

AMTD China Property Weekly

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Date: 15 Jan 2018 - 21 Jan 2018

China Property News

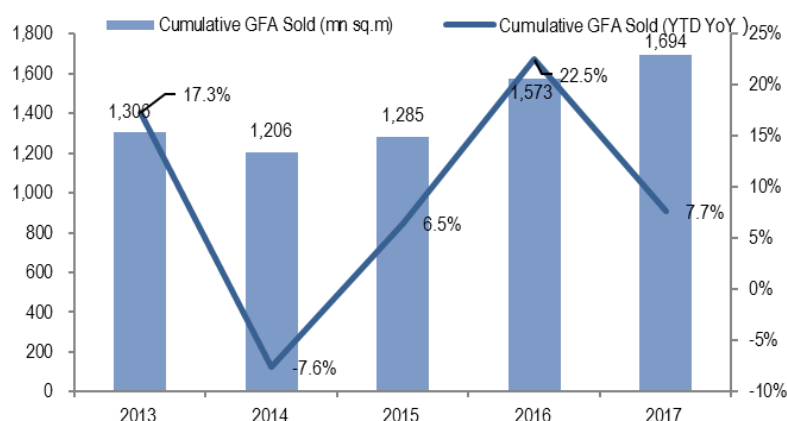
Property Activity Tracker

AMTD 2018 Outlook:

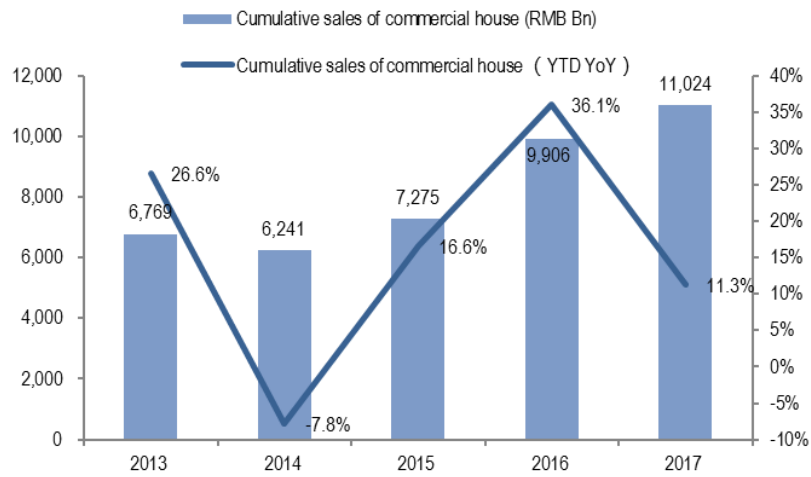
With the tightening policies setting in 2H17, home sales growth slowed down in 2017, after a high base in 2016. 2017 full year GFA sold reached 1.7 bn sq.m while YoY growth of GFA sold declined from 22.5% in 2016 to 7.7% in 2017. 2017 sales value reached Rmb 1,337bn, growing by 13.7% in 2017, also slowing down from 34.8% in 2016. Total investment of residential building maintained its growth momentum and had a robust growth of 9.4% YoY in 2017. We believe good sales pace in 2017 stimulated developers to increase total investment of residential building and new starts. The rise of land price was another reason for the increase in total investment in 2017. Looking ahead, we expect new commencement will maintain growth in 2018, as inventory has declined to relatively safe level. We are conservative on home sales growth in 2018. We believe home price cap policy will be maintained in 1st and 2nd tier cities and GFA sold will be flat yoy. In 3rd tier cities, subsidies of shanty house redevelopment will be the key of destocking. 2018 shanty house redevelopment target amounts to 5.8 mn units, 0.2 mn less than that of 2017.

Figures below summarize some key data in property activities.

China Cumulative GFA Sold 2013 - 2017

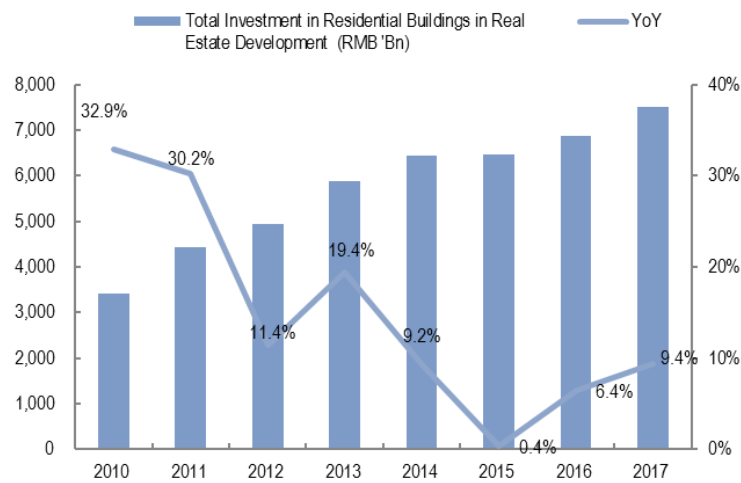


China Cumulative Sales of Commercial House 2013 - 2017



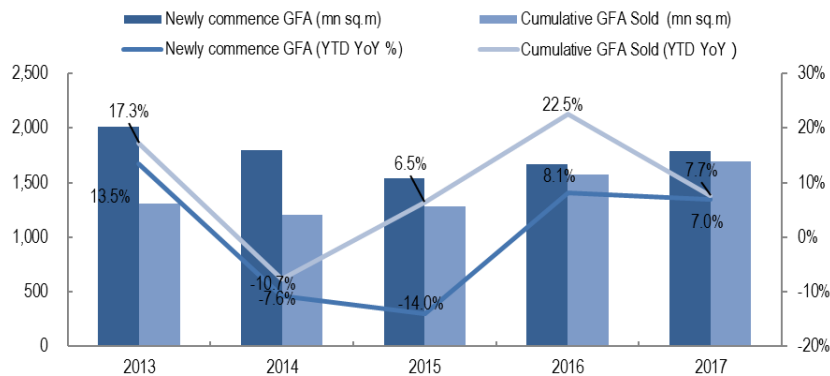
Source: Wind, AMTD Research

Total Investment in Residential Buildings in Real Estate Development 2013 – 2017



Source: Wind, AMTD Research

GFA Newly Commenced v. Cumulative GFA Sold



Source: Wind, AMTD Research

China Property Market and Policy Dynamics

1 PBOC: China's End-December Loans in Real Estate Industry

End of	Dec.	Sept.	June	March	Dec.	Sept.	June
	2017	2017	2017	2017	2016	2016	2016
Outstanding loans (YoY%)							
Real estate development (*)	20.90%	22.80%	24.20%	26.10%	27.00%	25.20%	24.00%
Land development	-8.00%	-12.80%	-17.90%	-21.50%	-4.90%	0.90%	7.50%
Buildings development	21.70%	22.70%	18.30%	17.30%	12.20%	9.60%	10.90%
Individual housing	22.20%	26.20%	30.80%	35.70%	35.00%	33.40%	30.90%
Affordable housing development	32.60%	37.90%	36.20%	47.70%	38.30%	36.00%	42.20%
Outstanding loans (CNY Trillion)							
Real estate development (*)	32.2	31.1	29.72	28.39	26.68	25.33	23.94
Land development	1.3	1.4	1.36	1.41	1.45	1.57	1.66
Buildings development	7	6.7	6.4	6.13	5.66	5.47	5.41
Individual housing	21.9	21.1	20.1	19.05	19.14	17.93	16.55
Affordable housing development	3.3	3.2	2.97	2.75	2.52	2.3	2.18

Note 1: Major financial institutions include state-owned national-operating commercial banks, joint-stock commercial banks, city commercial banks, rural commercial banks, urban credit cooperatives, rural credit cooperatives, foreign banks and non-bank financial institutions.

Note 2: (*) Refers to loans provided for real estate development, house purchase and mortgage-based security.

Note 3: Affordable housing is a type of housing sold or rented to specific group of people in a region within certain price range, and built in compliance with housing construction standards stated in national policy and regulation.

Source: PBOC

2 China's New Home Prices Rise in More Cities in December 2017

New-home prices, excluding government-subsidized housing, in December rose in 57 out of 70 cities tracked by the government, compared with 50 in November, the National Bureau of Statistics said on Thursday. Prices fell in 7 cities MoM and 6 cities' price remained unchanged. Authority repeats vow to curb speculation despite policy tweak in some northwestern and central areas.

Source: Bloomberg {NSN P2QAN76KLVR6 <GO>}

3 20,000 sets of rent housing in Shanghai prime location is expected for delivery in 2020

According to Shanghai Real Estate Group, the first batch of 17 land parcels for leasing will have a total gross floor area of more than 1 million square meters and a total supply of about 20,000 sets. These plots are mainly located in the central prime areas such as Gubei, Hongqiao, Zhangjiang, Expo, etc.

Source: [NBD Market](#)

4 Beijing real estate sales area nearly half off

In 2017, within a market of various restrictions and constrains, Beijing's real estate market showed a clear turning down, and the performance of real estate enterprises showed downward trend as well. Shikai, Tahoe and Vanke ranked top 3 places with more than RMB 2 million sales respectively.

Source: [Zhongzheng Property](#)

5 Shanghai Bureau of Statistics: Shanghai's real estate market will keep stable in 2018

According to Shanghai Bureau of Statistics, investment in real estate was RMB 386 billion in 2017, increasing by 4% yoy. The sales turnover showed a downtrend, with a decrease of 37.5% on total GFA sold. The authority says the overall market in 2017 kept stable and this situation is expected to continue in the coming 2018.

Source: [Zhongzheng Property](#)

Property Company News

1 Sunac [1918.HK] Invests in Homelink's Apartment Business

Sunac [1918.HK] is among a number of investors taking part in a 4b yuan A-round fund raising in Homelink's rental apartment business, company says in an emailed statement. This investment gives the company a foothold in rental apartment business. Warburg Pincus, Sequoia, Tencent lead the Homelink fundraising.

Source: [Guandian Property](#)

2 Sunac's [1918.HK] Outlook Revised to Stable from Negative at Moody's

Moody's cites **Sunac's [1918.HK]** demonstrated ability to deleverage through equity issuances and strong contracted sales growth. It expects debt leverage will trend towards 40%-50% over the next 12-18 months from around 25% in the 12 months to June 2017. Outlook change also factors in Moody's expectation that Sunac will improve its profitability.

Source: Bloomberg {NSN P2OWSC6VDKHS <GO>}

3 Wanda's target in 2018

According to Wanda Chairman Wang Jainlin, Wanda Group 2018 revenue target sets at 247.9b yuan. The group is to set up new property, commercial management units and to speed up opening of shopping malls, open 52 new malls in 2018. Theme park and hotel disposals reduced Wanda debt by 44b yuan. The group will not face any defaults worldwide and intends to pay off all its foreign debt

Source: [Guandian Property](#); Bloomberg

4 CIFI [884.HK] is to issue US\$300m senior

CIFI [884.HK] said it agreed to issue 5.5% senior notes due 2023 in the aggregate principal amount of US\$300 million, rated Ba3/BB-/BB by Moody's/S&P/Fitch. The estimated net proceeds of about US\$293 million will be used for refinancing its existing indebtedness.

Source: Bloomberg {NSN P2OBG93PWT1D <GO>}

5 Country Garden [2007.HK] Will Redeem 7.50% 2023 Senior Notes on Feb. 20

Country Garden [2007.HK] is to redeem the notes in full at 103.75% of the principal amount, plus accrued and unpaid interest. Outstanding principal amount of the 2023 notes is \$750m. The company will use proceeds from January 2023 notes, January 2025 notes to satisfy redemption payment.

Source: [Guandian Property](#)

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