

SECTOR UPDATE

Property - China

Mild But Continuous Sales Recovery In Tier 1 cities; Removing Of HPRs Will Effectively Unleash Demand In Tier 2 Cities

After relaxing the mortgage policy on 1 September, Tier 1 cities continued to see improvement in the property market last week. Besides, overall new-home sales in 50 cities reported mom increase in Sep 23. In the past week, more Tier 2 cities completely removed purchase restrictions, eg Wuhan, Hefei. We expect to see improvements in market sentiment in Tier 2 cities with bold policy actions. Sales around the National Day holiday will be a focus. Maintain MARKET WEIGHT on China's property sector.

WHAT'S NEW

- China Real Estate Index System (CREIS) released sales data for the week of 11-17 Sep 23.
- Hefei and Wuhan removed home purchase restrictions in all regions on 15 and 19 September respectively.

ESSENTIALS

- Mild but continuous improvement in property markets in Tier 1 cities.** In the week of 11-17 September, ie the second week after four Tier 1 cities announced that they would be adopting the new definition of first mortgage, the number of second-hand home units transacted in Beijing/Shanghai/Guangzhou/Shenzhen recorded wow growths of 26%/1%/13%/10% respectively, and mom growths of 40%/25%/7%/15% respectively. New home transactions started to pick up, and the number of new home units transacted in Beijing/Shanghai/Guangzhou/Shenzhen recorded wow growths of 24%/10%/31%/22% respectively; we expect to see a pick-up of new-home transactions in Tier 1 cities in the following week.

FIRST-TIER CITIES MARKET SENTIMENT FOR SEPTEMBER (11-17 SEPTEMBER)

	No. of new home sold				No. of 2 nd hand home sold			
	11-17 Sep	wow	mom	yoy	11-17 Sep	wow	mom	yoy
BJ	1042	24%	-7%	-44%	3,490	26%	40%	28%
SH	1,652	10%	-39%	-52%	4,209	1%	25%	1%
GZ	1109	31%	19%	-19%	2,129	13%	7%	27%
SZ	613	22%	-10%	-22%	892	10%	15%	106%

Source: Local government housing bureau, UOB Kay Hian

- New-home sales in 50 cities improved mom in Sep 23.** According to CREIS, GFA sold of new homes in Tier 1 cities increased 19.5% wow and decreased 39.7% yoy. GFA sold of new homes in Tier 2 cities jumped 10.4% wow and fell 15.5% yoy. GFA sold of new homes in Tier 3 and 4 cities rose 10.8% wow and contracted 38.2% yoy. The average weekly sales of new homes in 50 cities in Sep 23 grew 6.8% mom and dropped 32.2% yoy.
- Sentiment of land markets diverged in Tier 2 cities.** Three land plots in the latest land auctions in Chongqing were all sold at reserve prices. For Xi'an, the investment sentiment remained high. The land premium rate of two land plots was 9.2%. One land plot sold at the top price and Longfor captured it with Rmb1.5b. The other land plot was captured by Yuexiu with 3.7% premium rate.

PEER COMPARISON

Company	Ticker	Rec	Current Price	Target	Upside/	Market	PE		P/B		Yield	
			12 Sep 23 (HK\$)	Price (HK\$)	(Downside) to TP (%)	Cap (HK\$ m)	2022F (x)	2023F (x)	2022F (x)	2023F (x)	2022F (%)	2023F (%)
China Resources Land	1109 HK	BUY	32.40	47.48	46.5	231,042.4	7.9	6.9	0.8	0.7	4.7	5.4
China Overseas Land	688 HK	BUY	15.98	25.86	61.8	174,899.2	6.1	5.1	0.4	0.4	4.9	5.8

Source: Bloomberg, UOB Kay Hian

MARKET WEIGHT

(Maintained)

SECTOR PICKS

Company	Ticker	Rec	Share Price (HK\$)	Target Price (HK\$)
CR LAND	1109 HK	BUY	32.40	47.48
COLI	688 HK	BUY	15.98	25.86

Source: UOB Kay Hian

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- **Since Sep 23, local governments have accelerated the pace of policy easing.** This week (11-19 September), more cities have also announced the removal of home purchase restrictions (HPR) in core regions, eg Wuhan, Hefei, and Fuzhou. Besides, Xiamen and Xian also removed HPR in non-core regions.

RECENT PROPERTY EASING POLICIES IN CORE CITIES

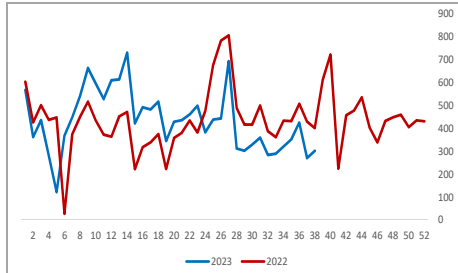
Cities	Implement the New Definition of 1st Home Mortgage	Removed Home Purchase Restrictions in core regions	1st Home Mortgage rate
Beijing	✓		LPR+55BP
Shanghai	✓		LPR+35BP
Guangzhou	✓		LPR-10BP
Shenzhen	✓		LPR+30BP
Hangzhou	✓		LPR-20BP
Tianjin	✓		LPR-40BP
Shijiazhuang	✓		LPR-50BP
Changchun	✓		LPR+5bp
Changsha	✓		LPR-20BP
Chengdu	✓		LPR-20BP
Nanjing	✓	✓	LPR-20BP
Jiaxing	✓	✓	LPR-20BP
Dongguan	✓	✓	LPR-20BP
Foshan	✓	✓	LPR-20BP
Shenyang	✓	✓	LPR-50BP
Dalian	✓	✓	LPR-50BP
Suzhou	✓	✓	LPR-20BP
Jinan	✓	✓	LPR-20BP
Qingdao	✓	✓	LPR-20BP
Zhengzhou	✓	✓	LPR-50BP
Fuzhou	✓	✓	LPR-50BP
Hefei	✓	✓	LPR-20BP
Wuhan	✓	✓	LPR-20BP

Source: Media reports, UOB Kay Hian. Note: Suzhou removed HPRs in all regions for unit larger than 140sqm

ACTIONS

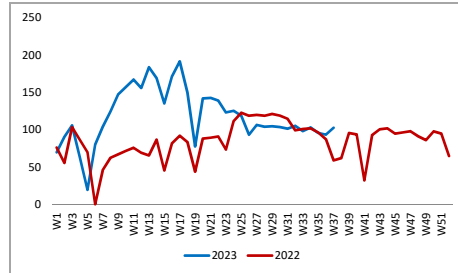
- **Maintain MARKET WEIGHT on China's property sector.** With continuous policy easing on the demand side, we believe supply will have an impact on the strength of market recovery. In Tier 2 cities with relatively sufficient supply, removing home purchase restrictions in core regions will be effective in unleashing demand. We expect to see improvements of market sentiment in cities like Nanjing, Suzhou, Wuhan, Hefei, etc. In Tier 1 cities, we believe developers may be trying to strike a balance between pricing and volume. Thus, we expect the sales recovery to be mild, even though demand is quite resilient there. Overall, we expect a mild sales recovery in Tier 1 and Tier 2 cities in 4Q23. COLI and CR Land remain our top pick.

NEW HOME SALES VOLUME



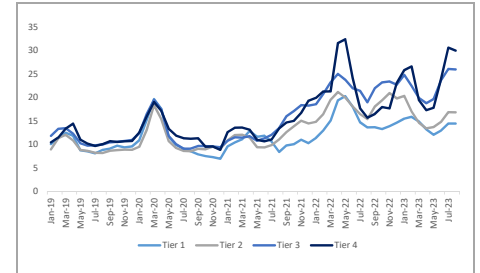
Source: NBS

SECONDARY HOME SALES VOLUME



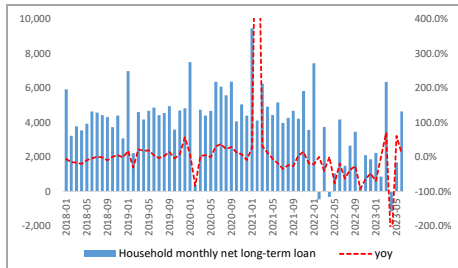
Source: NBS

INVENTORY MONTH



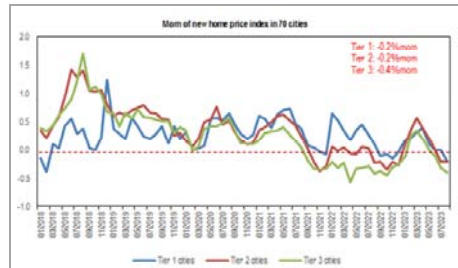
Source: NBS

HOUSEHOLD MONTHLY NEWLY ADDED LONG-TERM LOAN



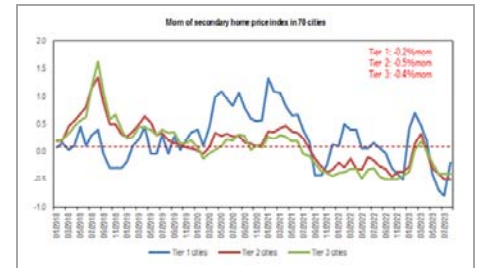
Source: NBS

NEW HOME PRICE INDEX IN 70 CITIES, MOM



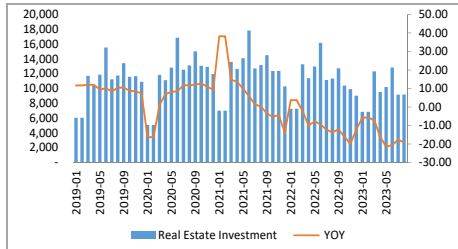
Source: NBS

SECONDARY HOME PRICE INDEX IN 70 CITIES, MOM



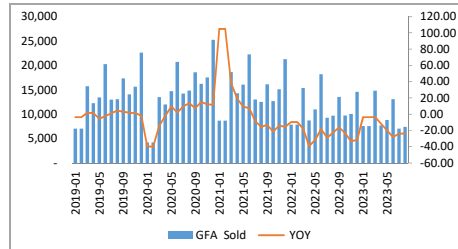
Source: NBS

PROPERTY INVESTMENT SINGLE MONTH YOY



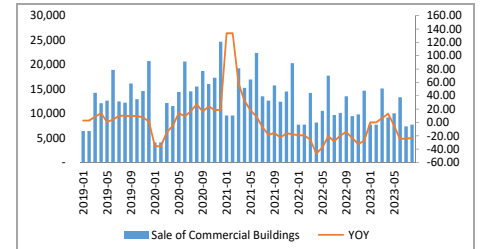
Source: NBS

GFA OF NEW HOME SOLD SINGLE MONTH YOY



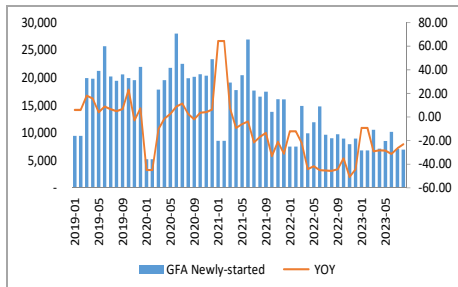
Source: NBS

VALUE OF NEW HOME SOLD SINGLE MONTH YOY



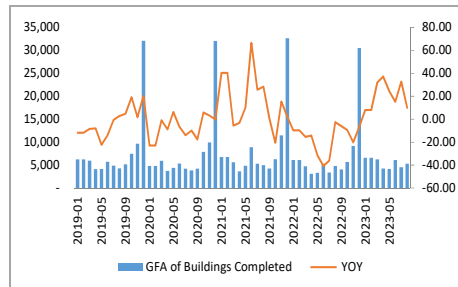
Source: NBS

GFA OF NEW STARTS OF PROPERTY CONSTRUCTION SINGLE MONTH YOY



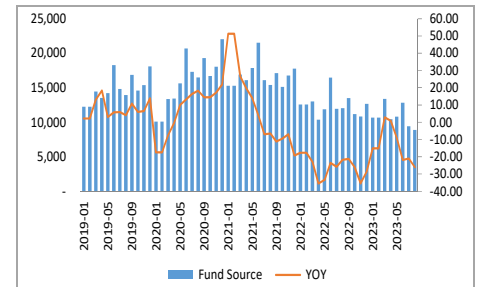
Source: NBS

GFA OF PROPERTY COMPLETION SINGLE MONTH YOY



Source: NBS

FUNDING SOURCE OF DEVELOPERS SINGLE MONTH YOY



Source: NBS

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