

SECTOR UPDATE

Property And Property Management

Encouraging Property Sales During Golden Week; Watching Policy Implementation And Improvement In Fundamentals In 4Q24

For 1-7 Oct 24, average daily primary/secondary transactions in 50 major cities grew 65%/98% yoy respectively. With enhanced policies, we expect the decline in primary sales GFA to narrow to -8% yoy in 4Q24, from -12.5% in Jul-Aug 24, with stabilisation of new home prices in tier 1 cities. For PM companies, higher transaction volume will benefit VAS. Policy implementation and improvement in fundamentals will be a key catalyst. Maintain MARKET WEIGHT. Top picks: CR Land, Longfor, COPH.

WHAT'S NEW

- On 9 October, KE Holdings Inc (Beke) published sales data of 2024's Golden Week for 50 cities.

ESSENTIALS

- Update of property sales and mall performance during 1-7 Oct 24.** According to Beke, average daily transactions of primary/secondary properties in 50 major cities grew 65%/98% yoy respectively. Based on our channel checks, tenant sales of the leading mall operators under our coverage recorded an average growth of over 20%, with positive same-store sales growth.

YOY GROWTH IN AVERAGE DAILY TRANSACTIONS OF PRIMARY/SECONDARY PROPERTIES IN 50 MAJOR CITIES DURING GOLDEN WEEK HOLIDAY

	50 cities	Tier 1	Tier 2	Tier 3/4	Major cities:
New homes	+65%	+120%	+64%	+39%	Shenzhen:+261%, Beijing:+153%, Guangzhou:+108%
Second-hand homes	+98%	+212%	+78%	+93%	Shenzhen:+489%, Beijing:+200%, Shanghai:+150%

Source: Beke, UOB Kay Hian

- Shifting focus to policy implementation in 4Q24.** At the end of Sep 24, China's central government announced a series of policies to help stabilise the real estate market. We expect the focus will shift to policy implementation, with a focus on the destocking policy. We stay positive on the latest change in the destocking policy, with the available proportion of low-cost PSL in the destocking program raised from 60% to 100%, which will lower the funding cost of acquirers participating in the destocking program (local SOEs, LGTVs, etc) and improve the profitability of the destocking program.
- Expect a 7% yoy decline in GFA of national new home sales in 4Q24.** In 8M24, sales value and GFA sold in the primary market declined 18% yoy and 25% yoy respectively. However, looking at single-month sales, the yoy decline has been narrowing, thanks to supportive policies (May 24) and a lower base. We do expect the easing of home purchase restrictions in tier 1 cities and implementation of destocking policies to further narrow the yoy decline of property sales. Thus, we expect the decline in primary sales GFA to narrow to -8% yoy in 4Q24 (vs -12.5% in Jul-Aug 24/-22% in 1H24), resulting in a 17% yoy decline in 2024. For pricing, with improved sentiment, we expect gradual stabilisation of new home prices in tier 1 cities in 4Q24, from -0.3% in Aug 24. Hopefully, the stabilisation of property prices in tier 1 cities will have a positive impact on property prices in tier 2 cities.
- Potential recovery in secondary transactions may benefit PM companies' VAS in the near term.** Thanks to flexible pricing, secondary property home transactions are seeing a more sustainable recovery. Interior decoration and real estate agency businesses are major components of property management (PM) companies' community value-added services (VAS) and deliver high margins. Thus, we see potential upside in PM companies' VAS, especially in 2H24. Among the companies we cover, PPS excels in its ability and scale in the interior design and agency businesses, accounting for approximately 4.5% of total revenue in 1H24.

MARKET WEIGHT (Maintained)

SECTOR RATING

Sector	Sector Rating
China Property	MARKET WEIGHT
Property Management	MARKET WEIGHT

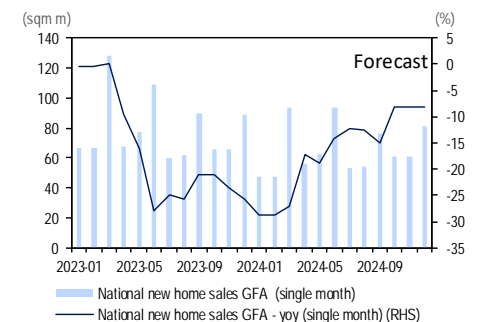
Source: UOB Kay Hian

SECTOR PICKS

Company	Ticker	Rec	Share Price (HK\$)	Target Price (HK\$)
CR Land	1109 HK	BUY	25.25	37.67
Longfor	960 HK	BUY	12.54	17.20
COPH	2669 HK	BUY	6.02	8.10

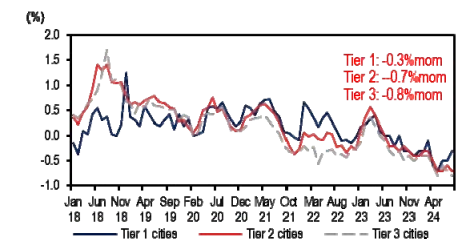
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NATIONAL NEW HOME SALES GFA AND YOY GROWTH (MONTHLY)



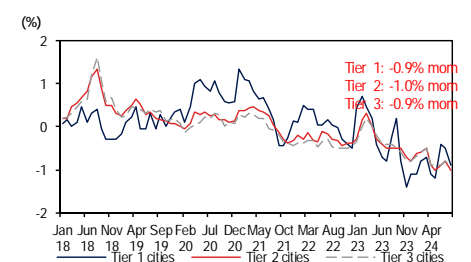
Source: UOB Kay Hian

MOM OF NEW HOME PRICE INDEX IN 70 CITIES



Source: UOB Kay Hian

MOM OF SECOND-HAND HOME PRICE INDEX IN 70 CITIES



Source: UOB Kay Hian

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PEER COMPARISON

Company	Ticker	Rec	Price @ 9 Oct 24 (lcy)	Target Price (lcy)	Upside/ (Downside) To TP	Market Cap (lcy bn)	PE		P/B		Yield	
							2024F (x)	2025F (x)	2024F (x)	2025F (x)	2024F (%)	2025F (%)
China Resources Land Ltd	1109 HK	BUY	25.25	37.67	48.9	180,056.2	6.1	6.0	0.6	0.6	5.9	6.0
Sunac China Holdings Limited	1918 HK	SELL	2.25	1.06	-53.9	19,415.2	n.m	n.m	0.0	0.0	0.0	0.0
China Overseas Land	688 HK	BUY	14.40	19.20	33.3	157,606.3	6.5	6.4	0.4	0.4	4.8	4.8
Longfor Properties	960 HK	BUY	12.54	17.20	37.6	86,317.4	7.5	7.4	0.5	0.5	4.0	4.0
CR Mixc Lifestyle	1209 HK	BUY	31.90	38.40	20.4	72,811.8	18.4	15.6	4.0	4.0	3.9	3.8
China Overseas Property Holdings	2669 HK	BUY	6.02	8.10	35.0	19,769.4	11.7	10.2	4.2	4.2	2.9	3.3
Poly Property Development	6049 HK	BUY	31.70	41.20	30.0	17,540.7	10.3	9.3	1.8	1.8	3.8	4.2
Country Garden Services	6098 HK	SELL	6.32	4.20	-33.3	21,128.1	7.8	7.3	0.5	0.5	4.7	4.6

Source: Bloomberg, UOB Kay Hian

REVENUE PROPORTION OF INTERIOR DESIGN AND AGENCY BUSINESS IN 2023

1H24	Community VAS revenue as a % of total revenue (%)	Interior design and agency revenue as a % of community VAS (%)	Interior design and agency revenue as a % of total revenue (%)
Sunac Services	6.1%	24.0%	1.5%
S-Enjoy Services	23.3%	15.1%	3.5%
CGS	9.5%	7.3%	0.7%
Onewe	3.5%	88.5%	3.1%
COPH	10.1%	13.3%	1.3%
PPS	15.9%	28.5%	4.5%
CR Mixc	9.1%	36.0%	3.3%
Yuexiu Services	32.9%	30.0%	9.9%

Source: UOB Kay Hian, Bloomberg

ACTION

- Maintain MARKET WEIGHT on China's property and property management sectors.** PBOC announced a stronger-than-expected policy package for the property industry on 24 Sep 24. We believe that the focus now should be on implementing policies and recovering fundamentals. The data from the Golden Week is a good starting point. This time, the combination of monetary, fiscal, and industry policies has given us more hope on the effectiveness of policies. From a valuation perspective, despite the recent increase, most of the companies we cover still have PE/P/B that are below 2020's mean, while their dividend yields are above 2020's mean. We maintain MARKET WEIGHT. We lower the WACC for PM companies under our coverage to reflect the latest market conditions. We add high-beta name Longfor, and our top picks are now CR Land, Longfor, and COPH.
- Raise target price for COPH; maintain BUY.** We increase our target price by 12.5% to HK\$8.10/share on lower WACC of 12.7% (vs 14.5% previously). We maintain our BUY rating, with target price implying 13.5x 2025F PE. COPH is trading at 10.2x FY25F PE.
- Raise target price for PPS; maintain BUY.** We increase our target price by 10.5% to HK\$41.20/share on lower WACC of 12.7% (vs 14.5% previously). We maintain our BUY rating, with target price implying 12.7x 2025F PE. PPS is trading at 10.0x FY25F PE.
- Raise target price for CR Mixc; maintain BUY.** We raise our target price by 13.9% to HK\$36.70/share on lower WACC of 11.9% (vs 13.6% previously). We maintain our BUY rating, with target price implying 19.3x 2025F PE. CR Mixc is trading at 15.7x FY25F PE.
- Raise target price for CGS; maintain SELL.** We raise our target price by 13.5% to HK\$4.20/share on lower WACC of 24.8% (vs 30.0% previously). We maintain our BUY rating, with target price implying 4.0x 2025F PE. CGS is trading at 5.9x FY25F PE.

VALUATION OF COVERED PM COMPANIES

	Previous TP (HK\$)	Current TP (HK\$)	Previous WACC (%)	WACC (%)
COPH	7.20	8.10	14.5	12.7
PPS	37.30	41.20	14.5	12.7
CR Mixc	33.70	38.40	13.6	11.9
CGS	3.70	4.20	30.0	23.8

Source: UOB Kay Hian

1FY PE OF COPH (SINCE JAN 2020)



Source: Bloomberg, UOB Kay Hian

1FY PE OF PPS (SINCE JAN 2020)



Source: Bloomberg, UOB Kay Hian

1FY PE OF CR MIXC (SINCE JAN 2020)



Source: Bloomberg, UOB Kay Hian

1FY PE OF CGS (SINCE JAN 2020)



Source: Bloomberg, UOB Kay Hian

VALUATION TABLE

	Price @	Target	1FY PE (x)			1FY PB (x)			1FY Yield (%)					
	9 Oct 24	Price	9 Oct 24	Mean	Mean+1SD	Mean-1SD	9-Oct-24	Mean	Mean+1SD	Mean-1SD	9-Oct-24	Mean	Mean+1SD	Mean-1SD
CR land	25.25	37.67	5.9	6.6	7.3	5.9	0.5	0.7	0.8	0.6	6.0	5.7	6.3	5.0
COLI	14.40	19.20	6.8	6.1	7.3	4.8	0.4	0.4	0.5	0.3	5.2	5.7	6.9	4.4
Longfor	12.54	17.20	7.5	8.2	9.6	6.7	0.5	1.0	1.4	0.6	4.8	4.5	5.5	3.4
CR Mixc	31.90	38.40	16.1	26.1	35.7	16.5	3.4	4.3	5.3	3.4	3.7	2.3	3.5	1.1
COPH	6.02	8.10	10.0	16.9	22.0	11.8	2.9	6.1	8.3	3.9	3.5	2.2	3.0	1.4
PPS	31.70	41.20	9.8	21.6	33.9	9.3	1.5	2.9	4.2	1.6	4.1	2.1	3.5	0.7
CGS	6.32	4.20	6.0	18.8	31.6	6.0	0.5	2.3	3.9	0.7	4.1	5.3	6.6	4.0

Source: UOB Kay Hian

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