



## China Residential Property Sector - Monthly Review and Outlook

### Sector Update

#### China Property Sector

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#### Related report:

Mar Sales Performance of China Developers  
Dated on 12 April 2011

Jan Sales Performance of China Developers  
Dated on 14 Feb 2011

**MoM contracted sales growth mild down while YoY growth remains on track:** Among 16 major China property developers (13 listed in HK and 3 listed in China) that have released their April sales performances, 25.0% (vs 80.0% in March) of them posted MoM growth with the average growth rate at 1.9 % (vs 61.8% in March). In April, 81.3% (vs 85.7% in March) of them posted YoY contracted sales growth with the average growth rate at 27.5 % (vs 65.4% in Mar). In March, a significant release in pending demand inflated the comparable base for April while the flexible pricing strategy and increase in projects launch were supportive of YoY contracted sales growth.

#### A polarized sales performance for listed property developers:

- The market leader, China Overseas (688) continued to outperform. Its highly diversified geographical coverage and quick adaptability to market provides an immunization to the group sales for Jan-Apr.
- Those sales laggards in 2011, which with high-end positioning such as Shimao Property(813), R&F Properties(2777) are reviving sales momentum by catering products to meet genuine demand and conducting flexible pricing strategy.
- The small scale developers, Kaisa(1638) and Sunac(1918) are sustaining their success in 2011 on relative low basis and quality products.

### April Sales performance of China property developers

Code	Name	4/2012 Contracted sales			1-4/2012 Contracted sales		1-4/2012 GFA sold		1-4/2012 ASP	
		Rmbbn	YOY	MoM	Rmbbn	YoY	10Ksqm.	YoY	Rmb/sq.	YoY
688	China Overseas	11.9^	45%	31%	38.0^	36%	22.1	21.4%	17,190	11.9%
3333	Evergrande	8.2	33%	104%	16.5	-37%	26.8	-54.5%	6,140	39.3%
960	Longfor Properties	3.0	0%	-6%	9.6	-26%	0.0	-	-	-
2007	Country Garden	3.0	15%	-14%	9.1	-24%	14.7	-21.4%	6,190	-2.7%
3383	Agile Property	2.1	1%	-4%	8.5	-26%	7.6	-18.8%	11,272	-8.8%
813	Shimao Property	4.1	84%	-6%	11.4	33%	9.5	40.0%	11,933	-5.0%
2777	R&F Properties	2.9	10%	-4%	9.5	11%	7.5	41.0%	12,665	-21.3%
119	Poly HK	1.0	-11%	0%	2.9	-10%	3.8	1.1%	7,632	-10.6%
1813	KWG	1.0	-19%	-2%	3.0	-33%	2.2	-	13,871	-
1638	Kaisa Group	1.0	83%	-6%	3.7	111%	6.3	180.0%	5,979	-24.6%
1918	Sunac	2.2	113%	8%	5.7	124%	3.5	84.6%	16,006	21.6%
1777	Fantasia	0.8	6%	15%	1.8	1%	2.1	14.8%	8,490	-12.2%
1224	C C Land	0.5	20%	-22%	1.5	-30%	2.0	-16.6%	7,595	-16.5%
000002	Vanke A-share	7.4	-6%	-35%	38.5	-11%	37.8	1.6%	10,199	-12.7%
600048	Poly A-share	9.2	37%	-6%	24.0	16%	21.6	18.8%	11,127	-2.4%
600383	Gemdale A-share	2.3	29%	-23%	6.9	25%	5.9	50.5%	11,551	-16.9%
Average			27.5%	1.9%		10.1%		24.5%		-4.4%
>0			81.3%	25.0%		50.0%		71.4%		21.4%
<0			18.8%	75.0%		50.0%		28.6%		78.6%

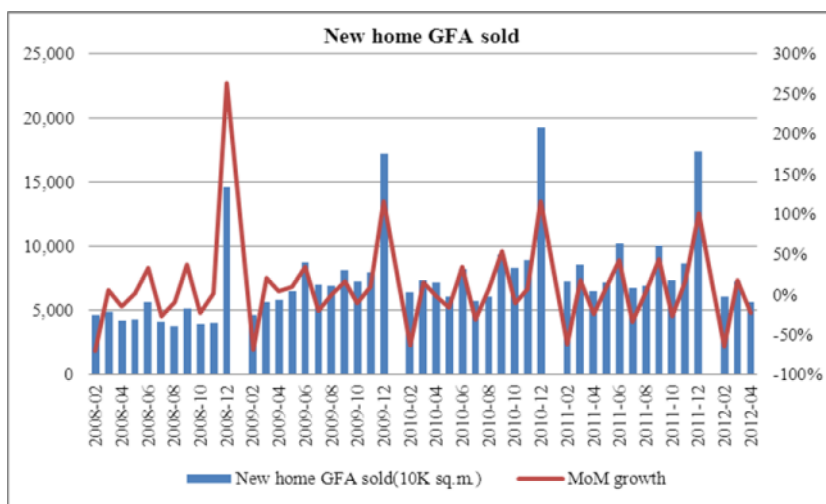
^contract sales unit is HK\$bn

Source: Companies' announcements and ABCI Securities

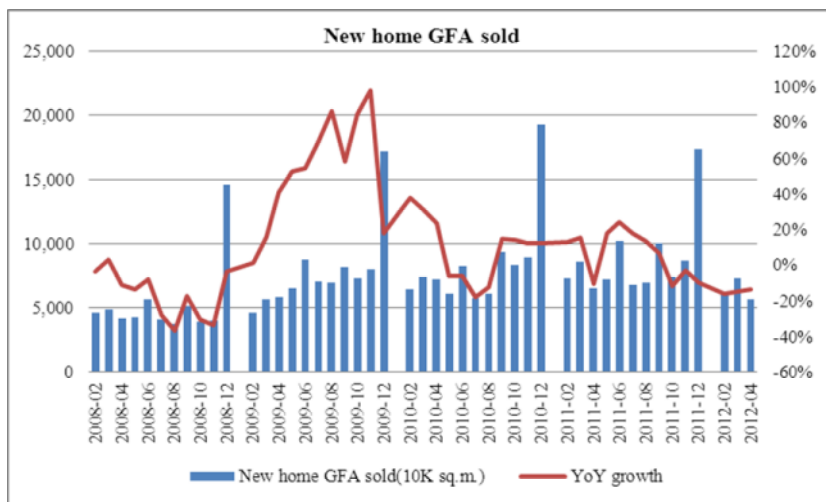


- KWG (1813), which is in the similar product positioning with Shimao Property and R&F Properties, failed to translate its sales strategy to continuously encouraging sales. We are view of that the group will underperform the market in 2012 contracted sales as its expertise in high-end market is hindered by home purchase restriction (HPR) and its uncompetitive land cost will constrain its flexibility in pricing strategy as well.
- The sales for mass market player Evergrande(3333) picked up in April, however in terms of Jan-Apr contracted sales amount, the group underperformed. We expect the group to aggressively promote the projects and put more new projects for sales for the rest of this year.

**Expecting genuine demand to release steadily:** According to NBSC, monthly GFA sold of new homes in April was 56.25mn sq.m. down 22.6%MoM or -13.4% YoY. Monthly total sales value of new homes in April was Rmb315.4bn, down 15.5%MoM or -2.9% YoY. ASP of new homes in April was Rmb5607.2/sq.m, up 9.2% MoM.



Source: NBSC and ABCI Securities



Source: NBSC and ABCI Securities



China Residential Property Sector

The national GFA sold and sales amount painted a similar picture with the contracted sales performance of listing China property developers. That is, the MoM contracted sales growth mild down while YoY growth remains on track. After a strong release of pending demand in late Feb-Mar, we are expecting to see normalizing genuine demand backed by firm government policy stance on the genuine demand side. For the whole year 2012, we estimate the residential GFA demand will decline by 11.2% YoY to 861mn sq.m.

**A mean reversion favors the sector, but be selective:** Sector valuation now was at 0.89x forward PB, against 5-year average of 1.05x. A mean reversion implies of 18.0% upside potential for the sector. Whilst valuation remains supportive for the sector, there are limited near-term catalysts. We suggest investors be selective when screening stocks. Among big names, we prefer China Overseas in view of resilient sales growth and Evergrande(BUY; Target price HK\$5.82 ) with the expectation that sales for the remaining year will be backed by launch schedule and flexible pricing strategy. Among the small players we prefer Sunac(BUY; Target price HK\$2.95) as the high base but high growth will trigger a upward revaluation and cash inflow from sales are lowering down its financial risk.

Valuation comparison for China property developers

Company	Code	Price (HK\$)	MV (HK\$m)	1mth Chg.	YTD Chg.	2012 P/E	Forward P/B	5-yr Avg PB
China Overseas	688	16.06	130,760	-1.4%	23.3%	7.67	1.63	1.83
China Resources	1109	13.76	80,645	-7.7%	10.9%	10.17	1.22	1.30
Evergrande	3333	4.29	63,892	-8.3%	33.2%	4.64	1.31	1.30
Longfor Properties	960	11.64	60,005	-6.7%	32.6%	7.39	1.80	1.77
Country Garden	2007	2.69	46,742	-21.1%	-7.6%	5.42	1.02	1.24
Agile Property	3383	8.56	29,527	-15.1%	23.0%	4.93	0.89	1.08
Shimao Property	813	10.02	34,776	4.5%	51.1%	5.84	0.87	0.95
R&F Properties	2777	10.32	33,255	0.2%	68.1%	5.40	1.06	1.12
Poly HK	119	3.40	12,341	-13.9%	1.5%	4.55	0.47	0.91
KWG	1813	4.22	12,209	-15.6%	61.1%	4.21	0.67	0.81
Kaisa Group	1638	1.53	7,505	-8.4%	14.2%	2.77	0.50	0.92
Sunac	1918	2.33	6,990	-10.4%	44.7%	1.94	0.62	0.61
Fantasia	1777	0.84	4,374	-3.4%	23.5%	2.85	0.54	0.74
Beijing Capital	2868	1.84	3,789	-24.3%	20.3%	2.59	0.42	0.61
C C Land	1224	1.61	4,096	-1.8%	11.8%	5.09	0.31	0.53
Median						4.93	0.87	0.95
Average						5.03	0.89	1.05
+1.0SD						7.21	1.34	1.44
-1.0SD						2.85	0.44	0.66

Source: Bloomberg; ABCI Securities



Appendix: Mar Sales performance of China property developers

Code	Name	3/2012			1-3/2012		1-3/2012		1-3/2012	
		Contracted sales			Contracted sales		GFA sold		ASP	
		Rmbbn	YOY	MoM	Rmbbn	YoY	10Ksqm.	YoY	Rmb/sq.	YoY
688	China Overseas^	9.1	17%	-31%	26.1	32%	139.7	0.0%	18,678	32.0%
3333	Evergrande	4.0	-27%	99%	8.3	-58%	129.9	-54.5%	6,359	-8.4%
960	Longfor Properties	3.2	26%	51%	6.5	-34%	31.6	-	20,665	-33.9%
2007	Country Garden	3.5	38%	-	6.1	-34%	99.0	-31.3%	6,182	-4.3%
813	Shimao Property	4.3	115%	109%	7.3	15%	58.0	15.0%	12,590	0.0%
2777	R&F Properties	3.0	36%	25%	6.6	12%	54.5	49.0%	12,176	-24.8%
1813	KWG	1.0	-4%	72%	2.0	-38%	14.5	-	13,999	-
1638	Kaisa Group	1.1	101%	5%	2.7	124%	44.3	204.0%	6,130	-26.3%
1918	Sunac	2.0	221%	149%	3.5	132%	22.1	90.2%	15,611	22.0%
1777	Fantasia	0.7	74%	164%	1.0	-4%	13.2	11.1%	7,661	-13.2%
1224	C C Land	0.6	8%	118%	1.0	-42%	13.0	-32.1%	7,744	-14.7%
000002	Vanke A-share	11.5	23%	57%	31.1	-13%	300.9	-1.0%	10,326	-11.6%
600048	Poly A-share	9.7	47%	169%	14.9	6%	143.9	9.0%	10,330	-2.7%
600383	Gemdale A-share	3.0	114%	140%	4.6	24%	41.6	55.6%	11,010	-20.6%
Average			56.4%	61.8%		8.8%		26.3%		-7.1%
>0			85.7%	80.0%		50.0%		66.7%		13.3%
<0			14.3%	20.0%		50.0%		33.3%		86.7%

^contract sales unit is HK\$bn

Source: Companies' announcements and ABCI Securities



## Disclosures

I, Li Hong-ying, Vivian, being the person primarily responsible for the content of this research report, in whole or in part, hereby certify that all of the views expressed in this report accurately reflect my personal view about the subject company or companies and its or their securities.

**I, Li Hong-ying, Vivian, have financial interest in Evergrande Real Estate Group Limited (3333) as at 15 May 2012.**

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