



Flash Note: Property Sector

快讯：房地产行业

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Sales Expected to Slow Down in 2018 But Healthy Fundamentals Remain

预计2018年销售下滑但健康的基本面维持

- **The National Bureau of Statistics of China recently published key property development and sales data for the period Jan.-Nov. 2017, as follows:**

Table-1: Key Property Development and Sales Data

	Sales Amount (RMB bn)	GFA Sold (Sq.m. mn)	Investment (RMB bn)	Land Area Sold (Sq.m. mn)	GFA Newly Started (Sq.m. mn)	Salable Areas (Sq.m. mn)
Accumulated amount	11,548.1	1,465.7	10,038.7	221.6	1,616.8	596.1
YTD YoY (%)	12.7	7.9	7.5	16.3	6.9	-13.7
YTD YoY (ppts)	0.1	-0.3	-0.3	3.4	1.3	-0.4
Monthly amount / change	1,249.1	163.1	984.3	31.1	165.5	-6.5
YoY (%)	13.3	5.3	4.6	43.1	18.8	n.a.
MoM (%)	12.7	14.5	-0.6	34.4	17.4	n.a.

Source: National Bureau of Statistics of China.

- **Housing sales growth remained stable with strong investment.** During Jan.-Nov. 2017, the YoY increase in commodity house sales remained stable compared to that during Jan.-Oct. 2017. Land area sold rebounded and investment maintained strong. In addition, saleable areas extended downside momentum. Subsequently, we see a healthy property market.
- **The marginal tightening up of monetary environment will be the main negative effect on the property market but we expect possible slight loosening of policy in 2018.** Currently, we expect tightening up of monetary environment alongside gradual rate hikes in the US. Targeted policies will be maintained to promote the steady and sound development of the property sector. However, we expect that policy is likely to loosen to offset the negative effects of a tightening monetary environment. Overall, for the policy and monetary environment, the key note of healthy property market maintenance will not change.
- **Company updates:** Amongst our coverage, nine companies announced contracted sales in Nov. 2017. During Jan.-Nov. 2017, contracted sales exhibited a varied range in performance; large developers performed better than mid-sized to small-sized developers. Country Garden (02007 HK) ranked first in terms of YoY growth (84.6%).
- **We maintain our "Outperform" rating for the property sector.** The tightening of policies and monetary environment has cooled down the property market and we expect a limited slowing down of commodity housing sales in 2018. However, housing sales amount remained high in absolute terms. Property sector leaders will achieve sustainable growth through market share increasing amidst market consolidation. Property developers with superior cost control ability will perform better than the sector average in the second half of the silver era. Our top pick is China Overseas (00688 HK), which is expected to re-grasp growth momentum for contracted sales after 2018 due to sufficient saleable resources. A strong balance sheet and prominent cost control measures could consolidate profitability. The current target price for China Overseas is HK\$31.88, representing a 20% discount to its 2017E NAV, 8.6x 2017 underlying PER and 1.3x 2017 PBR.

- 中国统计局公布了全国房地产 2017 年 1 至 11 月的开发和销售数据如下：

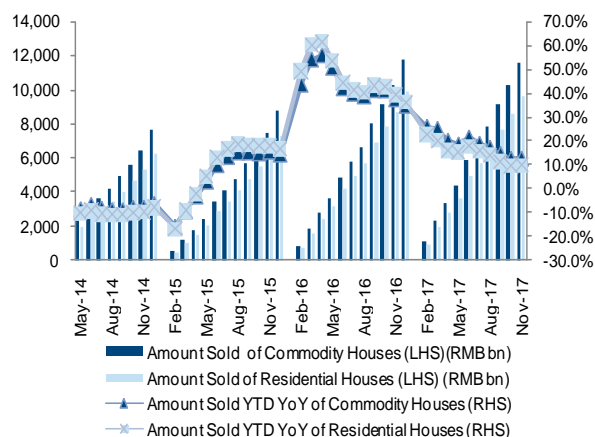
表-1：关键房地产开发和销售数据

	销售金额 (人民币十 亿)	销售面积 (百万平米)	房地产开发投资 完成额 (人民币 十亿)	土地购置面积 (百万平米)	新开工面积 (百 万平米)	可售面积 (百万 平米)
累计值	11,548.1	1,465.7	10,038.7	221.6	1,616.8	596.1
累计同比 (%)	12.7	7.9	7.5	16.3	6.9	-13.7
累计同比变化 (百分点)	0.1	-0.3	-0.3	3.4	1.3	-0.4
月度值/变化	1,249.1	163.1	984.3	31.1	165.5	-6.5
同比 (%)	13.3	5.3	4.6	43.1	18.8	n.a.
环比 (%)	12.7	14.5	-0.6	34.4	17.4	n.a.

资料来源：中国统计局。

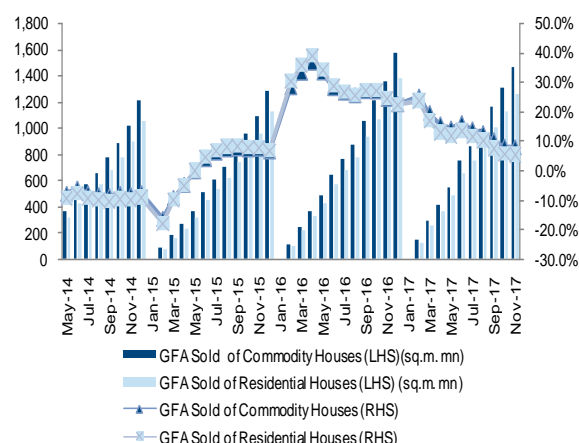
- **房屋销售维持稳定，但投资反弹。**2017 年 1-11 月，相较 2017 年 1-10 月商品房销售同比增速维持稳定。土地购置面积反弹且投资维持强劲。另外，可售面积延续下降趋势。因此，我们看到了健康的房地产市场。
- **在 2018 年，货币环境的边际收紧将是房地产行业的主要负面影响，但我们预计有可能政策轻微放松。**当前，随着美国的逐步加息，我们预计货币环境收紧。为促进房地产市场稳定健康发展，因城施策将会被维持。然而，为了抵消货币环境收紧的负面影响，我们预计货币政策环境可能轻微放松。整体而言，对于政策和货币环境，维持健康房地产市场的主基调将不会改变。
- **公司更新：**在我们覆盖的公司中，9 家公司公布了 2017 年 11 月合约销售。在 2017 年 1-11 月，合约销售表现分化且大型开发商较中小型开发商表现更好。按同比增速，碧桂园（02007 HK）排名第一（84.6%）。
- **我们维持房地产行业“跑赢大市”评级。**政策和货币环境的收紧已经使得房地产市场降温，并且我们预计商品房销售在 2018 年有限的下滑。然而，房屋销售额的绝对值依然很高。且地产行业龙头将会在行业集中度提高时期通过市场份额增加而获得持续增长。拥有卓越成本控制能力的房地产开发商将会在白银时代的下半场比行业平均表现更好。我们的首选是中国海外发展（00688 HK），由于充足的可售货源，预期其在 2018 年后重获合约销售的增长趋势。强劲的资产负债表和卓越的成本控制能力保障其盈利能力。中国海外发展当前目标价为 31.88 港元，较 2017 每股净资产折让 20%，8.6 倍 2017 年核心市盈率和 1.3 倍 2017 年市净率。

Figure-1: Cumulative House Sales Amount in China



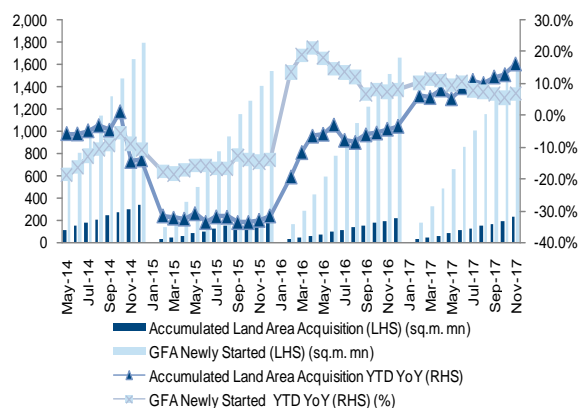
Source: National Bureau of Statistics of China, Guotai Junan International.

Figure-2: Cumulative House Sales GFA in China



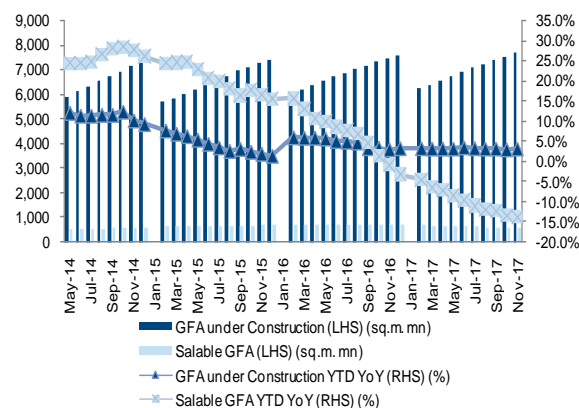
Source: National Bureau of Statistics of China, Guotai Junan International.

Figure-3: Land Area Acquisition and GFA Newly Started in China



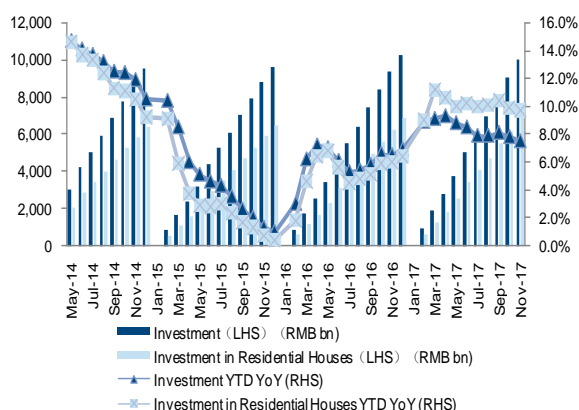
Source: National Bureau of Statistics of China, Guotai Junan International.

Figure-4: GFA under Construction and Salable GFA in China



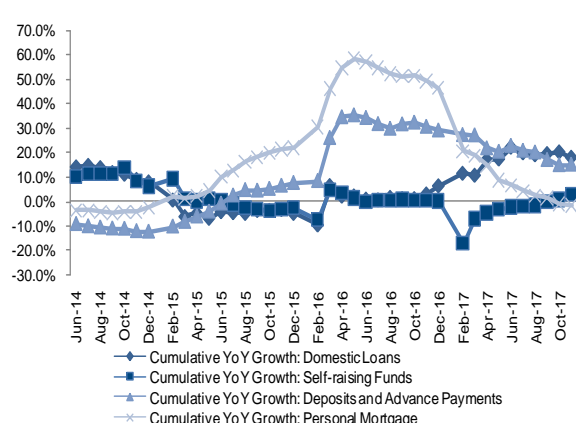
Source: National Bureau of Statistics of China, Guotai Junan International.

Figure-5: Property Development Investment in China



Source: National Bureau of Statistics of China, Guotai Junan International.

Figure-6: Main Sources of Funds for Property Companies in China



Source: National Bureau of Statistics of China, Guotai Junan International.

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance >15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance <-15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance >5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance <-5%; or the fundamental outlook of the sector is unfavorable.

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