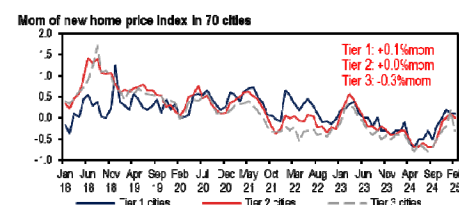
OVERWEIGHT (Maintained)

SECTOR PICKS

Company	Ticker	Rec	Share Price (HK\$)	Target Price (HK\$)
CR Land	1109 HK	BUY	26.85	32.40
Longfor	960 HK	BUY	10.94	11.99

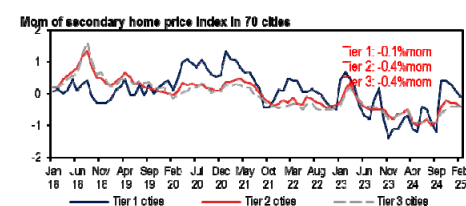
Source: UOB Kay Hian

MOM OF NEW HOME PRICE IN 70 CITIES



Source: iFind, UOB Kay Hian

MOM OF SECONDARY HOME PRICE IN 70 CITIES



Source: iFind, UOB Kay Hian

ANALYST(S)

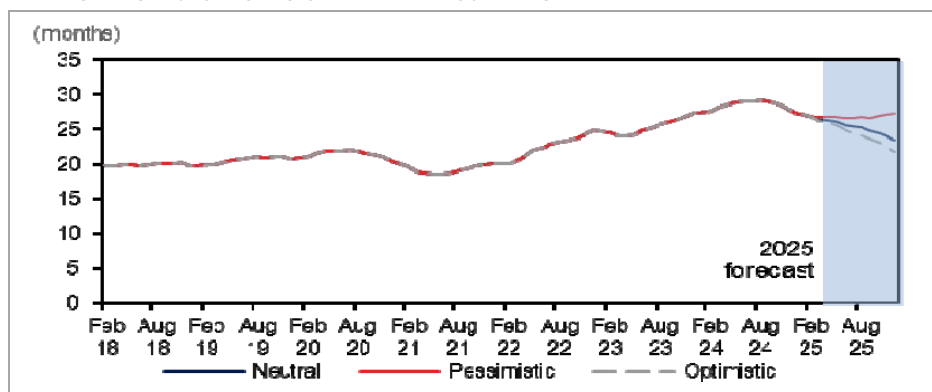
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- **Raise our annual forecast of property sales.** Since 4Q24, the recovery in property sales has been stronger than expected, while new construction is in line with our expectations and remains tight. With the continued recovery in sales and the slower recovery in new starts, we expect this year's destocking progress to be faster. A better supply and demand dynamic will support the stabilisation of property prices and sales. Besides, we expect local governments to accelerate their pace of acquiring residential inventories and idle lands, after the central government vowed to grant more autonomy to local governments on destocking programs. Thus, we raise our annual forecast of national GFA sold.

In a neutral scenario, we expect full-year residential property sales volume to fall 2.5% yoy in 2025, as compared with our earlier estimate of -5% yoy. In view of a narrower yoy decline in property sales and further contraction in new construction, we expect national inventory month to peak by Sep 24 and fall to 23 months in our neutral scenario by end-25. If the central government introduces stronger monetary and fiscal policies, inventory levels will fall at a faster pace.

INVENTORY FORECAST FOR 2025 IN DIFFERENT SCENARIO



Source: NBS, UOB Kay Hian

ACTION

- **Maintain OVERWEIGHT on China's property sector.** A key development of the property sector is faster-than-expected destocking progress, thanks to strong sales recovery and sluggish new starts of construction. However, in the majority of cities, inventory level remains high and further efforts in destocking is needed. We think the next focus should be the implementation of destocking programmes by local governments, after the supportive policy stance shared at the NPC & CPPCC meeting. After all, we think China's property industry is entering sales stabilisation. Stronger sales growth could serve as positive catalysts. We maintain an OVERWEIGHT rating for the industry, with CR Land and Longfor as our top picks.

RISKS

- **Upside risks:** Better-than-expected sales recovery in Mar 25; faster-than-expected stabilisation of new-home prices in major mainland cities; announcement of details of destocking policies.
- **Downside risks:** Poor effectiveness of policies.

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