

China Property

More price cuts to come; Be patient

- **More price cuts to come:** Overall sentiment in the physical market has cooled down over the last few weeks. Transaction volume remained low and macro-data was also weak with new starts down 30% Y/Y. While most developers have not yet made any price adjustments, with market sentiment continuing to deteriorate, we think there will be more news on price cuts in the coming month, and also a potential fall in land prices. Hence we do not expect stock price performance to be good in the near term.
- **Increasing differential among developers:** Results season started off with disappointing margins among developers, driven mainly by higher than expected development costs. We think this is not necessarily the same among all developers, and instead it revealed the differences in the execution ability of developers. We expect increased differential among developers post the results season, and the derating/erating could be big. Our long-term strategy to accumulate quality names remains unchanged. For investors concerned about macro risks, we suggest the strategy to long the OW names and short the Neutral rated names in order to tap the increasing valuation differential among developers. On the LONG side, we suggest COLI / CR Land / Longfor, while on the SHORT side, we suggest Agile / Country Garden / Franshion / Evergrande.
- **Credit view:** There is a higher possibility for single-B names to underperform this month. The spread between single-B and double-B is still on the tight side from a historical perspective. Given a weaker tone in the sector, we think investors would prefer higher quality names.
- **Among companies that reported 2013 results, we like Road King '17s (B1/BB-, Overweight, 109.6offer, 6.2%ytw) and Yanlord '18s (Ba3/BB-, 108.5offer, 7.1%ytw) for their relative stable results. We also think some investors may be too bearish on Country Garden as the developer's credit profile and liquidity are still very manageable despite reporting narrower margins. We continue to like Country Garden '17s (Ba2/BB-, Overweight, 106.5offer, 1.8%ytw). While the yield to the earliest call date this coming April is low, the yield would go up to 7.5% if the company calls a year later. We also like the '18s (Ba2/BB-, Overweight, 110.75offer, 5.1%ytw) for carry.**

China / Hong Kong Property

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China developers' share price index

Jan 2009=100



Source: Bloomberg, J.P. Morgan.

Industry reports:

[China Property: Largest land owners in Guangzhou Nansha ; beneficiaries of the "Hong Kong Park"?](#)

[China Property: Privatisation proposal by NWCL, so what are the privatisation criteria?](#)

[China Property: Quick summary of recent results; stick to defensive names](#)

[China Property: Stress test on a drastic Rmb depreciation scenario](#)

Table 1: Major China cities - sales volume and ASP

	Primary sales volume (MM sqm)					ASP (Rmb psm)				
	Feb-14	Jan-14	M/M	Y/Y	YTD Y/Y	Feb-14	Jan-14	M/M	Y/Y	YTD Y/Y
Beijing	0.25	0.74	-66%	-59%	-50%	26,575	27,758	-4.3%	29.5%	22.7%
Shanghai	0.73	1.16	-37%	-7%	-20%	25,704	25,644	0.2%	3.9%	8.6%
Hangzhou	0.09	0.20	-57%	-52%	-49%	21,649	22,323	-3.0%	3.7%	1.0%
Guangzhou	0.49	0.87	-43%	-5%	-8%	13,781	13,263	3.9%	-15.4%	-16.3%
Shenzhen	0.24	0.17	40%	61%	-43%	22,919	21,755	5.4%	11.1%	12.8%
Chongqing	1.24	1.55	-20%	-16%	-22%	7,334	8,167	-10.2%	7.7%	16.7%
Chengdu	0.53	0.74	-29%	-9%	-18%	10,095	10,208	-1.1%	13.5%	15.1%
Tianjin	0.59	0.75	-21%	29%	5%	9,578	10,018	-4.4%	-7.3%	-1.4%
8-city total	4.17	6.18	-33%	-12%	-23%					

Source: Soufun, CREIS, J.P. Morgan estimates.

See page 44 for analyst certification and important disclosures, including non-US analyst disclosures.

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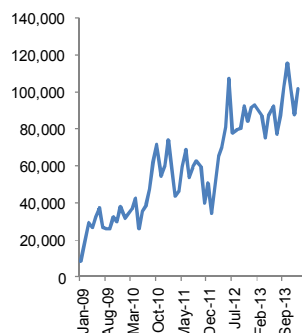
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Not quite the time yet

Top 15 developers' monthly contracted sales

Sales value
(Rmb mn)



Sources: Company data, J.P. Morgan

Overall sentiment in the physical market has cooled down over the last few weeks. Transaction volume remained low and macro-data was also weak with new starts down 30% Y/Y. While most developers have not yet made price adjustments, with market sentiments continuing to deteriorate, we think there will be more news on price cuts in the coming month, and also potential decline in land prices. Hence we do not expect stock price performance to be good in the near term.

Developers should start stimulating sales soon

From empirical evidence, contracted sales seldom experience a sequential decline for more than two months, because developers' cash flow runs on a monthly basis, and if sales remain low, developers need to find a way to stimulate sales in order not to create a distress scenario. We had a slow February and likely a slow March, hence we think developers will increase sales incentives in the later part of April which could be reflected in sales in April / May. This could be the upcoming positive catalyst, in our view.

Increasing differential among developers

Results season started with disappointing margins among developers, driven mainly by higher than expected development costs. We think such a situation is not even among developers, as a big portion that affects the cost is land cost. If developers have made the right landbanking decision, cost hike and big margin squeeze is not a must. We expect increased differential among developers after the results season, and the derating/erating could be big. Similarly, due to different capital structure and leverages, the potential impact from credit-tightening is not the same among developers, and it is not fair to factor in the same macro risk for each developer.

NPC meeting is indeed a long-term positive

The NPC meeting was held in early-March. While the market's focus was on whether the government might put out some stimulus on the property front, we think the key should be put on the medium-term population policy. The "Three-100-mn-Plan", which helps sustain the basic fundamental demand from urbanisation and resettlement, has helped reinforced our confidence in the sector in the coming 5 years. These include (i) ease up the barrier of getting urban residency, with at least 100 mn people switching from rural "hukou" to urban "hukou"; ii) 100 mn people to be resettled, and iii) an incremental 100 mn urban population in Mid-West China.

Stock recommendations to hedge off macro-risk

While we remain cautious in the coming month, we could see value in some defensive names and expect them to rerate towards April/May when the newsflow improves. Our long-term strategy to accumulate quality names remains unchanged. Stocks that we like are COLI, CR Land and Longfor. For investors that are concerned about macro risks, we suggest the strategy to long OW rated names and short the Neutral rated ones in order to tap the increasing valuation differential among developers. On the LONG side, we suggest COLI (OW) / CR Land (OW) / Longfor (OW), while on the short side, we suggest Agile (N) / Country Garden (N) / Franshion (N) / Evergrande (N).

We reiterate our Neutral rating on Agile / Country Garden / Franshion / Evergrande and our long-term ratings and price-targets for these remain unchanged.

Key equity views

March kicked off with a negative sentiment. After Country Garden reported disappointing margins, the market now has little tolerance for any margin miss / declining margins. We think Longfor and Shimao would be among the batch, and would suggest entry after the results announcement.

Next driver will be from contracted sales

The sector is down 12% from the peak in February, mainly factoring in potential price cuts, credit tightening and Rmb depreciation. Based on the experience in late-2011, sector valuation tracks closely with contracted sales after the correction, mainly because the fears on credit risk could be alleviated by stronger cash flow from pre-sales. If developers are cutting prices which stimulate sales and result in an improvement in contracted sales, we believe the sector should see a decent rebound. This, by our estimates, may happen in the later part of April and in May.

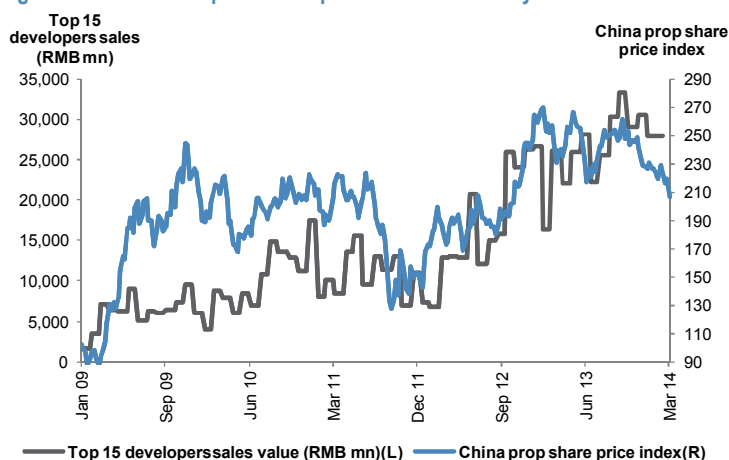
Avoid high gearing names with expensive landbank

In terms of stock picks, developers with higher funding needs will face bigger pressure to cut prices aggressively, hence we would **avoid** stocks with high net gearing for now. We also would avoid companies that have purchased expensive land as they would face more margin squeeze on potential price cuts than those with cheaper landbank. Stocks to avoid: **Evergrande, Franshion, Agile, Country Garden** is also among our list to avoid as we think it has expanded too quickly and may see a consistent margin squeeze in the near term.

Buy stocks with shorter landbank and strong balance sheet

When ASPs decline and land prices start to fall, developers with smaller landbank and stronger balance sheets should benefit the most, hence we recommend investors to accumulate such stocks on correction. Based on these criteria, we like **COLI** and **Longfor**. We also like **CR Land** given its more defensive investment properties portfolio, and also its SOE nature.

Figure 1: China developers' stock price index vs monthly contracted sales



Source: Company data, Bloomberg, J.P. Morgan

Table 2: Estimated gross margin for land purchase in 2014

Developer	Land value (Rmb mn)	GFA (sqm)	A.V. (Rmb psm)	Estimated gross margin
Franshion	12,470	383,392	32,525	6.0%
Greenland	11,931	3,893,450	3,064	26.9%
CR Land	9,303	2,322,717	4,005	26.6%
Longfor	8,167	711,668	11,476	29.7%
COLI	5,502	3,147,826	1,748	25.2%
Poly Real Estate	5,412	1,715,628	3,155	24.3%
China Vanke	4,530	399,517	11,339	20.5%
Sino-Ocean Land	3,820	242,699	15,740	18.4%
China Merchants Property	2,936	935,269	3,139	18.5%
Sunac	2,232	236,605	9,434	16.3%
Overall	66,302	13,988,770	4,740	24.7%

Source: Company data, J.P. Morgan estimates.

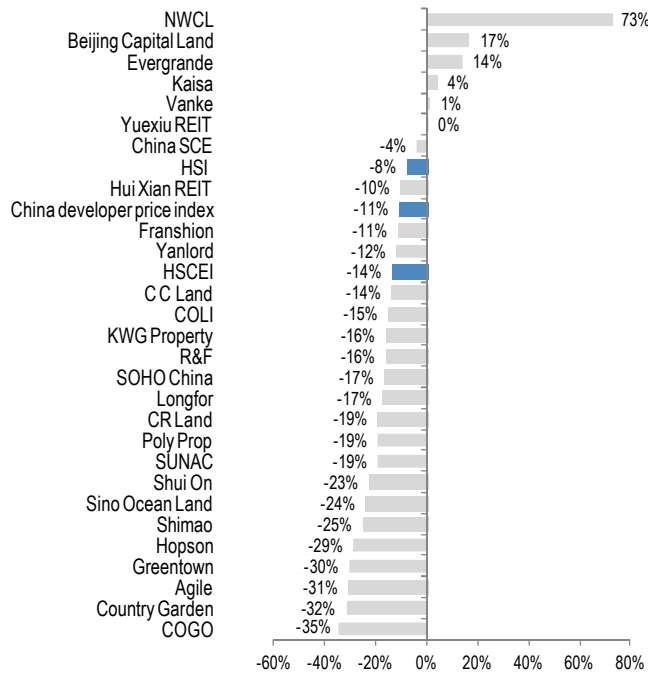
Table 3: China property – valuation summary

			Price	Market	NAV	NAV	Core PER		Div Yield	P/B	Net gearing
	Rating	Stock Code	17-Mar-14 LC\$	cap US\$MM	Curr HK\$	Discount Current	FY14E (X)	FY15E (X)	FY14E (%)	FY14E (X)	FY14E (%)
China Vanke - B shares	OW	200002.SZ	12.64	14,322	18.14	-30%	6.2	4.9	3.9%	1.23	37%
China Overseas Land Investment	OW	0688.HK	18.52	19,492	23.92	-23%	6.6	5.7	3.1%	1.22	13%
China Resources Land	OW	1109.HK	15.56	11,684	33.01	-53%	7.4	5.5	3.8%	1.02	63%
Evergrande Real Estate	N	3333.HK	3.37	6,320	9.10	-63%	5.0	4.0	5.4%	0.79	130%
Country Garden	N	2007.HK	3.20	7,606	5.47	-42%	4.7	3.5	8.5%	0.89	63%
Longfor Properties	OW	0960.HK	8.95	6,272	19.65	-54%	5.3	4.2	3.8%	0.91	51%
Shimao Properties	OW	0813.HK	13.32	5,957	33.89	-61%	4.7	3.8	7.0%	0.77	71%
Agile Property	N	3383.HK	5.75	2,578	18.24	-68%	3.4	3.2	9.3%	0.42	69%
Guangzhou R&F	OW	2777.HK	9.52	3,951	25.05	-62%	4.0	3.2	11.9%	0.72	107%
Sino-Ocean Land	N	3377.HK	3.87	3,630	15.49	-75%	5.7	4.8	10.6%	0.52	54%
Franshion Properties	N	0817.HK	2.39	2,820	6.54	-63%	6.6	5.7	5.0%	0.61	123%
Shui On Land	N	0272.HK	1.84	1,896	4.53	-59%	10.2	12.5	3.1%	0.27	61%
KWG Property	OW	1813.HK	3.61	1,345	18.57	-81%	3.1	2.5	7.3%	0.39	68%
COFCO Land	N	0207.HK	1.95	2,129	2.76	-29%	21.7	83.8	1.4%	0.88	-49%
Sector average (market cap weighted)**						-49%	6.5	7.3	5.6%	0.93	58%

**Excluding Vanke.

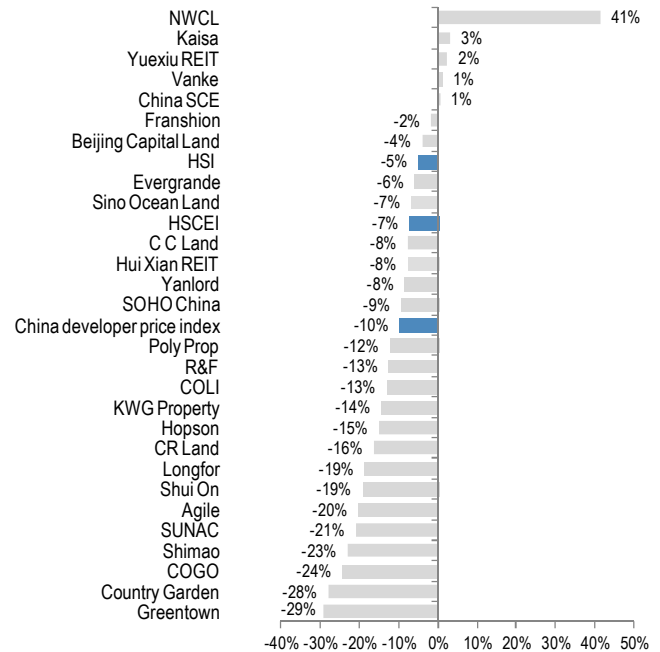
Source: Bloomberg, Company data, J.P. Morgan estimates.

Figure 1: China property – 2014 YTD share price performance



Source: Bloomberg. Note: From December 31 2013 to March 17, 2014.

Figure 2: China property - Monthly share price performance (Feb-14)



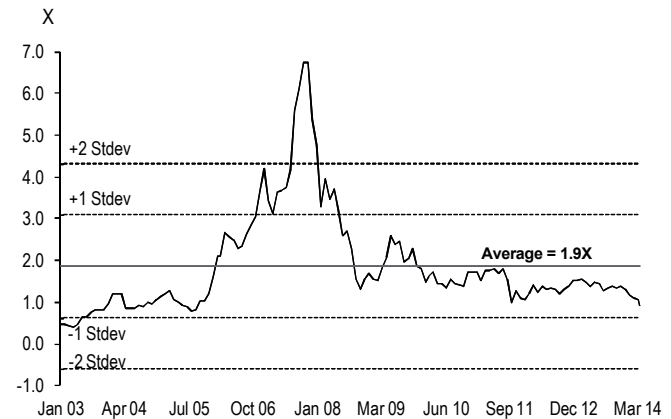
Source: Bloomberg. Note: From February 18 to March 17, 2014.

Figure 3: China Property: NAV discount chart (ex Vanke and COLI)
NAV discount (%)



Sources: Bloomberg, Company data, J.P. Morgan estimates.

Figure 4: China Property – Price to book chart (ex-Vanke)



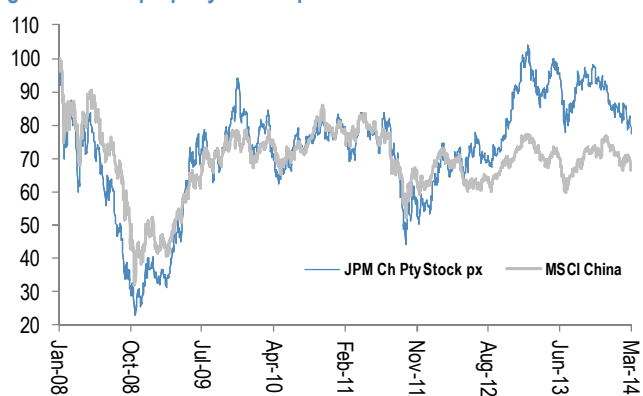
Sources: Bloomberg, Company data, J.P. Morgan estimates.

Figure 5: China property – stock prices vs. bond spreads



Source: J.P. Morgan, Bloomberg.

Figure 6: China property – stock price vs MSCI China



Source: J.P. Morgan, Bloomberg.

Key credit views

Still in black in the month full of headline news

We have seen various headline news for the China property sector, including trust financing issues, tighter mortgage financing, price cuts, and first onshore bond default, though some news was not related to the sector. At the corporate level, narrow margins reported by developers for their 2013 results seem to become a general trend. At the macro level, a slower economy has also been an overhang.

Despite the headlines, the sector held up better than expected probably due to a relative strong technical support by the market and/or short covering activities after a weaker January. JACI China HY Prop B still managed to generate a small positive return of 0.6% in February though it lost a total of 1.4% since the beginning of the year. JACI China HY Prop BB outperformed by reporting a positive 0.9% in total return in February and a negative 1% in total return in the first two months.

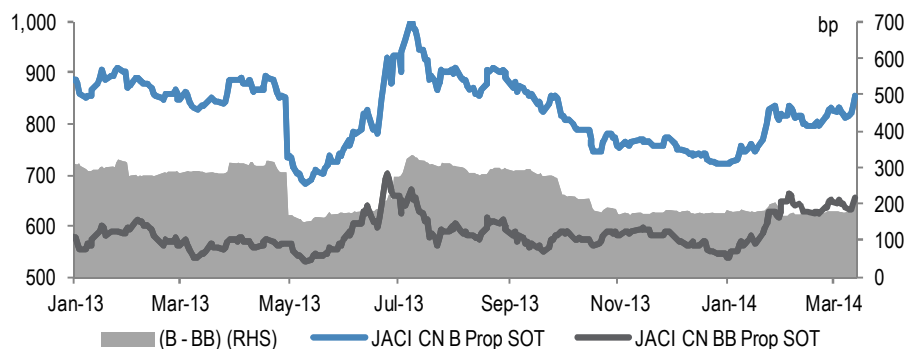
In the single-B space, around two-third of the bonds had positive total return. Interestingly, some weaker credits like Renhe '16s (+7.8% in total return) and '15s (+5.4%) outperformed on unexpected progress in their receivables on projects sold in the past. Aoyuan '19s were (+4.2%) the second best performer on stronger than expected contracted sales. Long dated Kaisa '20s (+2.4%) rebounded after the company reported a set of solid results with strong growth while maintaining its manageable credit profile. Other Kaisa bonds also generated positive return. Please see our [research note](#) published on February 24. On the other end of the spectrum, Glorious '18s (-6.5%) and '15s (-4.5%) gave up most of their strong gains from January.

In the double-B space, most bonds, including those with longer maturities, had positive total return with the exception of Guangzhou R&F '19s (-0.5%) and Agile '19s (-0.5%). Long dated Country Garden '23s (+3.3%) and SOHO '22s (+3.1%). Agile perps (+2.5%) also outperformed. It seems some investors think the credit curve is too steep.

We notice that the spread between single-B and double-B is still on the tight side from a historical perspective. Given a weaker tone in the sector, we think investors would prefer higher quality names. **There is a higher possibility for single-B names to underperform this month.**

Figure 2: JACI CN B vs JACI CN BB

(SOT, bp)



Source: J.P. Morgan, Data as of 3/13/2014

Issuance slowed down ahead of earnings

Issuance slowed down by around half to RMB2.7 billion in February ahead of earnings from RMB5.3 billion in January. The deals were more CNH focused by higher rated developers including SOEs. Only three out of five issuers tapped the US dollar market, which could indicate a change of sentiment on RMB from the issuers' perspective. Agile tapped both markets, of which the CNH bonds were used to refinance and early repay the Agile. Please see our [research note](#) published on February 21.

Visibility on new issuance remains low but we could still get some sense from bonds maturing and callable this year. We have a moderate US\$1.1 billion worth of bonds coming due this year after various pre-funding exercise in 2013. In terms of refinancing, there would be around US\$3.5 billion bonds, which are callable this year. We think developers should extend their debt maturity profile by tapping the offshore market to fund their callable bonds as many of these bonds were issued with coupon rates at high single-digit or low double-digit levels. So far, we have seen ten issuers redeemed a total of US\$3.2 billion of bond principals early via exercising their call options at a premium.

Table 4: Bonds maturing in 2014

US\$ mm

Issuer Name	CPN	O/S	Maturity
Lai Fung Holdings Ltd	9.125%	185	4-Apr-14
China Properties Group	9.125%	103	4-May-14
Neo-China Land Grp Hldg	9.750%	400	23-Jul-14
Country Garden	11.750%	375	10-Sep-14
Total		1,062	

Source: Bloomberg, J.P. Morgan

Table 5: Bonds called in 2014

US\$ mm

Issuer Name	CPN	Orig O/S	Call Date	Maty
Agile Property Hldgs Ltd	9.00%	400	7-Jun-10	22-Sep-13
Shimao Ppty Hldng Ltd	FRN	250	3-May-11	1-Dec-11
Road King Infrast (2007)	7.63%	200	28-Sep-12	14-May-14
Kaisa Group	13.50%	350	22-Apr-13	28-Apr-15
Central China Real Estat	12.25%	300	21-Jun-13	20-Oct-15
Greenland	13.50%	300	10-Nov-13	8-Apr-16
Yuzhou Properties	13.50%	200	18-Dec-13	15-Dec-15
China South City Holding	13.50%	200	20-Feb-14	14-Jan-16
KWG Property Holdings	12.75%	350	30-Mar-14	30-Mar-16
Agile Property Hldgs Ltd	10.00%	300	30-Mar-14	14-Nov-16
Shimao Ppty Hldng Ltd	8.00%	350	1-Dec-16	1-Dec-16
Total		3200		

Source: Bloomberg, J.P. Morgan

Table 6: Bonds callable in 2014

US\$ mm

Issuer Name	CPN	O/S (US\$ mn)	Call Date	Maty
China Properties Group	9.13%	102.6	14-Apr-14	4-May-14
Renhe Commercial Holdings	11.75%	300	14-Apr-14	18-May-15
PowerLong Real Estate	13.75%	200	14-Apr-14	16-Sep-15
Hopson Development	11.75%	300	14-Apr-14	21-Jan-16
Country Garden	11.25%	550	22-Apr-14	22-Apr-17
Agile Properties	8.88%	650	28-Apr-14	28-Apr-17
Yanlord Land Group	9.50%	300	4-May-14	4-May-17
Shimao	9.65%	500	3-Aug-14	3-Aug-17
KWG Property Holdings	12.50%	250	18-Aug-14	18-Aug-17
Glorious Property	13.00%	300	25-Oct-14	25-Oct-15
China South City Holding	13.50%	125	17-Oct-15	17-Oct-17
Total		3,475		

Source: Bloomberg, J.P. Morgan

Among companies that reported 2013 results, we like Road King '17s (B1/BB-, Overweight, 109.6offer, 6.2%ytw) and Yanlord '18s (Ba3/BB-, 108.5offer, 7.1%ytw) for their relative stable results. Please see our research notes published on [March 12](#) and [February 27](#).

We also think some investors may be too bearish on Country Garden as the developer's credit profile and liquidity are still very manageable despite reporting narrower margins to support strong sales growth. We continue to like Country Garden '17s (Ba2/BB-, Overweight, 106.5offer, 1.8%ytw). While the yield to the earliest call date this coming April is low, the yield would go up to 7.5% if the company calls a year later. We also like the '18s (Ba2/BB-, Overweight, 110.75offer, 5.1%ytw) for carry. Please see our [research note](#) published on March 14.

Table 7: Issuance summary in 2014

Issue Date	Issuer	Type	Currency	Amt	Amt (USD)	Coupon	Maturity	Ratings	Price
6-Jan-14	Guangzhou R&F	New	USD	1000	1000	8.500%	10-Jan-19	Ba3/BB-/BB	100.0
6-Jan-14	Kaisa Group	Retap	USD	250	250	8.875%	19-Mar-18	B1/B+/-	101.0
7-Jan-14	KWG Property Holdings	New	USD	600	600	8.975%	14-Jan-19	Ba3/BB-/B+	100.0
8-Jan-14	Wuzhou International	Retap	USD	100	100	13.750%	26-Sep-18	B3/B/B-	100.0
10-Jan-14	China Aoyuan	New	USD	300	300	11.250%	17-Jan-19	B3/B-/B+	99.3
14-Jan-14	Shimao Property	New	USD	600	600	8.125%	22-Jan-21	Ba3/BB-/BB+	100.0
15-Jan-14	Modernland	New	CNH	1100	187	11.000%	22-Jan-17	B2/-/B	100.0
16-Jan-14	Fantasia Holdings	New	USD	300	300	10.625%	23-Jan-19	B2/B+/-	100.0
17-Jan-14	Yuzhou Properties	New	USD	300	300	8.625%	24-Jan-19	B1/B+/-	100.0
20-Jan-14	China South City Holding	New	USD	400	400	8.250%	29-Jan-19	-/B+/B2	99.0
20-Jan-14	Cifi Holdings Group	New	USD	200	200	8.875%	27-Jan-19	B2/B/B+	99.5
20-Jan-14	Greentown China	New	USD	500	500	9.000%	Perp	B1/BB-/	100.0
23-Jan-14	Wanda Properties	New	USD	600	600	7.250%	29-Jan-24	Baa3/BBB-/BBB+	99.0
10-Feb-14	Agile Properties	New	USD	500	500	8.375%	18-Feb-19	Ba2/BB-/	99.5
10-Feb-14	Beijing Capital Land	New	CNH	2000	330	5.750%	17-Feb-17	Ba3/BB+/-	100.0
10-Feb-14	Beijing Capital Land	New	CNH	250	41	6.875%	17-Feb-19	Ba3/BB+/-	100.0
19-Feb-14	Shui On Development	New	CNH	2500	413	6.875%	26-Feb-17	-/-/-	100.0
20-Feb-14	China Resources Land	New	USD	400	400	4.375%	27-Feb-19	Baa1/-/BBB+	99.8
20-Feb-14	China Resources Land	New	USD	700	700	6.000%	27-Feb-24	Baa1/-/BBB+	100.0
23-Feb-14	Agile Properties	New	CNH	2000	330	6.500%	28-Feb-17	Ba2/BB-/	99.3
24-Feb-14	Gemdale	New	CNH	750	124	6.500%	4-Mar-17	Ba1/BB+/-	99.0
12-Mar-14	Franshion	New	USD	500	500	5.750%	19-Mar-19	Ba1/BBB-/BBB-	100.0
12-Mar-14	Times Property	New	USD	225	225	12.625%	21-Mar-19	B2/B/-	99.3
Total					8,693				

Source: Bond Radar, Bloomberg, J.P. Morgan, Data as of 3/13/2014

Table 8: Summary recommendation - single-B rated or lower

Issue	Credit Rating	Previous Rating	Rating	Bid	Offer	YTM	Duration
CAPG '17	B3/-B+	NC	NC	110.3	111.8	10.0%	2.8
CAPG '19	B3/B-/B+	NC	NC	101.8	103.3	10.4%	3.6
CENCHI '18	Ba3/BB-/	N	N	93.6	94.6	8.0%	3.5
CENCHI '20	Ba3/BB-/	N	N	94.0	95.5	9.0%	4.5
CHINSC '17	B2/B-/	N	N	105.3	106.3	9.4%	2.9
CHINSC '18	-/B-/B-	NC	NC	97.3	98.8	13.9%	3.1
CIFIHG '18	B2/B/B+	NC	NC	107.5	108.5	9.7%	3.1
CSCHCN '16	WR/B-/	NC	NC	106.5	108.5	8.4%	1.6
CSCHCN '19	-/B/B+	NC	NC	97.5	99.0	8.5%	3.9
FTHDGR '17	B2/B+/-	N	N	104.0	105.5	11.8%	2.6
FTHDGR '19	B2/B+/-	NR	NR	91.0	93.0	12.6%	3.6
FTHDGR '20	B2/B+/-	N	N	89.5	91.5	12.9%	4.1
FUTLAN '18	-/B+/B+	NC	NC	96.0	97.5	11.1%	3.1
GLOPRO '15	Caa2/CCC+/-	N	N	88.0	91.0	19.8%	1.3
GLOPRO '18	Caa2/CCC+/-	N	N	76.0	79.0	21.4%	2.8
GRNCH '18	B2/B+/-	OW	OW	99.5	100.5	8.3%	3.2
GRNCH '19	B2/B+/-	NR	NR	97.5	98.5	8.4%	3.9
GRNCH perp	-/-/-	NR	UW	97.0	98.0	12.2%	8.3
HPDLF '16	Caa1/CCC+/-	UW	UW	100.5	102.0	10.5%	1.6
HPDLF '18	Caa1/CCC+/-	UW	UW	93.0	95.0	11.5%	3.0
KAISAG '17	B1/B+/-	OW	OW	112.3	113.3	8.4%	2.8
KAISAG '18	B1/B+/-	N	N	98.5	99.5	9.0%	3.2
KAISAG '20	B1/B+/-	N	N	99.5	100.5	10.1%	4.2
KWGPRO '16	B1/B+/-	OW	OW	106.5	107.0	8.9%	1.7
KWGPRO 12.5% '17	B1/B+/-	UW	UW	108.3	109.0	9.4%	2.8
KWGPRO 13.25% '17	B1/B+/-	OW	OW	111.0	112.0	8.6%	2.4
KWGPRO '19	B1/B+/-	NR	NR	97.1	98.1	9.5%	3.8
KWGPRO '20	B1/B+/-	N	N	94.8	95.8	9.6%	4.4
PWRLNG '15	Caa1/B-/	N	N	104.3	106.3	9.2%	1.3
PWRLNG '18	Caa1/B-/	N	N	96.8	98.8	11.7%	3.0
RNHEF '15	Caa1/CCC-/	N	N	75.3	78.3	36.1%	0.9
RNHEF '16	Caa1/CCC-/	UW	UW	69.0	72.0	33.5%	1.5
SHUION '15	-/-/-	NC	NC	103.0	104.0	5.2%	0.9
SHUION perp	-/-/-	NC	NC	103.0	104.5	13.6%	7.5
SUNAC '17	-/B+/BB-	OW	OW	107.9	108.9	9.5%	2.7
SUNAC '18	B1/B+/BB-	N	N	97.3	98.3	9.9%	3.2
YUZHOU '15	WR/B-/	N	N	106.4	107.1	9.0%	1.5
YUZHOU '17	B2/B-/	N	N	107.6	108.6	8.9%	2.8
YUZHOU '18	B2/B-/	NR	NR	96.5	97.5	9.4%	3.5
YUZHOU '19	B2/B-/	NR	NR	94.5	95.5	9.8%	3.8

Source: J.P. Morgan, Prices as of 3/13/2014.

Table 9: Summary recommendation - BB rated

Issue	Credit Rating	Previous Rating	Rating	Bid	Offer	YTM	Duration
AGILE '16	Ba2/BB-/	N	N	105.0	105.5	7.7%	2.2
AGILE 8.875% '17	Ba2/BB-/	OW	OW	102.9	103.6	7.5%	2.6
AGILE 9.875% '17	Ba2/BB-/	OW	OW	105.3	106.3	7.5%	2.5
AGILE '19	Ba2/BB-/	NR	NR	98.5	99.5	8.5%	3.9
AGILE perp	-/-	UW	UW	87.5	89.0	11.9%	8.5
COGARD '15	Ba2/BB-/	N	N	107.6	108.4	4.3%	1.3
COGARD '17	Ba2/BB-/	OW	OW	105.9	106.6	8.8%	2.5
COGARD '18	Ba2/BB-/	OW	OW	109.8	110.5	8.0%	3.2
COGARD '21	Ba2/BB-/	N	N	94.8	95.8	8.1%	5.2
COGARD '23	Ba2/BB-/	N	N	94.5	95.5	8.2%	6.1
EVERRE '15	B2/BB-/BB	N	N	105.0	105.8	6.0%	0.8
EVERRE '18	B2/BB-/	NR	UW	95.0	96.0	9.8%	3.6
FRANSH '17	Ba1/BBB-/BBB-	N	N	99.5	100.3	4.6%	3.2
FRANSH '19	Ba1/BBB-/BBB-	NR	NR	99.6	99.9	5.8%	4.3
FRANSH '21	Ba1/BBB-/BBB-	UW	UW	100.5	101.3	6.5%	5.4
GEMDALE '17	Ba3/BB-/	N	N	100.5	101.5	6.7%	3.1
SPGL '16	Ba1/BB+/BBB-	NR	NR	99.1	99.9	4.8%	2.4
GZRFPR '16	-/-/BB	N	N	107.6	108.4	6.6%	1.8
GZRFPR '19	Ba3/BB-/BB	N	N	97.3	98.3	8.9%	3.8
GZRFPR '20	Ba3/BB-/BB	N	N	96.0	97.0	9.4%	4.4
LNGFOR '16	Ba2/BB-/	N	N	104.8	105.3	6.7%	1.8
LNGFOR '19	Ba2/BB-/	N	N	98.5	99.5	7.0%	4.4
LNGFOR '23	Ba2/BB-/	N	N	89.8	90.8	8.2%	6.3
ROADKG '15	B1/BB-/	N	N	104.8	105.8	5.5%	1.3
ROADKG '17	B1/BB-/	OW	OW	108.6	109.6	6.7%	3.0
SHIMAO '17	Ba3/BB-/BB+	N	N	105.9	106.6	7.4%	2.8
SHIMAO '18	Ba3/BB-/BB+	N	N	109.9	110.6	7.8%	3.2
SHIMAO '20	Ba3/BB-/BB+	N	N	93.0	94.0	7.9%	4.6
SHIMAO '21	Ba3/BB-/BB+	NR	NR	98.5	99.5	8.2%	5.1
SOHOCH '17	Ba1/BB+/	N	N	99.8	100.8	5.5%	3.2
SOHOCH '22	Ba1/BB+/	N	N	92.8	94.8	8.0%	6.1
YLLG '17	Ba3/BB-/	N	N	104.6	105.4	7.5%	2.6
YLLG '18	Ba3/BB-/	OW	OW	107.0	108.0	8.2%	3.1

Source: J.P. Morgan, Prices as of 3/13/2014

Table 10: Performance for January 2014 - Single-B or lower

Issue	Credit Rating	Rating	Year Start Offer	Start Offer	End Offer	Yearly Return	Monthly return	Yearly Rank	Monthly Rank
CAPG '17	B3/-/B+	NC	111.0	110.5	112.5	3.4%	3.3%	3	4
CAPG '19	B3/B-/B+	NC	101.3	100.3	104.0	2.3%	4.2%	4	3
CENCHI '18	Ba3/BB-/	N	99.5	95.8	95.0	-3.5%	-0.2%	37	32
CENCHI '20	Ba3/BB-/	N	101.3	97.0	96.9	-3.0%	0.5%	35	20
CHINSC '17	B2/B-/	N	111.5	108.0	108.0	-1.4%	0.9%	25	13
CHINSC '18	-/B-/B-	NC	104.0	100.8	99.3	-2.4%	-0.4%	30	35
CIFIHG '18	B2/B/B+	NC	114.5	111.5	110.8	-1.1%	0.7%	22	15
CSCHCN '16	WR/B-/	NC	108.5	108.5	108.5	2.1%	1.0%	5	11
CSCHCN '19	-/B/B+	NC	99.5	99.5	99.3	-0.5%	-0.1%	19	29
FTHDGR '17	B2/B+/-	N	114.0	111.5	110.0	-1.5%	-0.3%	26	33
FTHDGR '19	B2/B+/-	NR	101.0	99.5	98.0	-0.4%	-1.1%	18	38
FTHDGR '20	B2/B+/-	N	102.0	99.0	96.5	-3.7%	-1.1%	39	39
FUTLAN '18	-/B+/B+	NC	101.5	98.8	99.5	0.3%	2.2%	14	6
GLOPRO '15	Caa2/CCC+/-	N	92.0	97.3	92.0	1.2%	-4.3%	8	40
GLOPRO '18	Caa2/CCC+/-	N	85.5	87.3	80.5	-4.3%	-6.3%	41	41
GRNCH '18	B2/B+/-	OW	105.9	102.3	100.9	-3.4%	-0.7%	36	36
GRNCH '19	B2/B+/-	NR	103.0	99.5	98.8	-2.8%	-0.1%	34	30
GRNCH perp	-/-/-	UW	99.5	99.5	98.8	0.0%	0.0%	15	26
HPDLF '16	Caa1/CCC+/-	UW	106.5	103.5	102.8	-2.2%	0.2%	29	24
HPDLF '18	Caa1/CCC+/-	UW	101.3	96.5	96.0	-4.1%	-0.2%	40	31
KAISAG '17	B1/B+/-	OW	115.5	113.5	114.1	0.8%	1.7%	9	7
KAISAG '18	B1/B+/-	N	103.0	100.3	100.8	-0.8%	1.2%	20	9
KAISAG '20	B1/B+/-	N	103.5	100.0	101.5	-0.3%	2.4%	17	5
KWGPRO '16	B1/B+/-	OW	109.0	107.8	107.4	0.6%	0.6%	11	16
KWGPRO 12.5% '17	B1/B+/-	UW	111.5	109.5	109.5	0.3%	1.2%	13	10
KWGPRO 13.25% '17	B1/B+/-	OW	117.8	114.0	113.3	-1.9%	0.3%	27	23
KWGPRO '19	B1/B+/-	NR	100.1	99.5	98.8	-0.8%	0.0%	21	27
KWGPRO '20	B1/B+/-	N	100.0	96.8	96.5	-2.0%	0.5%	28	21
PWRLNG '15	Caa1/B-/	N	108.3	106.8	107.0	0.5%	1.3%	12	8
PWRLNG '18	Caa1/B-/	N	103.5	100.8	99.5	-2.6%	-0.3%	31	34
RNHEF '15	Caa1/CCC/-	N	72.0	74.5	77.5	10.5%	5.4%	2	2
RNHEF '16	Caa1/CCC/-	UW	67.0	69.5	74.0	13.4%	7.8%	1	1
SHUION '15	-/-/-	NC	105.5	105.0	104.8	0.8%	0.5%	10	18
SHUION perp	-/-/-	NC	107.0	105.3	105.3	-0.1%	0.8%	16	14
SUNAC '17	-/B+/BB-	OW	113.5	110.5	110.0	-1.3%	0.5%	23	22
SUNAC '18	B1/B+/BB-	N	103.8	99.8	99.5	-2.6%	0.5%	32	19
YUZHOU '15	WR/B-/	N	107.1	107.1	107.1	2.1%	1.0%	6	12
YUZHOU '17	B2/B-/	N	114.5	110.3	109.5	-2.7%	0.2%	33	25
YUZHOU '18	B2/B-/	NR	103.8	99.3	98.5	-3.6%	0.0%	38	28
YUZHOU '19	B2/B-/	NR	99.5	97.8	96.0	1.4%	-1.1%	7	37
JACI CN B Property						-1.4%	0.6%	24	17

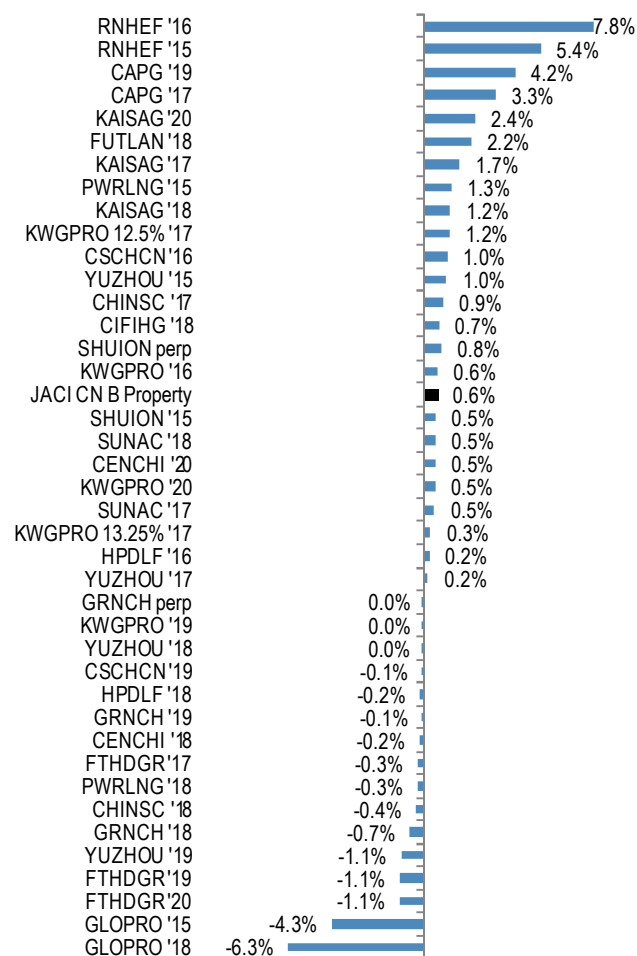
Source: Bond Radar, Bloomberg, J.P. Morgan . Year start offer. Prices as of 1/2/2014; Start offer price: 2/1/2014; End offer price: 2/28/2014

Table 11: Performance for January 2014 - double-B rated

Issue	Credit Rating	Rating	Year Start Offer	Start Offer	End Offer	Yearly Return	Monthly return	Yearly Rank	Monthly Rank
AGILE '16	Ba2/BB-/-	N	106.3	105.8	105.8	1.3%	0.8%	3	17
AGILE 8.875% '17	Ba2/BB-/-	OW	106.3	104.0	104.1	-0.6%	0.8%	21	16
AGILE 9.875% '17	Ba2/BB-/-	OW	112.0	107.8	107.5	-2.5%	0.5%	32	25
AGILE '19	Ba2/BB-/-	NR	100.0	100.0	100.1	-0.5%	-0.5%	18	33
AGILE perp	-/-/-	UW	93.8	88.8	90.3	-2.3%	2.5%	30	3
COGARD '15	Ba2/BB-/-	N	110.3	108.8	108.6	0.6%	0.9%	8	13
COGARD '17	Ba2/BB-/-	OW	108.3	107.3	106.8	0.8%	0.6%	6	21
COGARD '18	Ba2/BB-/-	OW	112.5	110.5	110.6	0.4%	1.4%	11	10
COGARD '21	Ba2/BB-/-	N	100.0	95.8	96.5	-2.0%	1.7%	28	7
COGARD '23	Ba2/BB-/-	N	97.0	94.3	96.5	1.1%	3.3%	5	1
EVERRE '15	B2/BB-/*-/BB	N	107.5	106.8	106.0	0.6%	0.1%	7	31
EVERRE '18	B2/BB-/*-/BB	UW	101.5	98.0	97.5	-2.5%	0.2%	31	30
FRANSH '17	Ba1/BBB-/BBB-	N	103.0	99.3	100.5	-1.7%	1.6%	26	8
FRANSH '21	Ba1/BBB-/BBB-	UW	104.3	99.5	101.0	-2.0%	2.1%	29	4
GEMDALE '17	Ba3/BB-/-	N	104.5	102.0	101.8	-1.5%	0.3%	25	28
SPGL '16	Ba1/BB+/BBB-	NR	101.5	100.0	100.0	-0.5%	0.4%	17	27
GZRFPR '19	Ba3/BB-/BB	N	100.4	100.3	99.3	-0.6%	-0.3%	19	32
GZRFPR '16	-/-/BB	N	112.3	109.8	109.4	-0.7%	0.7%	22	20
GZRFPR '20	Ba3/BB-/BB	N	101.3	99.0	98.5	-1.3%	0.2%	24	29
LNGFOR '16	Ba2/BB-/-	N	107.0	105.8	105.5	0.5%	0.7%	10	18
LNGFOR '19	Ba2/BB-/-	N	105.3	99.3	99.5	-4.4%	0.8%	33	15
LNGFOR '23	Ba2/BB-/-	N	92.5	90.0	91.0	-0.3%	1.8%	16	6
ROADKG '15	B1/BB-/WD	N	105.3	106.0	106.0	2.2%	0.7%	1	19
ROADKG '17	B1/BB-/-	OW	112.0	110.5	110.3	-0.1%	0.5%	14	26
SHIMAO '17	Ba3/BB-/BB+	N	108.5	107.3	106.8	0.3%	0.5%	12	24
SHIMAO '18	Ba3/BB-/BB+	N	112.8	110.5	111.0	0.3%	1.5%	13	9
SHIMAO '20	Ba3/BB-/BB+	N	98.0	95.0	95.0	-1.9%	0.6%	27	22
SHIMAO '21	Ba3/BB-/BB+	NR	100.8	100.3	100.9	1.5%	1.3%	2	11
SOHOCH '17	Ba1/BB+/-	N	101.5	100.3	101.8	1.2%	2.0%	4	5
SOHOCH '22	Ba1/BB+/-	N	96.8	93.3	95.5	-0.6%	3.1%	20	2
YLLG '17	Ba3/BB-/-	N	106.8	105.3	105.8	0.5%	1.2%	9	12
YLLG '18	Ba3/BB-/-	OW	111.0	108.8	108.5	-0.2%	0.6%	15	23
JACI CN BB Property						-1.0%	0.9%	23	14

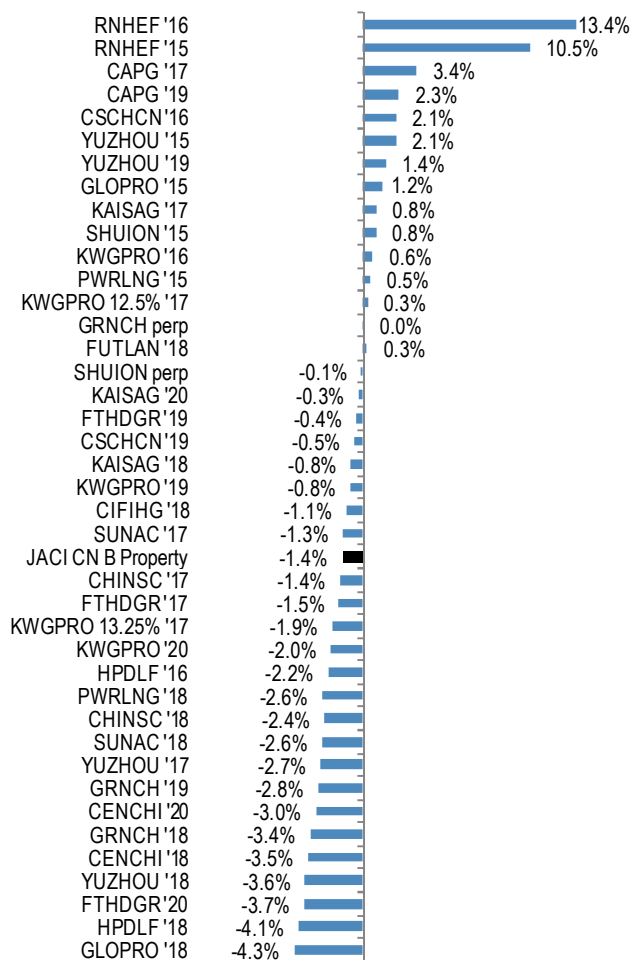
Source: Bond Radar, Bloomberg, J.P. Morgan. Year start offer: Prices as of 1/2/2014; Start offer price: 2/1/2014; End offer price: 2/28/2014

Figure 3: Monthly performance - single-B rated



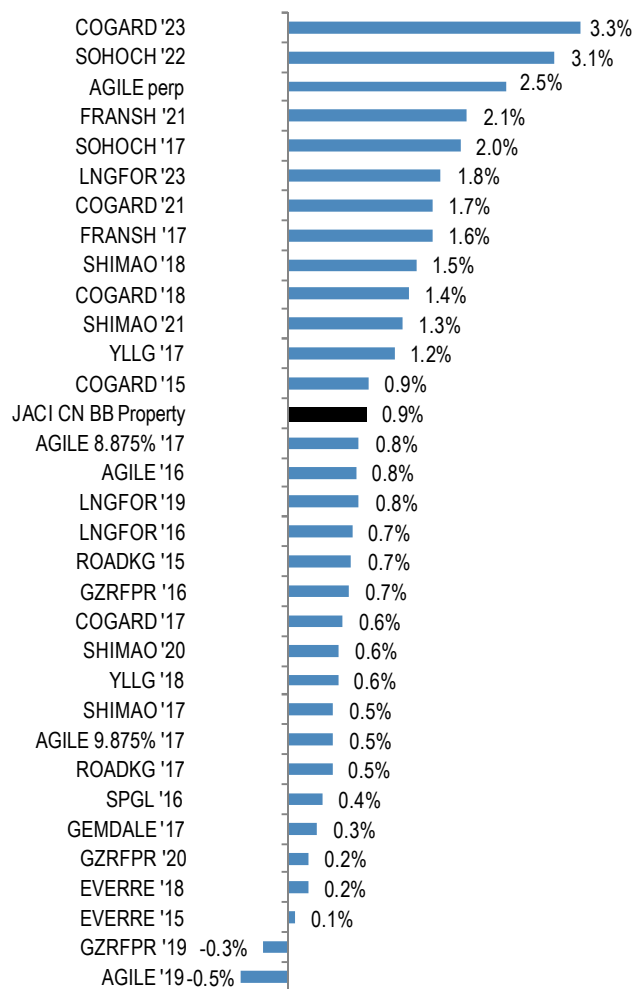
Source: J.P. Morgan

Figure 4: Yearly performance – single-B rated



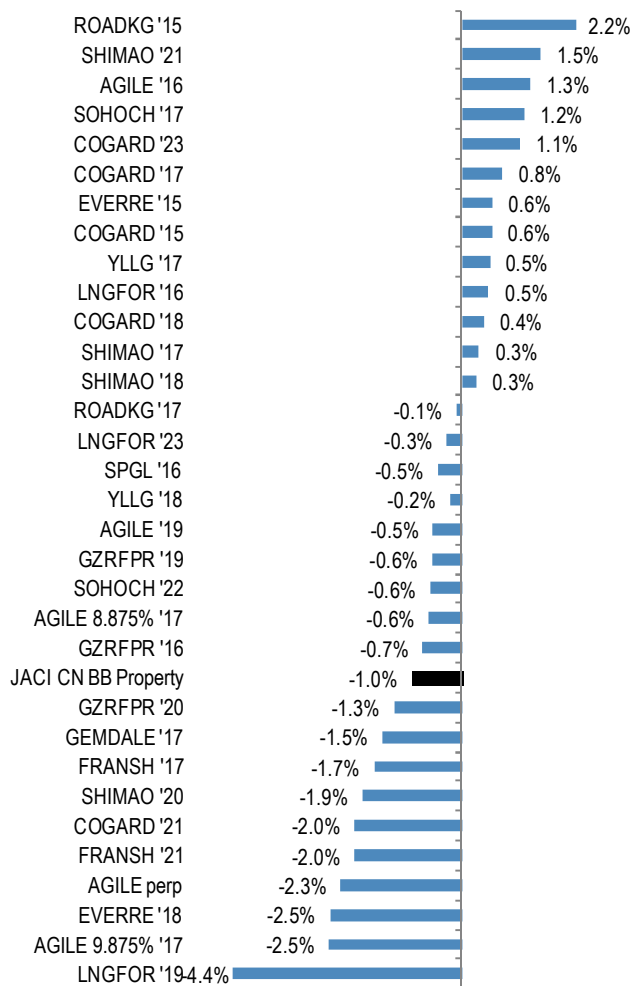
Source: J.P. Morgan

Figure 5: Monthly performance – BB rated



Source: J.P. Morgan

Figure 6: Yearly performance – BB rated



Source: J.P. Morgan

China residential property market review

Residential property sales performance

Sales slowed down in Feb as expected; likely a strong rebound in March

Primary residential sales volume in the eight key cities went down 33% M/M to 4.17 mn sqm in February due to the slowdown in new launches and tightening in mortgages. Sales volume should be range bound in the near term as sales in discounted projects should fetch good results, offset by weaker sales in the others. We think volume will only rebound close to end-March when the price trend will become more clear.

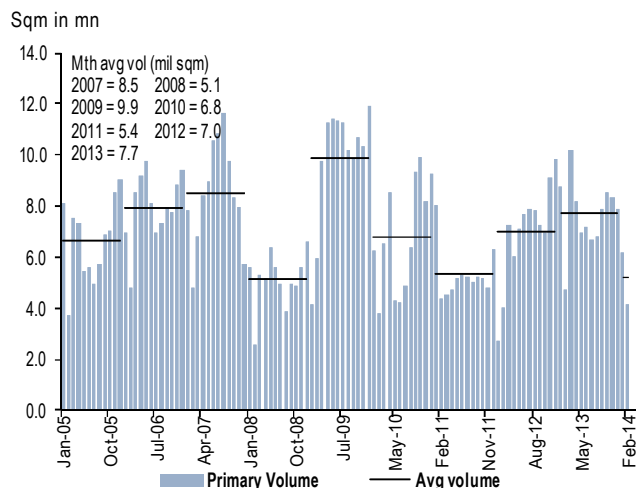
ASP for the eight key cities declined 10% M/M on average. During the month, some cities reported price cuts, including Hangzhou, Guangzhou, Nanjing and Changzhou. According to our site visits, the market has slowed down overall, but the sentiment is much better than that in late-2011. Sales for projects with good reputations and good bargains continue, while the sell-through rate is also high for projects that have cut prices. We think developers are generally flexible in pricing, but when they cut prices, they intend it to be one-off and volume-clearing.

Table 12: 8-cities total primary sales summary

	Feb-14	Jan-14	M/M chg	Y/Y chg	4Q13	3Q13	2Q13	1Q13	4Q12	2013	2012	Y/Y Chg
GFA sold (mn sqm)	4.17	6.18	-33%	-12%	24.84	21.39	22.37	23.71	25.97	92.53	83.65	11%
Avg daily units sold	1,554	1,937	-20%	-10%	2,722	2,314	2,446	2,621	2,800	2,532	2,261	12%
ASP (Rmb/psm)	13,256	14,703	-10%	-1%	14,362	15,148	14,422	14,308	13,522	14,552	13,280	10%

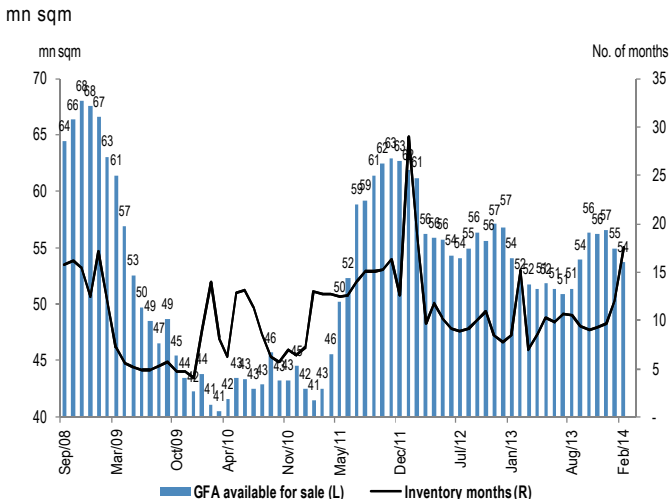
Source: Soufun, CREIS, J.P. Morgan estimates. Note: Combined monthly primary sales from Shenzhen, Guangzhou, Shanghai, Hangzhou, Beijing, Tianjin, Chengdu and Chongqing. The December's data backed from the year-to-date figures may not be representative as it is a usual practice for the statistic bureaus to restate the earlier released numbers.

Figure 7: Residential primary sales volume in 8 major cities



Source: Soufun, CREIS, J.P. Morgan estimates. Note: Combined monthly primary sales from Shenzhen, Guangzhou, Shanghai, Hangzhou, Beijing, Tianjin, Chengdu and Chongqing.

Figure 8: Inventory build-up in major cities (up to Feb-14)



Sources: Soufun, CREIS, City real estate trading center websites, J.P. Morgan estimates. Note: Combined figures of Shanghai, Beijing, Guangzhou, Shenzhen, Hangzhou, Chongqing, Chengdu

Inventory level slightly declined in February

Top-8 cities' inventory level slightly slid 2.4% M/M in February as lower sales volume was offset by fewer pre-sale permit approved. New launches in most cities were fewer-than-expected probably due to the mix of Chinese New Year holiday and tightening mortgage. We expect a pick-up of new launches in March.

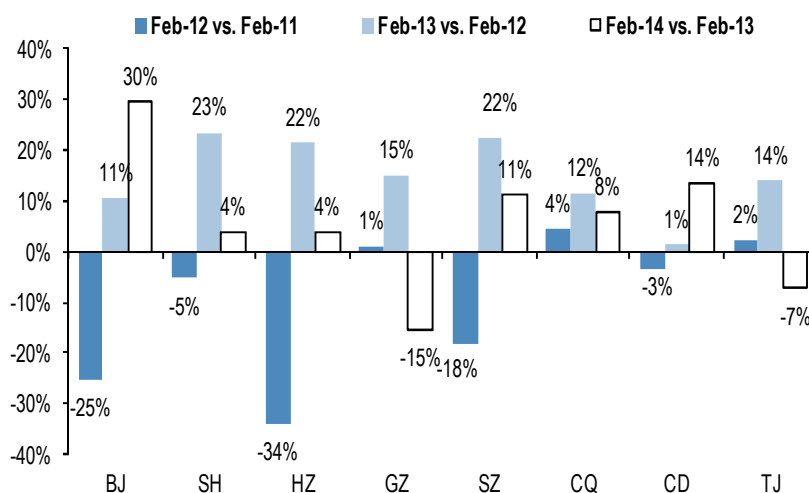
Table 13: Supply outlook in seven key cities

	GFA available for sale# mn sqm	Average mthly take-up in YTD14 mn sqm	Months of supply based on YTD14 take-up Months	Avg Take-up in past 12 months mn sqm	Months of supply Months
Guangzhou	7.08	0.68	10.4	0.66	10.7
Shenzhen	3.06	0.20	14.9	0.34	9.0
Beijing	7.21	0.50	14.5	0.93	7.8
Shanghai	10.11	0.95	10.7	1.49	6.8
Hangzhou*	4.32	0.14	30.2	0.29	14.8
Chongqing	13.30	1.40	9.5	1.83	7.3
Chengdu^	8.60	0.64	13.5	0.90	9.6

#Defined as units with presale permits but not sold and unsold stocks. *Includes six major districts; excludes Yuhang and Xiaoshan. ^Includes six main districts only; districts such as Shuangliu, Pi'xian, Wenjiang, Xindu, etc. are excluded.

Sources: Soufun, CREIS, City real estate trading center websites, J.P. Morgan estimates.

Figure 9: Changes in primary housing prices in top eight cities



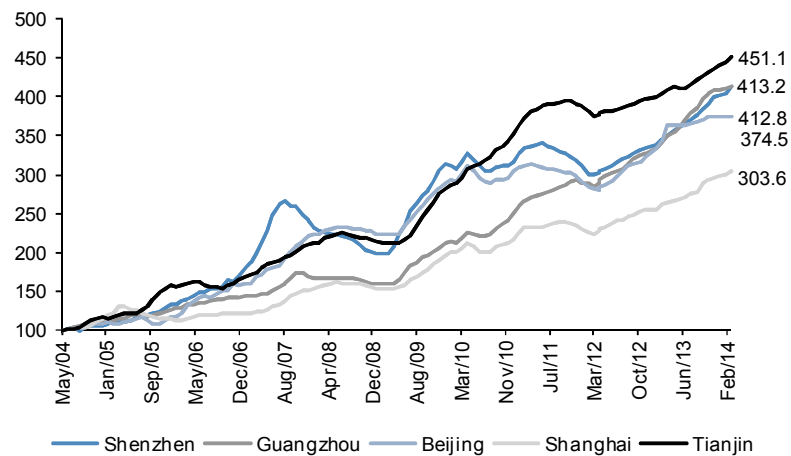
Source: Soufun, J.P. Morgan estimates. Note: ASPs are simple averages achieved in every city and hence changes in product mix are not factored in.

Secondary price growth narrowed

According to *Centaline China*, secondary transaction prices growth in the five key cities (Shanghai, Beijing, Guangzhou, Shenzhen and Tianjin) speeded up in February (+1.12% M/M vs. +0.36 M/M% in January). Beijing continued last month's declining trend and price was down 0.06% M/M. The other four cities recorded 0.80-2.14% M/M growth, a range that is wider than January's 0.23-0.69%.

Figure 10: Centaline secondary price index by city (up to Feb-14)

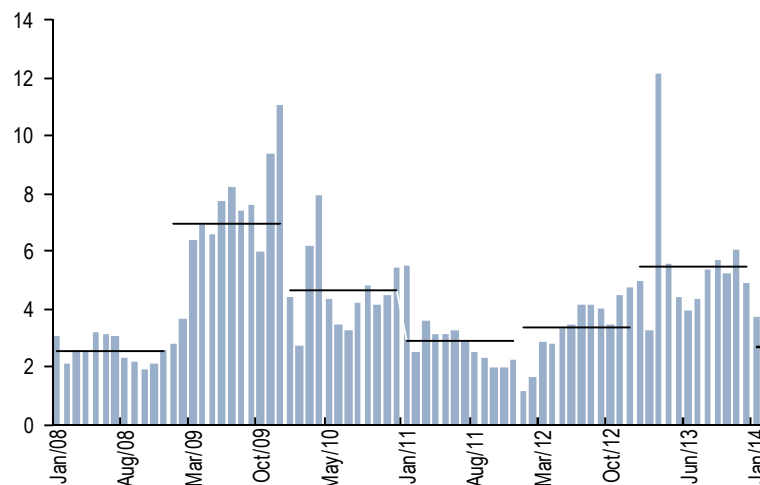
Index (May-04=100)



Source: Centaline China

Figure 11: Residential secondary transaction volume in 6 major cities (up to Jan-14)

Sqm in mns



Source: Soufun, Centaline, J.P. Morgan estimates. Note: Combined monthly secondary transaction volume from Shanghai, Beijing, Guangzhou, Shenzhen, Tianjin and Hangzhou

Major listed developers' contracted sales performance

Lower-than-expected sales in February; eyes on March

Developers reported overall lower-than-expected sales performance in February, mainly due to fewer launches and tightening mortgage approval. Sales in February were down 37% M/M on a large January base but were up 10% Y/Y partially due to the different duration of CNY holiday. Greentown is one of the few outperformers with sales up 21% M/M mainly due to more high-end projects approved. Most developers recorded M/M decline in ASP, which is 2% below the average in 2013.

Many developers have slowed down new launches mainly due to the continuous tight mortgage approval. A few banks can still offer 0.95x PBoC rate, and most other banks offer 1.0x to 1.05x PBoC rate. Mortgage approval for second-home mortgage has almost stopped.

Some projects had cut prices towards end-February. There are quite a few projects that are selling well, and the sentiment is much better than in late-2011. Sales for projects with good reputation and good bargains continue, while the sell-through rate is also high for projects that have cut prices.

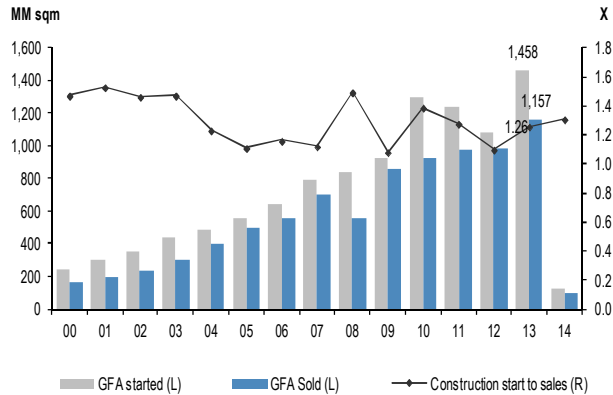
Table 14: Contracted sales summary by developers (up to Mar 16, 2014)

	2012 Full year sales Rmb bn	Contract sales Nov-13 Rmb mn	Contract sales Dec-13 Rmb mn	Contract sales Jan-14 Rmb mn	Contract sales Feb-14 Rmb mn	M/M chg %	Y/Y chg %	2013 Contracted sales target Rmb bn	2014 Contracted sales target* Rmb bn	2014 target Vs 2013 actual Y/Y %	2014 % target achieved
Agile	33.1	4,280	7,470	2,530	1,790	-29%	-2%	42.0	50.0	24%	9%
Beijing Capital Land	13.3	3,000	4,420	450	440	-2%	10%	20.0	NA	NA	NA
C C Land	7.9	705	1,462	744	497	-33%	-5%	8.8	NA	NA	NA
Central China	10.3	1,074	2,209	450	401	-11%	-11%	12.6	NA	NA	NA
China SCE	6.0	987	645	1,024	934	-9%	129%	7.5	NA	NA	NA
China Vanke	141.2	14,040	10,950	27,650	12,140	-56%	30%	170.0	195.5	14%	20%
China Overseas Land	85.3	8,063	6,681	12,143	7,230	-40%	-13%	96.0	96.0	-13%	20%
COGO	11.3	969	1,136	570	519	-9%	19%	13.6	NA	NA	NA
China Resources Land	52.2	5,820	6,400	3,450	2,330	-32%	-38%	57.0	75.0	6%	8%
Country Garden	47.6	17,000	10,100	17,670	7,670	-57%	50%	80.0	120.0	13%	21%
Evergrande	92.3	7,110	2,017	11,040	9,040	-18%	115%	100.0	110.0	10%	18%
Glorious	10.9	1,179	866	690	210	-70%	-29%	11.0	NA	NA	NA
Greentown	54.6	6,800	2,317	3,300	4,000	21%	40%	55.0	NA	NA	NA
Guangzhou R&F	32.2	3,114	4,924	3,062	2,966	-3%	14%	42.0	55.0	30%	11%
Hopson	12.0	440	990	164	307	87%	-64%	15.0	NA	NA	NA
Kaisa	17.4	1,900	2,600	1,340	NA	NA	NA	22.0	NA	30%	4%
KWG	12.2	1,453	1,328	1,710	1,362	-20%	20%	16.0	20.0	23%	15%
Longfor	40.1	4,570	3,320	3,040	2,030	-33%	-6%	46.0	57.0	18%	9%
Poly Property	23.4	1,100	2,600	2,400	1,700	-29%	-24%	26.0	NA	NA	NA
Shimao	46.1	5,717	6,976	3,059	2,710	-11%	-17%	70.0	100.0	17%	7%
Sino-Ocean Land	31.1	2,520	2,670	1,490	1,550	4%	-24%	35.0	42.0	16%	7%
Shui On Land	5.7	564	4,812	863	344	-60%	22%	11.0	12.5	NA	10%
SUNAC	31.6	6,730	5,220	2,820	2,420	-14%	50%	45.0	NA	28%	8%
Poly Real Estate	101.7	10,368	14,005	9,966	7,731	-22%	-8%	120.0	NA	NA	NA
Gemdale	34.2	4,280	5,600	2,120	1,350	-36%	-17%	42.0	NA	NA	NA
Average						-37%	10%				

* Tentative target

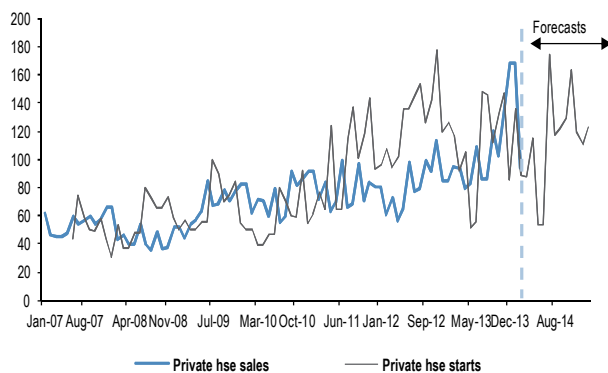
Source: Company data, J.P. Morgan.

Figure 12: Residential GFA sold vs. construction starts (up to Feb-14)



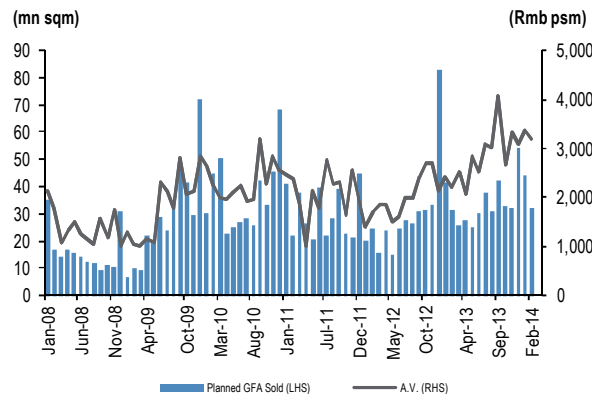
*Year-to-date
Sources: National Bureau of Statistics, CEIC.

Figure 14: Monthly private housing sales vs. starts (up to Feb-14)
mn sqm



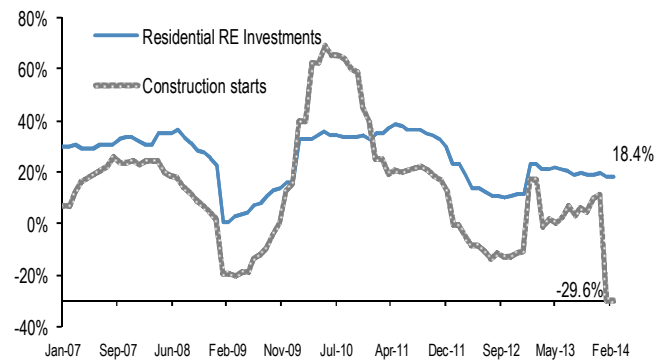
Sources: National Bureau of Statistics, CEIC.

Figure 16: Key 40 Cities - Monthly Residential Land Sales



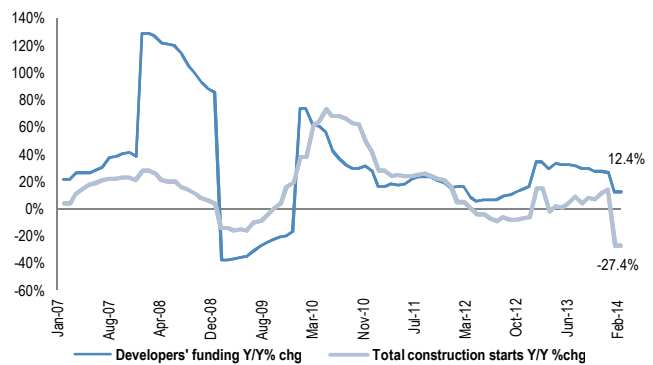
Sources: National Bureau of Statistics, CEIC

Figure 13: Residential real estate investments vs. housing starts growth (Y/Y) (up to Feb-14)



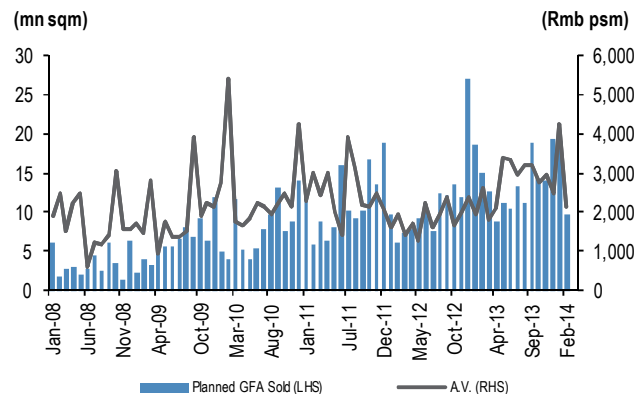
Sources: National Bureau of Statistics, CEIC.

Figure 15: Source of funding to developers vs. construction starts, YTD Y/Y chg (up to Feb-14)



Sources: Soufun, CREIS, J.P. Morgan estimates.

Figure 17: Key 40 Cities - Monthly Commercial Land Sales



Sources: National Bureau of Statistics, CEIC.

Table 15: Major land transactions (via public auction) in February-14

Date	Location	Address	GFA Sqm	Usage	Price Rmb mn	AV Rmb psm	Developer(s)	Prem
PRD								
27/Feb/14	Foshan	南海区大沥镇水头村潘村工业区地段	143,315	Res/Comm	666	4,647	Agile	71%
27/Feb/14	Shenzhen	龙岗区龙城街道	250,600	Comm	1,766	7,047	China Vanke	0%
21/Feb/14	Guangzhou	荔湾区芳村大道南	738,410	Res/Comm	9,599	13,000	COLI	0%
21/Feb/14	Guangzhou	荔湾区芳村大道南	230,333	Res	2,994	13,000	Finance Street	0%
21/Feb/14	Guangzhou	荔湾区芳村大道南	224,284	Res/Comm	2,916	13,000	Huafa Industrial Share	0%
10/Feb/14	Quanzhou	丰泽区东海组团	467,632	Res/Comm	1,246	2,665	泰禾集团	0%
Bohai Rim								
26/Feb/14	Beijing	平谷区大兴庄镇	132,183	Res/Comm	778	5,886	CIFI	49%
20/Feb/14	Beijing	北京经济技术开发区河西区 X87R1 地块	180,332	Res/Comm	2,900	16,081	Franshion, CGGC	0%
20/Feb/14	Beijing	北京经济技术开发区河西区 X91R1 地块	193,452	Res/Comm	3,100	16,025	Franshion, Sunac	0%
20/Feb/14	Beijing	丰台区卢沟桥丰北路北	170,535	Res/Comm	4,958	29,073	福州泰禾房地产	48%
10/Feb/14	Qingdao	即墨市田横镇王村中心社区	915,602	Res	915	1,000	COLI	NA
13/Feb/14	Beijing	丰台区卢沟桥丰北路北	220,201	Res/Comm	3,570	16,212	Longfor	48%
YRD								
25/Feb/14	Nanjing	溧水县仪凤北路	525,847	Res/Comm	1,100	2,092	China Vanke	0%
18/Feb/14	Hangzhou	西湖区蒋村单元 E-01 地块	193,409	Res/Comm	2,120	10,961	Sunac	15%
18/Feb/14	Hangzhou	江干区天城单元 R21-45 地块	191,033	Res/Comm	2,020	10,574	杭州新天地集团	5%
08/Feb/14	Shanghai	青浦区徐泾镇蟠中路南侧	253,338	Res/Comm	1,916	7,564	中国建筑	NA
Others								
28/Feb/14	Changsha	岳麓区梅溪湖 J-19, F25-27 地块	380,519	Res/Comm	1,266	3,327	Excellence Real Estate	4%
27/Feb/14	Nanning	兴宁区金桥路	1,326,852	Res/Comm	2,394	1,804	COGO	0%
25/Feb/14	Changsha	岳麓区滨江新城片区	183,315	Res	705	3,846	Modern Land	24%
18/Feb/14	Chengdu	温江区公平街道办事处太极社区	245,806	Res/Comm	570	2,320	Kaisa	55%
12/Feb/14	Sanya	红沙棕榈滩	284,375	Res	2,311	8,125	Greenland	0%

Source: CREIS, Soufun

Policy update

Summary of NPC comments on Real Estate

More diversification: MOUHRD stated that the government will start implementing “two-way macro regulation” on the property market, i.e., implementing different policies depending on different situations in each city, versus a broad-based tightening policy across the country.

Affordable housing: Premier Li Keqiang stated that the government aims to increase supply of affordable housing with new starts target of 7 mn units and completion target of 4.8 mn units in 2014, versus 6 mn new starts and 4.7 mn completion in 2013.

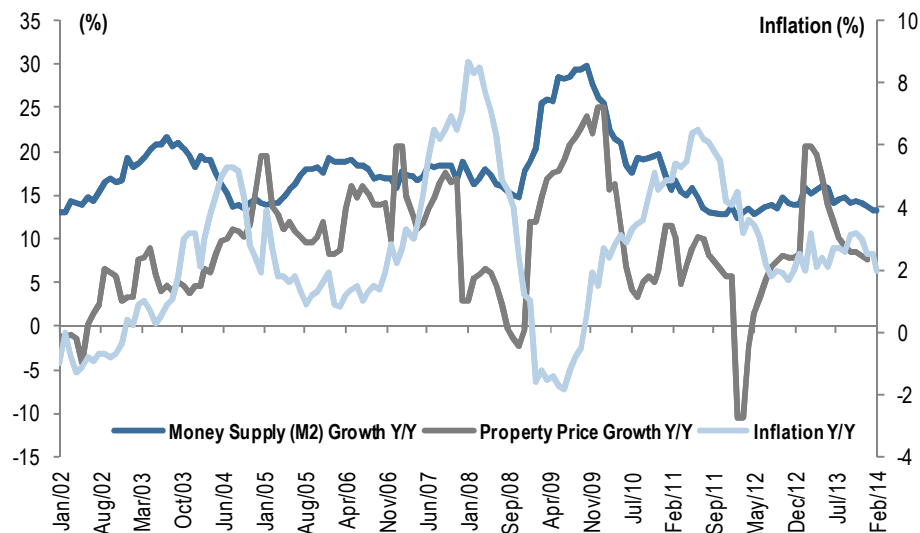
Urbanisation: Premier Li set a “three 100 mn target” in order to speed up urbanization, via: (i) ease up the barrier of getting urban residency, with at least 100 mn people switching from rural “hukou” to urban “hukou”; ii) 100 mn people to be resettled; and iii) an incremental 100 mn urban population in Mid-West China.

The NPC takeaways have reinforced our 2014 outlook, and are positive in the longer term. Underlying demand should be strongly supported by continuous urbanisation and resettlement, and we expect policies could ease when more affordable housing is completed and when land supply goes up.

“Nanjing 7-point measures”

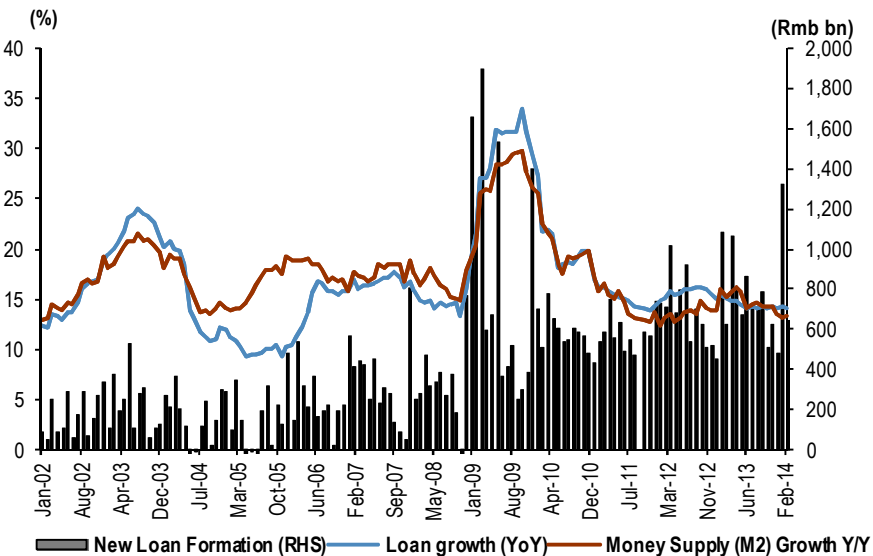
Nanjing government announced the local version of the “7-point measures” last week. Key points include: 1) Increased supply of small/medium-sized units to fulfill end-user demand. Annual target residential supply is 500 hectares in the next five years, of which units with size <90 sqm will account for 50%; 2) Land prices will be capped at 45% premium of the opening bid; 3) Government will delay the issuance of sales permits if home prices increase too drastically. Overall speaking, the measures announced are no different from those implemented in other top tier cities, and should have minimal impact on the property market. The government did not touch on the tightening of LTV of second homes, showing that it is not as concerned about the price trend as those in tier-1 cities.

Figure 18: Money supply, inflation vs property price growth



Source: People's Bank of China, CEIC

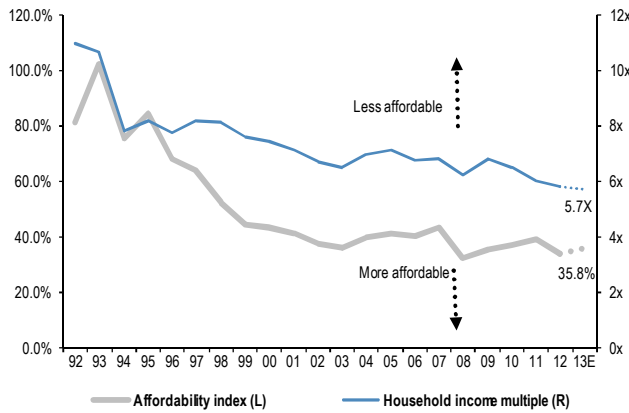
Figure 19: New loan formation, M2 and loan growth



Source: CEIC

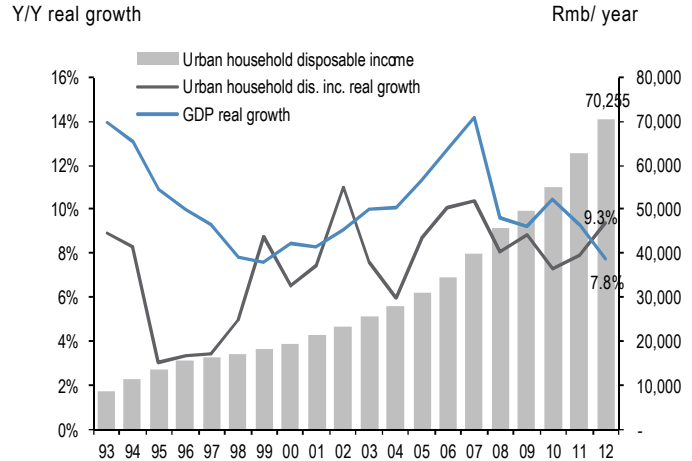
Affordability and income growth

Figure 20: Housing affordability for first home buyers*



* Assuming 0.9x PBoC benchmark rate; ASP at yearly national average
Source: NBS, PBoC, CEIC, J.P. Morgan estimates. *Based on YTD average housing prices.

Figure 21: GDP vs. urban household disposable income



Source: Urban Household Survey, CEIC, J.P. Morgan estimates.

Table 16: Sensitivity of affordability index for first home buyers to interest rate changes

Mortgage discount to PBOC rate	Affordability index	Interest rate cut from June 8, 2012 base	Affordability index
70%	33.7%	0 bps	33.7%
75%	33.7%	-25 bps	33.1%
80%	33.7%	-50 bps	32.5%
85%	33.7%	-75 bps	31.9%
90%	33.7%	-100 bps	31.4%
95%	33.7%	-125 bps	30.8%
100%	33.7%	-150 bps	30.3%
105%	33.7%	-175 bps	29.7%
110%	33.7%	-200 bps	29.2%

Assumptions: Based on estimated average disposable income per household x 1.2 (to factor in grey income) and 70% LTV. First home buyers are subject to cap of 70% LTV and 1.0x PBoC benchmark rate.

Source: J.P. Morgan estimates.

Table 17: Lending rates change since 2007 (% per annum)

	Jul-07	Aug-07	Sep-07	Dec-07	Sep-08	Oct-08	Oct-08	Nov-08	Dec-08	Oct-10	Dec-10	Feb-11	Apr-11	Jul-11	Jun-12	Jul-12
6 months	6.03	6.21	6.48	6.57	6.21	6.12	6.03	5.04	4.86	5.10	5.35	5.60	5.85	6.10	5.85	5.60
1 year	6.84	7.02	7.29	7.47	7.20	6.93	6.66	5.58	5.31	5.56	5.81	6.06	6.31	6.56	6.31	6.00
Less than or equal to 3 years	7.02	7.20	7.47	7.56	7.29	7.02	6.75	5.67	5.40	5.60	5.85	6.10	6.40	6.65	6.40	6.15
Between 3 to 5 years	7.20	7.38	7.65	7.74	7.56	7.29	7.02	5.94	5.76	5.96	6.22	6.45	6.65	6.90	6.65	6.40
Over 5 years	7.38	7.56	7.83	7.83	7.74	7.47	7.20	6.12	5.94	6.14	6.40	6.60	6.80	7.05	6.80	6.55
Change in b.p.																
6 months	18	18	27	9	-36	-9	-9	-99	-18	24	25	25	25	25	-25	-25
1 year	26	18	27	18	-27	-27	-27	-108	-27	25	25	25	25	25	-25	-31
Less than or equal to 3 years	27	18	27	9	-27	-27	-27	-108	-27	20	25	25	30	25	-25	-25
Between 3 to 5 years	27	18	27	9	-18	-27	-27	-108	-18	20	26	23	20	25	-25	-25
Over 5 years	18	18	27	0	-9	-27	-27	-108	-18	20	26	20	20	25	-25	-25

Source: People's Bank of China

Table 18: China property market—Key data

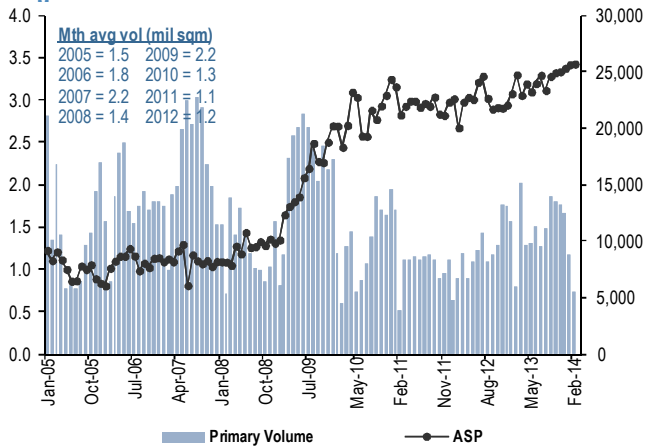
	2011	2012	2013	Y/Y% chg	Dec-13	Y/Y% chg	4Q13	3Q13	2Q13	1Q13	4Q12
Residential RE inv't (Rmb B)											
National	4,430.8	4,937.4	5,895.1	19%	583.9	22%	1,697.2	1,675.2	1,621.5	901.3	1,424.8
Beijing	177.8	162.8	172.5	6%	32.4	83%	61.4	49.8	42.1	19.1	51.1
Shanghai	139.9	145.2	161.6	11%	16.4	-3%	49.6	39.4	40.4	32.1	41.8
Hangzhou	80.1	100.4	117.0	16%	15.8	41%	37.0	30.5	31.6	17.9	31.3
Guangzhou	78.1	82.8	95.1	15%	10.0	4%	29.7	24.8	22.4	18.2	28.3
Shenzhen	39.3	47.5	59.0	24%	6.4	54%	17.9	17.7	14.5	9.0	16.1
Chongqing	143.8	170.7	204.4	20%	24.2	17%	60.2	54.1	51.1	39.0	49.8
Chengdu	104.0	117.1	129.0	10%	14.3	15%	34.3	31.8	36.2	26.8	34.9
Tianjin	67.9	84.3	98.6	17%	9.8	10%	21.2	23.8	37.3	16.3	18.2
New commodity housing starts (mn sqm)											
National	1,460.3	1,307.0	1,458.5	12%	140.0	30%	397.9	354.3	414.5	291.8	310.3
Beijing	26.0	16.3	17.4	7%	2.0	16%	6.0	4.4	5.1	1.8	5.2
Shanghai	24.7	15.6	16.4	5%	1.7	71%	4.4	4.1	4.0	3.9	3.2
Hangzhou	14.5	10.3	11.4	11%	2.0	141%	4.7	1.9	3.4	1.5	2.4
Guangzhou	14.8	9.8	11.4	17%	-0.6	-209%	0.7	3.7	3.8	3.2	2.5
Shenzhen	4.2	5.6	9.1	62%	0.7	353%	2.9	1.2	2.6	2.4	1.1
Chongqing	52.1	43.5	53.9	24%	3.7	-7%	13.3	14.2	16.7	9.7	40.2
Chengdu	22.6	22.4	25.5	14%	3.1	43%	6.5	5.0	6.5	7.5	21.0
Tianjin	23.7	17.6	17.4	-1%	7.4	1%	8.3	2.2	2.5	4.5	8.6
Commodity residential completion (Sq m in mn)											
National	716.9	790.4	787.4	0%	244.8	-1%	375.7	137.4	124.3	150.0	384.3
Beijing	13.2	15.2	16.9	11%	6.1	21%	9.5	3.9	2.2	1.2	8.8
Shanghai	15.5	16.1	14.2	-12%	3.6	-19%	5.1	2.3	1.8	4.9	6.1
Hangzhou	7.7	6.7	8.5	25%	2.3	-10%	3.5	2.2	1.2	1.5	3.8
Guangzhou	8.3	8.0	7.1	-11%	2.5	-35%	3.0	1.0	1.0	2.1	4.3
Shenzhen	2.5	2.9	2.0	-32%	0.6	39%	0.8	0.2	0.5	0.5	0.9
Chongqing	28.3	33.9	28.7	-15%	7.3	9%	12.8	4.0	5.5	6.4	15.3
Chengdu	11.9	15.9	13.5	-15%	4.6	-19%	5.2	1.8	2.0	4.5	8.0
Tianjin	16.4	19.1	21.2	11%	16.2	24%	17.2	0.6	2.4	1.0	15.1
Commodity residential sales volume (mn sqm)											
National	970.3	984.7	1,157.2	18%	168.5	-1%	402.9	293.4	271.9	189.0	375.8
Beijing	10.3	14.8	13.6	-8%	1.9	-38%	4.0	3.6	3.0	3.0	6.0
Shanghai	14.7	15.9	20.2	27%	1.7	-25%	6.1	4.5	5.6	3.9	5.1
Hangzhou	6.8	9.2	9.7	5%	0.8	-2%	2.7	2.2	2.7	2.1	2.5
Guangzhou	10.3	11.3	14.0	24%	1.5	19%	4.0	3.7	3.3	3.0	3.7
Shenzhen	4.8	4.9	5.3	8%	0.5	0%	1.5	1.4	1.5	0.9	1.7
Chongqing	40.6	41.1	43.6	6%	6.0	-3%	14.1	9.3	10.4	9.8	14.2
Chengdu	23.2	24.2	25.6	5%	2.3	-19%	6.3	7.0	7.0	5.2	8.0
Tianjin	14.5	15.1	17.2	14%	3.5	12%	6.4	3.5	3.7	3.7	5.7
Commodity residential sales value (Rmb bn)											
National	4,861.9	5,346.7	6,769.5	27%	900.6	4%	2,225.8	1,722.2	1,622.0	1,199.5	1,967.9
Beijing	160.6	245.6	243.5	-1%	28.3	-33%	62.5	68.7	53.5	58.8	90.1
Shanghai	198.2	220.9	326.4	48%	24.1	-6%	97.3	77.5	85.0	66.6	68.9
Hangzhou	86.1	122.6	142.2	16%	10.7	-11%	37.1	32.5	40.0	32.6	35.1
Guangzhou	116.9	135.4	195.1	44%	18.8	4%	52.3	56.7	44.4	41.7	46.4
Shenzhen	100.7	92.8	123.5	33%	13.4	34%	36.0	33.0	34.4	20.1	30.6
Chongqing	182.5	197.2	228.4	16%	31.0	14%	73.5	50.0	54.5	50.4	66.2
Chengdu	146.4	161.9	171.4	6%	16.0	-31%	43.5	46.6	46.8	34.6	56.8
Tianjin	124.2	121.1	144.3	19%	27.1	5%	50.3	31.7	30.5	31.8	42.9
Average sales price* (Rmb psm)											
National	5,011	5,430	5,850	8%	5,344	4%	5,525	5,869	5,966	6,346	5,236
Beijing	15,518	16,554	17,854	8%	15,119	9%	15,449	19,081	17,937	19,539	14,954
Shanghai	13,448	13,870	16,192	17%	14,341	25%	15,879	17,205	15,231	16,884	13,546
Hangzhou	12,613	13,870	14,679	6%	13,026	-9%	13,632	14,588	15,069	15,645	13,860
Guangzhou	11,383	12,001	13,954	16%	12,159	-13%	13,073	15,243	13,416	14,128	12,395
Shenzhen	20,861	18,996	23,427	23%	25,514	34%	24,177	23,236	23,696	22,075	18,445
Chongqing	4,492	4,805	5,239	9%	5,196	17%	5,201	5,347	5,261	5,165	4,655
Chengdu	6,311	6,678	6,708	0%	7,023	-15%	6,907	6,633	6,644	6,652	7,097
Tianjin	8,539	8,010	8,390	5%	7,692	-7%	7,869	9,127	8,319	8,669	7,458

Sources: CREIS, Soufun, NBS, CEIC, J.P. Morgan estimates. *Average price of the year.

Note: Hangzhou figures include six major districts, Yuhang, Xiaoshan and four other counties.

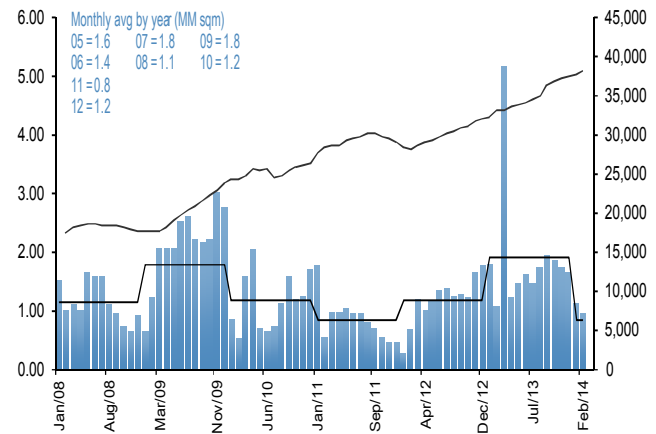
Shanghai and Hangzhou

Figure 22: Shanghai—Monthly primary residential sales
GFA pre-sold, mn sqm



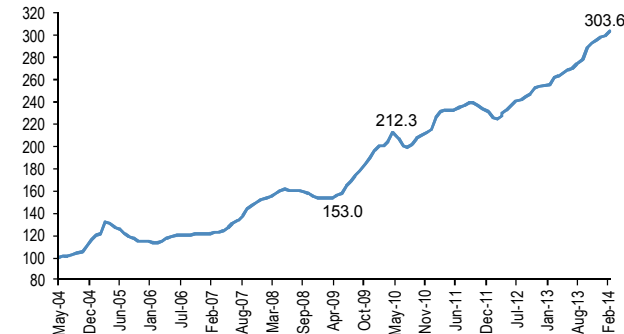
Source: Shanghai Real Estate Trading Centre statistics, Soufun, J.P. Morgan estimates

Figure 23: Shanghai—Monthly secondary sales (up to Feb-14)
GFA, mn sqm



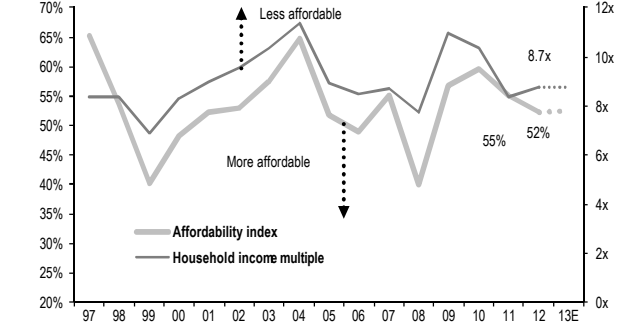
Source: Centaline, Soufun J.P. Morgan estimates.
Note : May-10 to Sep-10 figures are estimates based on Soufun data

Figure 24: Shanghai—Secondary residential price index (up to Feb-14)
May 04 = 100



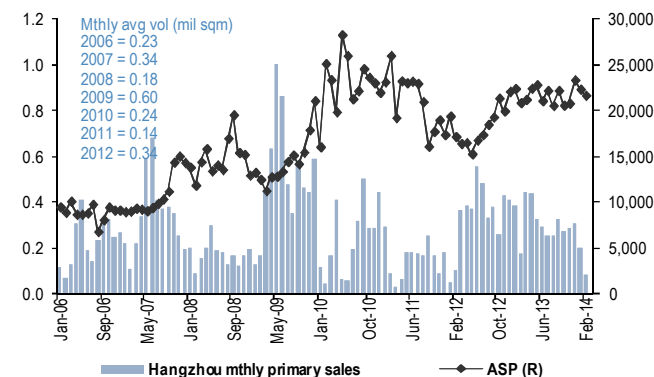
Source: Centaline China

Figure 25: Shanghai residential affordability
mn sqm



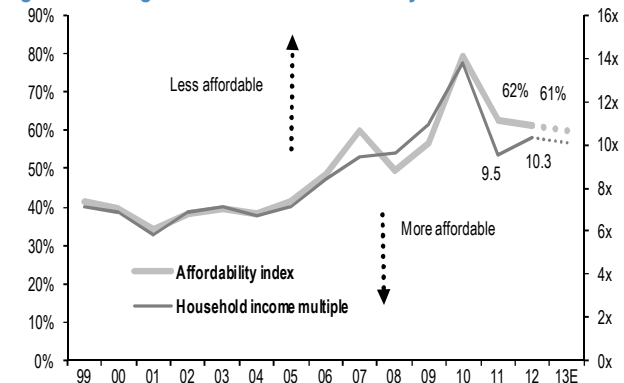
Source: CEIC, National Statistics Bureau, PBoC, J.P. Morgan estimates

Figure 26: Hangzhou—Monthly primary commodity housing sales
Mn sqm



Source: hzfc365.com.

Figure 27: Hangzhou residential affordability



Source: CEIC, National Statistics Bureau, PBoC, J.P. Morgan estimates

Shanghai

- **Sales volumes declined 37% in February:** Shanghai primary sales volume dropped 37% M/M to 0.73 mn sqm (down 7% Y/Y) in February. Transaction volume (excluding affordable housing) declined 41% M/M to 0.42 mn sqm. Units sold declined 37% M/M accordingly to 7,130 units. With 0.84 mn sqm new presale permits granted, inventory ended up at 10.11 mn sqm as of end-February, representing 6.8 months of sales based on the averaged monthly sales in the past 12 months. ASP excluding affordable housing stayed largely flat at Rmb25, 704 psm.
- During February, 14 projects were launched vs. 14 scheduled. Units sold to mass-end users at <90sqm accounted for 37.9% of total units sold, compared with 34.6% in January. 38.5% of units sold were between 90-140 sqm. Top three districts in terms of transaction volume were Baoshan (136,165 sqm), Nanhui (122, 860 sqm) and Pudong (115,001 sqm). We expect 53 launches scheduled in March, according to *Soufun*. Prices of secondary homes rose 1.22% M/M in February compared to 0.49% M/M in January, according to *Centaline China*.
- **High-end projects sell better in Shanghai:** In early March, a residential project close to Century Park in Pudong received a good sales response. On the first day of launch, the developer fetched Rmb2 bn in sales at an ASP of Rmb55,000 psm. The sales of many mid/high-end projects in Shanghai have outperformed lately, while sales of end-user focused projects were relatively slow due to tightened mortgage approvals and lack of new launches.

Table 19: Shanghai primary sales details

	Feb-14	Jan-14	M/M chg	Y/Y chg	4Q13	3Q13	2Q13	1Q13	4Q12	2013	2012	Y/Y Chg
GFA sold (MM sqm)	0.73	1.16	-37%	-7%	5.25	4.60	4.11	4.39	4.82	18.36	14.44	27%
Total units sold	7,130	11,256	-37%	-3%	48,846	42,811	38,091	41,334	46,607	171,082	137,663	24%
Avg daily	255	363	-30%	-3%	531	465	419	459	507	469	376	25%
GFA sold (Excl Econ)	0.42	0.71	-41%	-20%	3.67	3.10	2.95	3.07	3.06	12.79	9.37	37%
ASP (Excl Econ)	25,704	25,644	0%	4%	25,068	24,264	23,727	23,274	21,905	24,133	22,518	7%

Source: Shanghai Real Estate Trading Centre statistics, Soufun, J.P. Morgan estimates.

Table 20: Upcoming major new launches in Shanghai in March-14

Project name	Districts	Address	Usage	ASP Rmb psm	Developer(s)
华润中央公园	Jiading	嘉定芳礼路 99 弄	Res	28,000	CR Land
龙湖紫都城	Qingpu	青浦香花桥街道崧雅路 369 弄	Res	22,000	Longfor
华润佘山九里二期	Songjiang	松江古楼路 529 号	Res	NA	CR Land
万科城	Minhang	闵行华宁路银春路	Res	NA	China Vanke
万科中环国际城海上传奇	Pudong	浦东御桥路 1751 号	Res	NA	China Vanke
保利蔚蓝林语	Pudong	浦东茉莉路 565 号	Res	20,500	Poly Real Estate
旭辉亚瑟郡	Pudong	浦东川周公路 2824 号	Res	NA	CIFI
金地自在城	Songjiang	松江泗陈公路 1888 弄	Res	19,800	Gemdale
绿地百年宅	Jiading	嘉定佳通路 211 号	Res	NA	Greenland

Source: Soufun.

Hangzhou

- **Both sales volume and ASP decreased in February:** Hangzhou primary housing sales totaled 0.09 mn sqm in February, down 57% M/M and down 52% Y/Y. Sales volume including Xiaoshan and Yuhang also declined 57% M/M to 0.23 mn sqm. ASP declined 3% M/M to Rmb21, 649 psm. Inventory ended down at 4.32 mn sqm as of month-end and represented 14.8 months of sales based on the averaged monthly sales in the past 12 months.
- Secondary market's transaction volume declined 34% M/M to 885 sqm in February. Longfor's 龙湖香醍溪岸(39 units, 4,580 sqm) and 龙湖春江彼岸(38 units, 4,330 sqm), China Vanke's 万科璞悦湾(36 units, 3,240 sqm) and Guangzhou R&F's 富力西溪悦居(32 units, 3,150sqm) were among the top ten sellers in terms of units sold and sales volume. There are 37 launches scheduled in March according to *Soufun*.

Table 21: Hangzhou primary sales details

	Feb-14	Jan-14	M/M chg	Y/Y chg	4Q13	3Q13	2Q13	1Q13	4Q12	2013	2012	Y/Y Chg
GFA sold (mn sqm)	0.09	0.20	-57%	-52%	0.87	0.84	1.05	1.00	1.11	3.76	4.11	-9%
Total units sold	862	1,940	-56%	-46%	7,993	7,568	9,890	9,295	11,114	34,746	39,397	-12%
Avg daily	31	63	-51%	-46%	87	82	109	103	121	95	108	-12%
ASP (Rmb psm)	21,649	22,323	-3%	4%	21,627	21,699	22,164	21,602	21,073	21,787	18,217	20%

Source: Soufun.

Table 22: Hangzhou - Selected top five sales projects in February - in terms of units sold

Project	District	Developer	No of Units sold	Sales volume(sqm)
绿都金域兰庭	Xiaoshan	杭州清江房地产	286	25,600
郡望府	Xiaoshan	浙江得力房地产	76	6,750
东田怡丰城	Yuhang	杭州怡丰成房地产	54	4,800
景瑞御蓝湾	Yuhang	杭州景越置业	50	4,470
朗诗未来街区	Yuhang	杭州朗坤置业	42	3,560

Source: Soufun

Table 23: Upcoming major new launches expected in Hangzhou in March-14

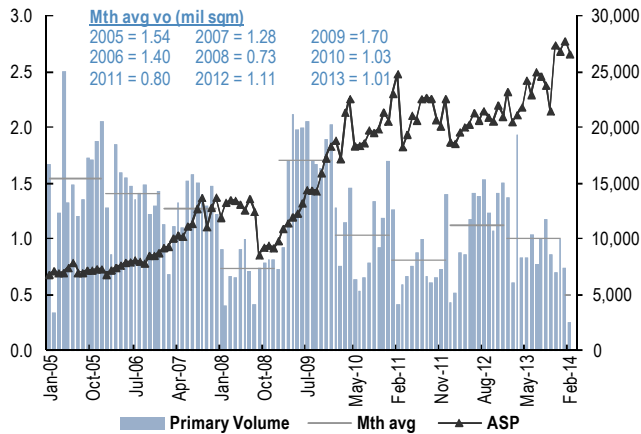
Project name	Districts	Address	Usage	ASP Rmb psm	Developer(s)
保利罗兰香谷	Jiangan	江干区天都路与天丰路交叉口	Res	11,000	Poly Real Estate
金隅观澜时代	Xiasha	下沙 24 号大街与 19 号大街交汇处	Res	11,000	BBMG
杭州碧桂园	Xiasha	下沙东至海涛路	Res	10,500	Country Garden
保利城市果岭	Xiasha	下沙新城水云街与海涛路交汇	Res	10,000	Poly Real Estate
万科紫台	Jiangan	江干德胜快速路德胜枢纽出口北侧	Res	21,000	China Vanke
万科公园大道	Jiangan	江干杭州市江干区机场路同协路交汇处	Res	NA	China Vanke
万科北宸之光	Yuhang	余杭东临通益路, 西至锦江路	Res	16,000	China Vanke
万科良渚文化村秋荷坊	Yuhang	余杭东临滨河路、毛家漾港	Res	17,000	China Vanke
中海御道路一号	Jiangan	江干钱江新城之江路御道路交汇处	Res	NA	COLI

Source: Soufun.

Beijing and Tianjin

Figure 28: Beijing monthly primary residential sales

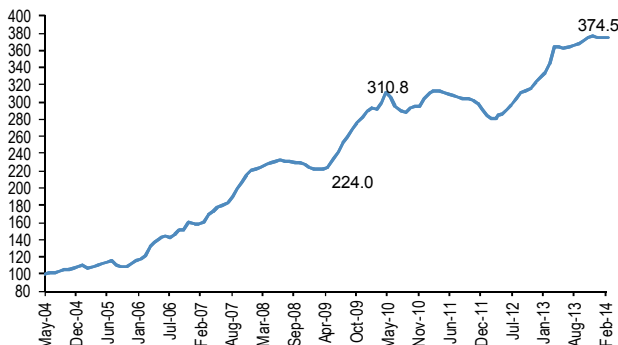
GFA pre-sold, mn sqm



Sources: Soufun, CREIS, J.P. Morgan estimates.

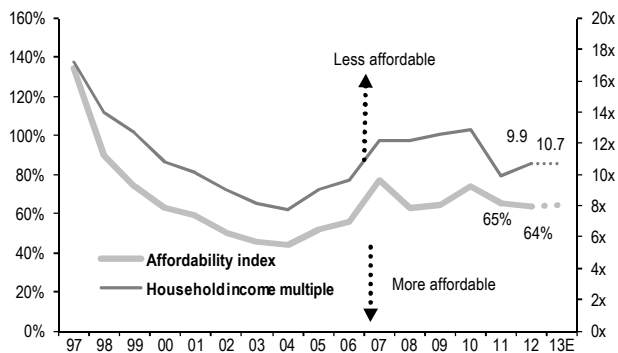
Figure 30: Beijing secondary residential price index

May 04=100



Source: Centaline China

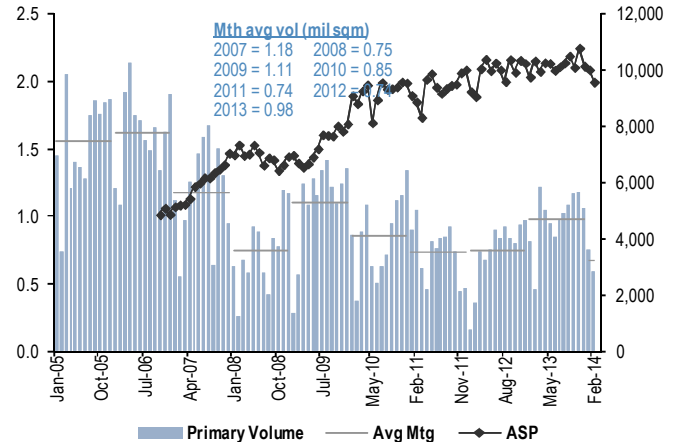
Figure 32: Beijing residential affordability



Source: Source: CEIC, National Statistics Bureau, PBoC, J.P. Morgan estimates

Figure 29: Tianjin monthly primary residential sales

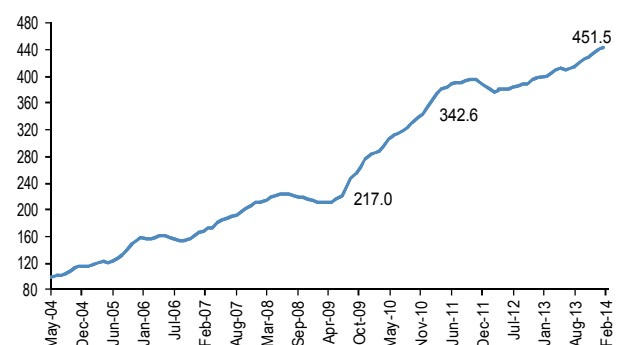
GFA pre-sold, mn sqm



Sources: Soufun, CREIS, J.P. Morgan estimates.

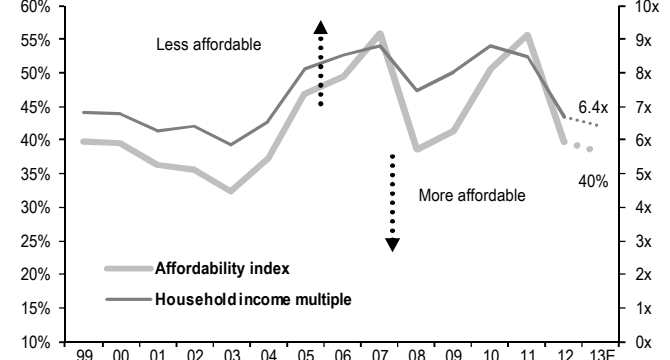
Figure 31: Tianjin secondary residential price index

May 04=100



Source: Centaline China

Figure 33: Tianjin residential affordability



Source: Source: CEIC, National Statistics Bureau, PBoC, J.P. Morgan estimates

Beijing

- **Sales volume declined 66% M/M in February:** Primary sales volume in Beijing declined 66% M/M to 0.25mn sqm (0.21 mn of which were private homes, down 65% M/M). ASP excluding affordable housing declined 4.3% M/M to Rmb26,575 psm. With 0.34 mn sqm of presale permits approved, inventory ended up at 7.21 mn sqm and represented 7.8 months of sales based on the average sales in the past 12 months.
- According to *Centaline China*, prices of secondary homes went down 0.06% M/M in February vs. - 0.14% in January. We expect 32 launches scheduled in March according to *Soufun*.

Table 24: Beijing primary sales details

	Feb-14	Jan-14	M/M chg	Y/Y chg	4Q13	3Q13	2Q13	1Q13	4Q12	2013	2012	Y/Y Chg
GFA sold (MM sqm)	0.25	0.74	-66%	-59%	2.55	2.93	2.70	3.91	3.97	12.09	13.38	-10%
Total units sold	2,214	6,901	-68%	-60%	23,557	26,424	25,065	37,113	37,136	112,159	122,646	-9%
Avg daily	79	223	-64%	-60%	256	287	275	412	404	307	335	-8%
GFA sold (MM sqm) (Excl Econ Hse)	0.21	0.59	-65%	-62%	1.97	2.73	2.29	3.10	3.32	10.09	11.24	-10%
ASP (Rmb/sqm) (excl eco hse)	26,575	27,758	-4%	30%	24,979	24,397	23,032	21,861	21,181	23,422	20,772	13%

Source: Soufun.

Table 25: Upcoming major new launches in Beijing in March-14

Project name	Districts	Address	Usage	ASP Rmb psm	Developer(s)
合生时代帝景	Chaoyang	朝阳广渠路 21 号	Res	NA	Hopson
万科·天竺悦城	Shunyi	顺义天竺中央别墅区内	Res	NA	China Vanke
万科幸福汇	Fangshan	房山窦店镇镇政府北侧 200 米	Res	15,000	China Vanke
龙湖·双珑原著	Chaoyang	朝阳区京密路与顺黄路交叉口往西 500	Villa	70,000	Longfor
富力金禧花园	Tongzhou	通州新华大街与新华南路交汇口	Res	28,000	Guangzhou R&F
亚奥·金茂悦	Chaoyang	朝阳北五环顾家庄桥西北角	Res	48,000	Franshion
合生·滨江帝景	Tongzhou	通州运河西大街	Res	26,500	Hopson
世茂维拉	Fangshan	房山地铁房山线广阳城站西南出口	Res	Rmb5mn/unit	Shimao
住总万科橙	Daxing	大兴新源大街与永大路交汇口	Res	23,000	China Vanke, Other
首开万科公园里	Tongzhou	通州东五环京津高速东石村桥	Res	NA	China Vanke/BCD
保利首开熙悦春天	Daxing	大兴地铁 4 号线首站天宫院地铁站东	Res	22,300	Poly/BCD
润泽公馆	Chaoyang	朝阳北五环顾家庄桥正北 2600 米	Res	39,800	北京润泽庄苑房地产
天润福熙大道	Chaoyang	朝阳北五环红军营东路轻轨 13 号线	Res	48,000	天润同泰

Source: Soufun.

Tianjin

- **Sales volume declined 21% M/M in February:** Primary sales volume in Tianjin declined 21% M/M to 0.59 mn sqm in February. ASP declined 4.4% M/M to Rmb9, 578 psm. During the month, inventory slid 1.7% M/M to 19.4 mn sqm as of end February-14. According to *Centaline China*, prices of secondary homes rose 1.49% M/M in February vs +0.69% M/M in January. Secondary transaction volume declined 23% M/M to 0.33 mn sqm in February, which is 46% lower than the 2013 average of 0.61 mn sqm.
- During the month, Sino-Ocean Land's 远洋城 (115 units, 11, 106 sqm, Rmb97.6 mn) was among the top three sellers in terms of sales value. We expect 34 projects to be launched in March according to *Soufun*.

Table 26: Tianjin primary sales details

	Feb-14	Jan-14	M/M chg	Y/Y chg	4Q13	3Q13	2Q13	1Q13	4Q12	2013	2012	Y/Y Chg
GFA sold (mn sqm)	0.59	0.75	-21%	29%	3.41	3.08	2.84	2.49	2.71	11.82	8.89	33%
Total units sold	6,019	7,285	-17%	32%	33,230	30,119	27,936	24,629	25,531	115,914	84,284	38%
Avg daily	215	235	-9%	32%	361	327	307	274	278	318	230	38%
ASP (Rmb psm)	9,578	10,018	-4%	-7%	10,352	10,308	10,180	9,965	10,188	10,218	10,061	2%

Source: Soufun.

Table 27: Upcoming major new launches in Tianjin in March-14

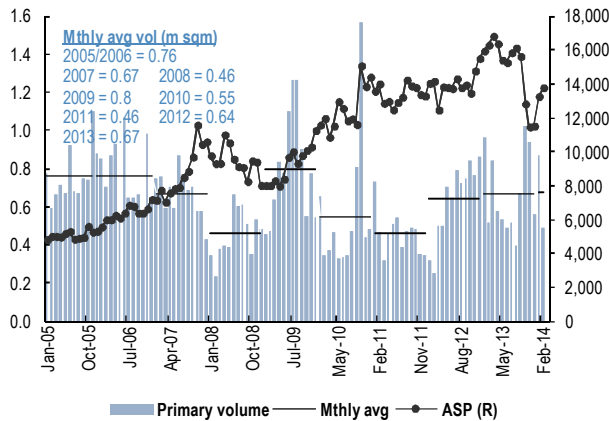
Project name	District	Address	Usage	ASP Rmb psm	Developer(s)
富力津门湖	Hexi	河西紫金山路与珠江道交口西侧	Res	17,500	Guangzhou R&F
万科海港城 3 期	Binhai	滨海新区开发区时尚广场区域	Res	NA	China Vanke
碧桂园滨海城	Binhai	滨海新区旅游区中央大道与海博路交口	Res	7,800	Country Garden
首创溪堤郡	Dongli	东丽津汉公路空港 2 号桥东	Res	10,000	天津首创新明置业有限公司
旭辉御府	Xiqing	西青中北镇中北大道南侧	Res	10,000	CIFI
雅仕兰庭	Hedong	河东区富民路与东南半环快速路海津桥交口	Res	16,000	天津汇登房地产开发有限公司

Source: Soufun

Guangzhou

Figure 34: Monthly primary residential sales*

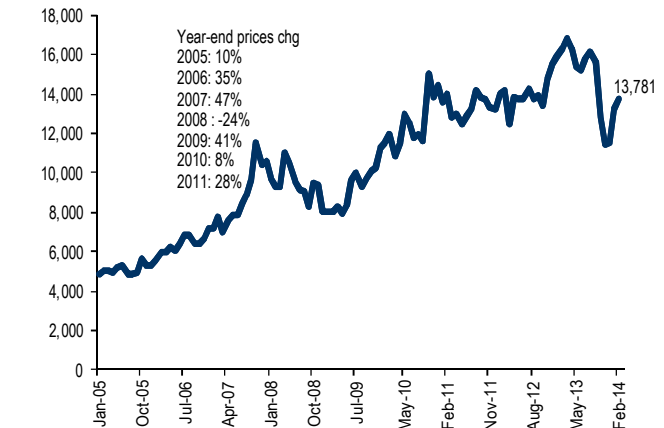
GFA pre-sold, mn sqm



Sources: Guangzhou Land Exchange Bureau, Soufun, CREIS, J.P. Morgan estimates *Based on 10 districts in Guangzhou.

Figure 35: Guangzhou—Primary residential price

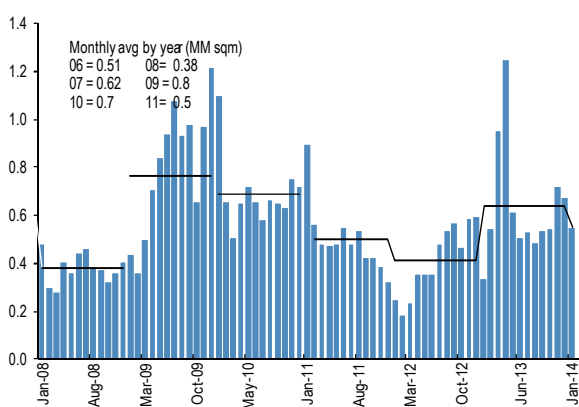
Rmb per sqm



Sources: Guangzhou Land Exchange Bureau, Soufun, CREIS

Figure 36: Monthly secondary residential sales* (up to Jan-14)

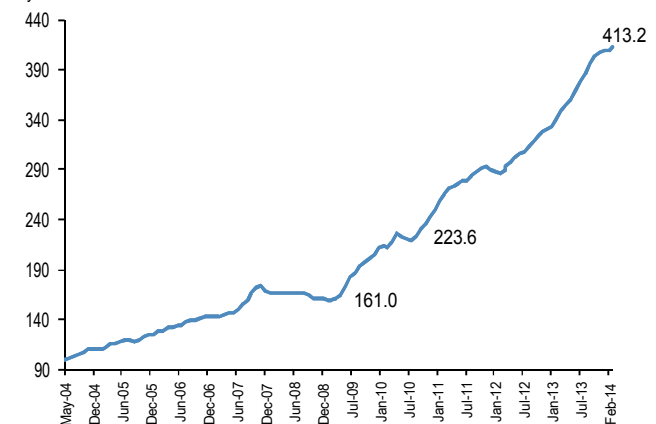
GFA, mn sqm



Sources: Centaline, J.P. Morgan estimates. * Based on 10 districts in Guangzhou.

Figure 37: Guangzhou—Secondary residential price index

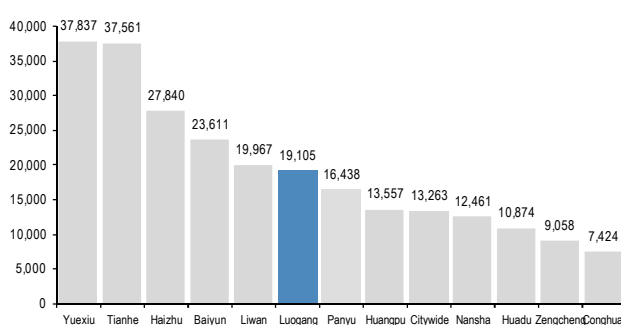
May 04=100



Source: Centaline.

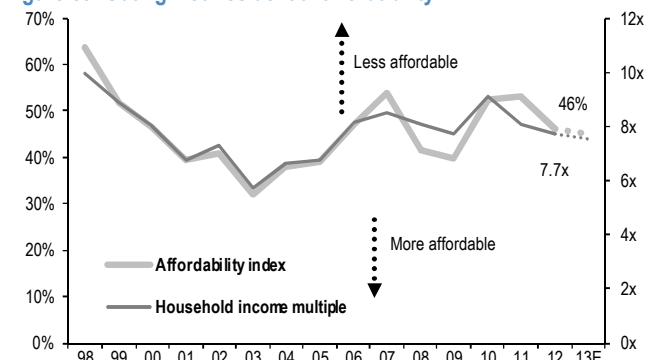
Figure 38: Primary selling prices by districts (Jan-14)

Rmb psm



Source: Municipal Land and Housing Administration, Centaline, J.P. Morgan.

Figure 39: Guangzhou residential affordability



Source: CEIC, National Statistics Bureau, PBoC, J.P. Morgan estimates

Guangzhou

- **Sales volume declined, but ASP recovered in February:** Primary sales volume in Guangzhou declined 43% M/M to 0.49 mn sqm in February. ASP, however, recovered 3.9% M/M to Rmb13, 781 psm. During the month, only 5 projects were launched vs. 12 scheduled. According to *Soufun*, there are 24 projects scheduled to be launched in March.
- According to *Centaline China*, prices of secondary homes went up 0.80% M/M in February vs. +0.23% in January.

Table 28: Guangzhou primary sales details

	Feb-14	Jan-14	M/M chg	Y/Y chg	4Q13	3Q13	2Q13	1Q13	4Q12	2013	2012	Y/Y Chg
GFA sold (mn sqm)	0.49	0.87	-43%	-5%	2.53	1.59	1.60	2.33	2.48	8.28	7.68	8%
Total units sold	4,330	7,608	-43%	-3%	22,815	13,852	14,383	19,811	21,251	73,455	68,390	7%
Avg daily	155	245	-37%	-3%	248	151	158	220	231	201	187	8%
ASP (Rmb psm)	13,781	13,263	4%	-15%	12,029	15,818	15,708	16,339	14,575	14,822	14,044	6%

Sources: Guangzhou Land Exchange Bureau, Soufun, CREIS, J.P. Morgan estimates

Table 29: Upcoming major new launches in Guangzhou in March-14

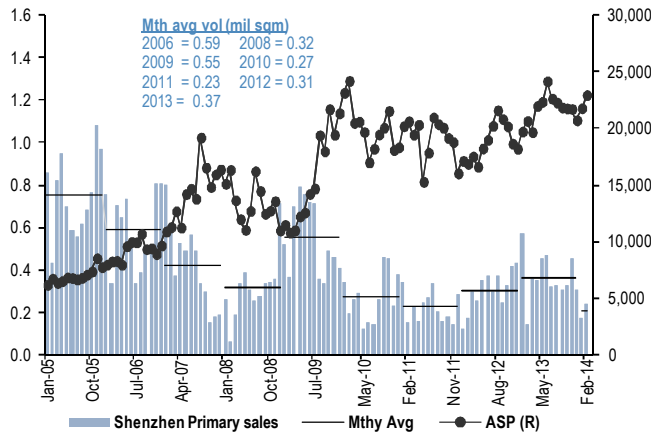
Project Name	District	Address	Usage	ASP Rmb psm	Developer(s)
合景天峻	Huangpu	黄埔九龙镇九龙大道旁	Res	7,500	KWG
奥园越时代	Panyu	广州南站 CBD 商核中轴旁	Res	24,000	Aoyuan
越秀·滨海瑤城	Nansha	南沙广州市南沙区南沙街环市大道	Res	13,000	Yuxiu
金地公园上城	Zengcheng	增城市永和新新公路 5 号金地公园上城	Res	7,000	Gemdale
保利西雅图	Foshan	南海区三山大道与港口	Res	11,100	Poly Real Estate
雅居乐小院流溪	Conghua	从化街口街沙贝村地段	Res	9,000	Agile
深业·江悦湾	Baiyun	白云区金沙洲彩滨北路	Res	18,000	广州市深业房地产

Source: Soufun

Shenzhen

Figure 40: Monthly primary residential sales

GFA pre-sold, mn sqm



Source: Soufun, CREIS, J.P. Morgan estimates.

Figure 41: Shenzhen—Primary residential prices

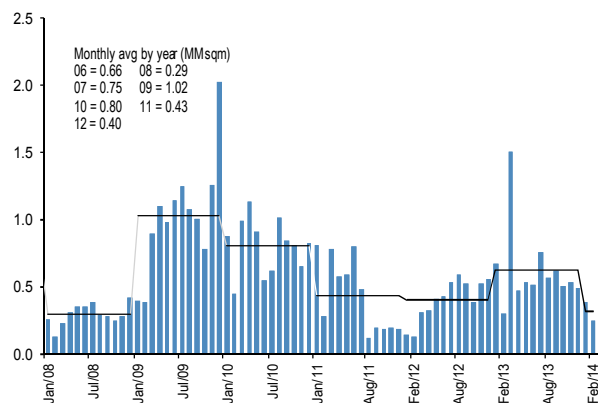
Rmb per sqm



Source: Shenzhen government website, Soufun, CREIS, J.P. Morgan estimates.

Figure 42: Monthly secondary residential sales (up to Feb-14)

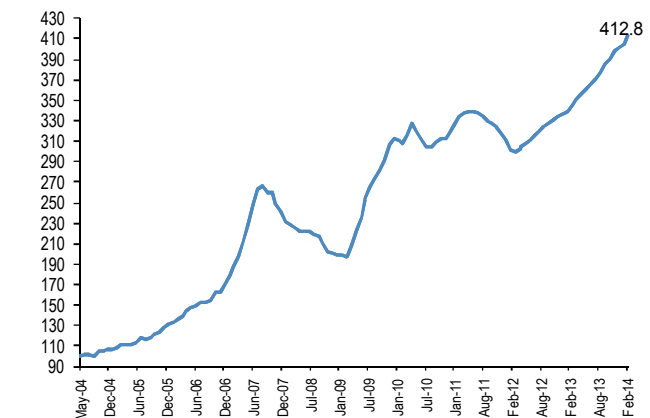
GFA, mn sq m



Source: Centaline, Shenzhen government website, J.P. Morgan estimates.

Figure 43: Shenzhen—Secondary residential price index

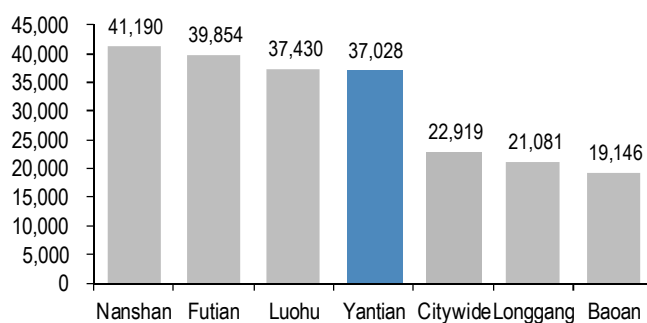
May 04 = 100



Source: Centaline.

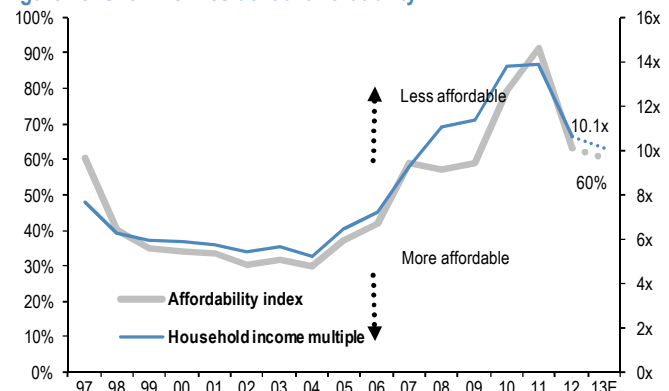
Figure 44: Shenzhen primary residential prices by districts (Feb-14)

Rmb/sq m



Source: Shenzhen government website.

Figure 45: Shenzhen residential affordability



Source: CEIC, National Statistics Bureau, PBoC, J.P. Morgan estimates

Shenzhen

- **Both sales volume and ASP increased in February:** Primary sales volume in Shenzhen recovered 40% M/M in February to 0.24 mn sqm while ASP hiked 5.4% M/M to Rmb22, 919 psm. 84.7% of the total sales are focused in home with unit size <90 sqm in the mass-end districts like Longgang and Bao'an. Inventory declined 8.7% M/M to 3.06 mn sqm as of end February, representing 9.0 months of sales based on the averaged monthly sales in the past 12 months.
- According to *Centaline China*, price for secondary housing increased 2.14% M/M in February, compared with 0.54% in January. We expect only 8 projects to be launched in March according to *Soufun*.
- **Slowdown of new launch in Shenzhen:** According to *Centaline*, most developers in Shenzhen have slowed down new launches, with no new launches in February and five planned new launches this month, down significantly Y/Y. The slowdown of launch schedules is mainly due to the continuous tight mortgage approval, which is now on par with the PBoC benchmark rate for the big four banks. Mortgage approval for second-home mortgages has almost stopped. Such an environment has affected the cash-collection cycle of some developers, and hence they are thinking of accelerating the de-stocking process via price adjustment. This is in line with our expectation, and we think there will be more price cut announcements in the following weeks.

Table 30: Shenzhen primary sales details

	Feb-14	Jan-14	M/M chg	Y/Y chg	4Q13	3Q13	2Q13	1Q13	4Q12	2013	2012	Y/Y Chg
GFA sold (mn sqm)	0.24	0.17	40%	61%	1.08	0.95	1.28	1.07	1.18	4.38	3.67	20%
Total units sold	2,536	1,868	36%	54%	11,879	10,141	13,883	11,856	12,619	47,759	40,190	19%
Avg daily	91	60	50%	54%	129	110	153	132	137	131	110	19%
ASP (Rmb psm)	22,919	21,755	5%	11%	21,421	22,222	22,884	19,806	18,886	21,627	18,906	14%

Source: Soufun, CREIS, J.P. Morgan estimates.

Table 31: Top 10 developers in Shenzhen by sales volume in February-14

Developer	GFA Sold (Sqm)	% share
华侨城地产	31,185	10.4%
Kaisa Property	26,366	8.8%
COLI	22,343	7.4%
Centralcon Group 中洲宝城置业	14,371	4.8%
Evergrande	12,635	4.2%
Excellence Property 卓越地产	12,221	4.1%
Kingkey Property 京基地产	11,804	3.9%
华兴广实业	11,054	3.7%
中熙地产	10,612	3.5%
China Vanke	10,193	3.4%
Top 10 total	162,784	
Total market share (Top 10)	54.2%	

Source: szhome

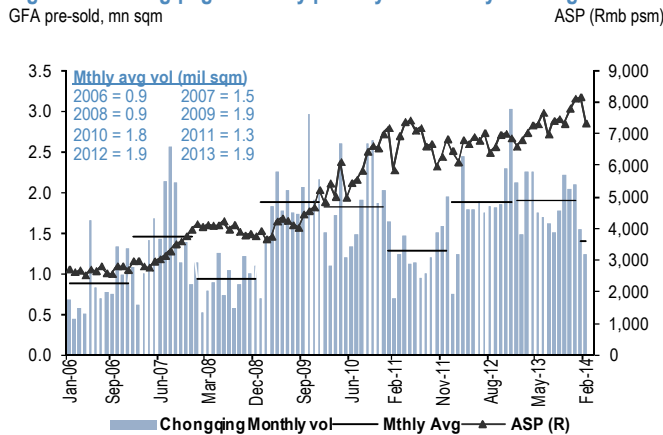
Table 32: Upcoming major new launches in Shenzhen in March-14

Project Name	District	Address	Usage	ASP Rmb psm	Developer(s)
佳兆业悦峰	Longgang	龙岗区坂田街道龙颈坳片区布龙路	Res	25,000	Kaisa
信义嘉御山	Longgang	龙岗地铁环中线五和站 C 出口	Res	NA	Xinyi
宝能悦澜山	Longgang	龙岗盐龙大道	Res	21,000	Baoneng
恒大国香山	Longgang	龙岗丹平快速丹沙路出口	Res	27,000	Evergrande

Source: Soufun

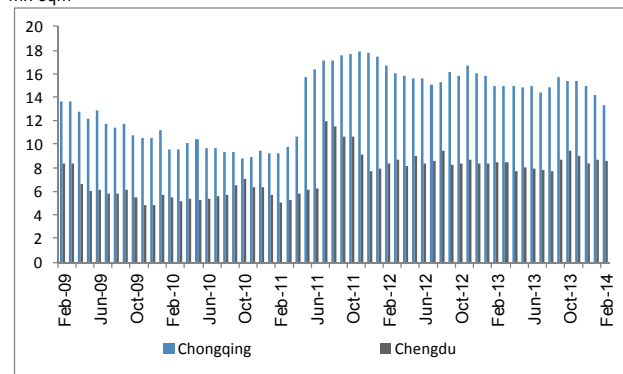
Chongqing and Chengdu

Figure 46: Chongqing—Monthly primary commodity housing sales



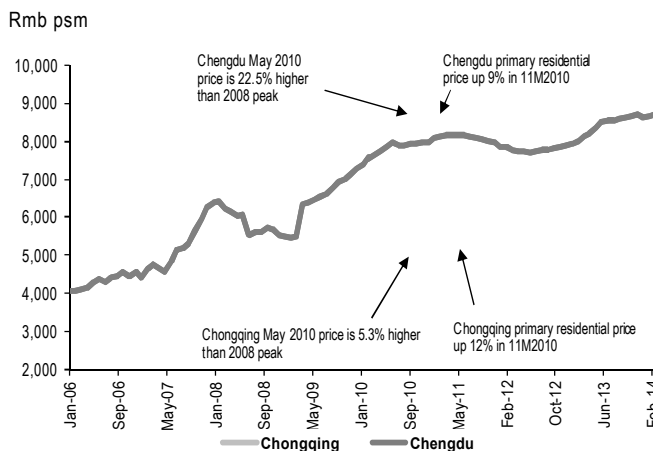
Sources: Soufun, CREIS, J.P. Morgan estimates

Figure 48: Chongqing-Chengdu primary residential inventory



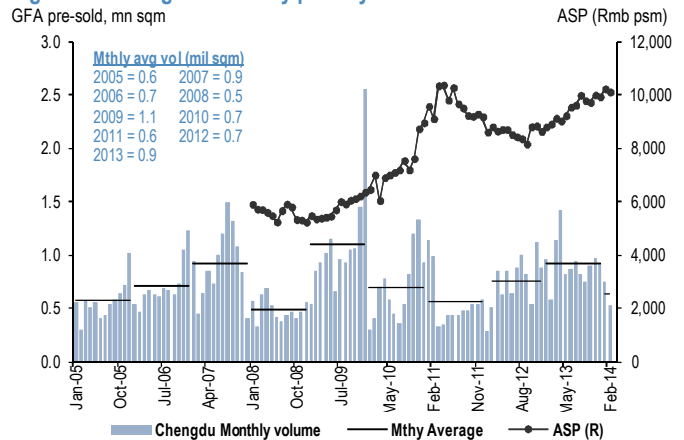
Sources: Centaline, Chongqing Housing and Land Exchange Bureau.

Figure 50: Primary residential selling prices (Feb-14)



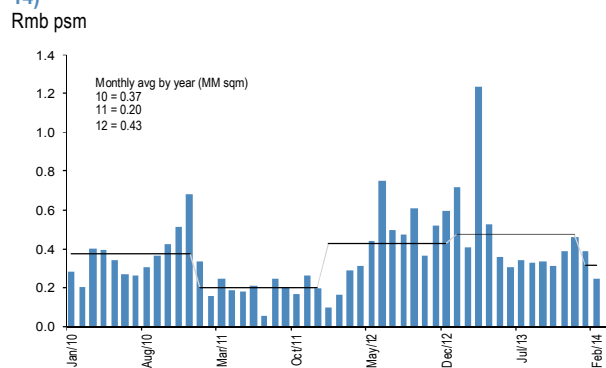
Sources: Soufun, CREIS, J.P. Morgan estimates.

Figure 47: Chengdu—Monthly primary residential sales



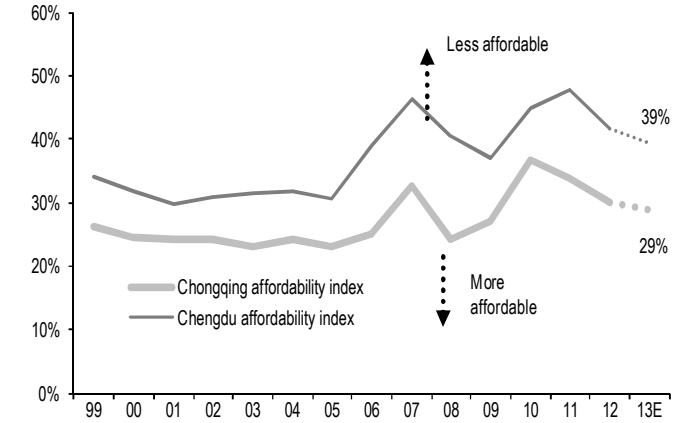
Sources: Soufun, CREIS, J.P. Morgan estimates

Figure 49: Chengdu—Monthly secondary residential sales (up to Jan-14)



Sources: Soufun, CREIS, J.P. Morgan estimates

Figure 51: Chengdu and Chongqing residential affordability



Source: CEIC, National Statistics Bureau, PBoC, J.P. Morgan estimates

Chongqing

- **Both sales volume and ASP declined in February:** Primary home sales volume in Chongqing declined 20% M/M in February to 1.24 mn sqm, which is 34% lower than 2013's average of 1.90 mn sqm. ASP declined 10.2% M/M to Rmb7,334 psm. As of end-February, inventory ended down at 13.3 mn sqm, representing 7.3 months of sales based on the averaged monthly sales in the past 12 months.
- There are 75 launches scheduled in March according to *Soufun*.

Table 33: Chongqing primary sales details

	Feb-14	Jan-14	M/M chg	Y/Y chg	4Q13	3Q13	2Q13	1Q13	4Q12	2013	2012	Y/Y Chg
GFA sold (mn sqm)	1.24	1.55	-20%	-16%	6.36	4.89	5.69	5.85	7.16	22.78	22.48	1%
Total units sold	14,767	15,457	-4%	-14%	72,679	56,285	61,887	64,119	76,225	254,970	238,913	7%
Avg daily	527	499	6%	-14%	790	612	680	712	829	699	653	7%
ASP (Rmb psm)	7,334	8,167	-10%	8%	7,740	7,291	7,400	6,818	6,937	7,322	6,760	8%

Sources: Soufun, CREIS, J.P. Morgan estimates

Table 34: Upcoming major new launches in Chongqing in March-14

Project name	Districts	Address	Usage	ASP Rmb psm	Developer(s)
龙湖源著三期	Yubei	渝北新牌坊新南路西段 B 分区 B3-2 地	Res	10,300	Longfor
恒大帝景	Jiulongpo	九龙坡华岩新城	Res	8,350	Evergrande
保利花半里	Yangjiaping	九龙坡杨家坪步行街	Res	10,500	Poly Real Estate
龙湖拉特芳斯	Shapingba	沙坪坝西永国际商务区	Res	NA	Longfor
中渝梧桐郡	Yubei	渝北龙塔街兴盛支路 2 号	Res	NA	C C Land
旭辉翡翠公馆	Yubei	渝北回兴服装城大道	Res	NA	CIFI
雅居乐御宾府	Jiulongpo	九龙坡双山路与迎宾大道交接处	Res	NA	Agile
融创竣爵堡	Beibu	北部新区金童路 251 号	Res	NA	Sunac
龙湖紫云台	Beibu	北碚新城(区政府向南三公里)	Res	8,000	Longfor
保利林语溪	Banan	巴南渝南大道 9 号	Res	9,000	Poly Real Estate
龙湖 U 城天街	Shapingba	沙坪坝大学城北路 94 号	Res	6,500	Longfor
金茂珑悦	Jiulongpo	九龙坡袁家岗 158 号	Res	NA	Franshion

Source: Soufun

Chengdu

- **Primary sales declined 29% in February:** Primary sales in Chengdu declined 29% in February to 0.53 mn sqm. ASP slid 1.1% M/M to Rmb10,095 psm. Inventory level by end-February represented 9.6 months of sales based on the average monthly sales in the past 12 months.
- According to *Centaline China*, prices of secondary homes went up 0.37% M/M in February vs. +0.43% M/M in January. We expect 23 launches scheduled in March according to *Soufun*.

Table 35: Chengdu primary sales details

	Feb-14	Jan-14	M/M chg	Y/Y chg	4Q13	3Q13	2Q13	1Q13	4Q12	2013	2012	Y/Y Chg
GFA sold (mn sqm)	0.53	0.74	-29%	-9%	2.79	2.50	3.10	2.67	2.55	11.06	9.02	23%
Total units sold	5,652	7,732	-27%	-9%	29,404	25,705	31,422	27,702	27,122	114,233	95,912	19%
Avg daily	202	249	-19%	-9%	320	279	345	308	295	313	262	19%
ASP (Rmb psm)	10,095	10,208	-1.1%	14%	9,868	9,770	9,204	8,948	8,745	9,437	8,572	10%

Sources: Soufun, CREIS, J.P. Morgan estimates

Table 36: Upcoming major new launches in Chengdu in March-14

Project Name	District	Address	Usage	ASP Rmb psm	Developer(s)
龙湖世纪峰景	Gaoxin	高新区世纪城新会展中心	Res	15,000	Longfor
绿地城	Xindu	新都北 3.5 环北新干线与天丰路交汇	Res	NA	Greenland
招商雍华府	Chenghua	成华城北 2.5 环昭觉寺南路	Res	8,800	China Merchants Property
保利叶语	Shuangliuxi	双流县华府大道三段	Res	6,400	Poly Real Estate
瑞安城中汇	Jinniu	金牛区解放路一段 139 号	Res	10,000	Shui On Group

Source: Soufun

Monthly Summary of Publications

Industry reports

China Property: Largest land owners in Guangzhou Nansha
(Mar 17, 2014)

China Property: Another privatisation proposal, so what are the privatisation criteria?
(Mar 14, 2014)

China Property: Quick summary of recent results; stick to defensive names
(Mar 14, 2014)

China Property: Stress test on a drastic Rmb depreciation scenario
(March 4, 2014)

China Property: Price cuts now; what's next?
(February 27, 2014)

Hong Kong/China property: What has changed over the last 10 days?
(February 27, 2014)

China Property: Discount expectation could cause sector correction. Good buying opportunity.
(February 23, 2014)

China Property Weekly: Minimal impacts from Nanjing local measures; beneficiaries of Nansha development
(March 17, 2014)

China Property Weekly: NPC meeting takeaways; more news on delayed launches; examples of good sales in Shanghai
(March 10, 2014)

China Property Weekly: Takeaway from visits to SH and HZ; channel checks on mortgage rate tightening
(March 3, 2014)

China Property Weekly: more clarifications on market speculation; buy selective names on dip
(February 24, 2014)

China Property Weekly: Property sales for the week ending Feb 16, 2014
(February 17, 2014)

China Property Weekly: Property sales for the week ending Feb 9, 2014
(February 10, 2014)

Company reports

KWG Property: 2013 result: A positive mix - high dividend; lower gearing and stable margins

(March 17, 2014)

China Overseas Land & Investment: The best risk-reward business model; reiterate OW

(March 14, 2014)

Sino-Ocean Land: Margin squeeze is expected and should not be a negative driver

(March 14, 2014)

Country Garden Holdings: Still a good company, but need to wait for catalysts

(March 12, 2014)

Evergrande Real Estate: Positive profit surprise could come from delivery - ALERT

(March 11, 2014)

China Vanke: A well-balanced company; upgrade to OW

(March 6, 2014)

China Vanke: CSRC approval positive, but limited upside post conversion

(March 3, 2014)

Franshion Properties (China) Ltd.: No re-rating angle until risk profile stabilizes

(February 27, 2014)

Evergrande Real Estate: How far can the share buyback go? And for how long?

(February 19, 2014)

COFCO Land Holdings Limited: The value of scarcity; initiate at Neutral

(February 5, 2014)

Takeaways from analyst briefing

China Overseas result takeaway

(March 13, 2014)

Country Garden result takeaway

(March 12, 2014)

China Vanke result takeaway

(March 6, 2014)

SOHO China result takeaway

(March 4, 2014)

Greenland HK result takeaway

(March 13, 2014)

Summary of equity coverage

China property sector			
Company	Rating	Stock code	Primary analyst
Agile Property	N	3383.HK	Ryan Li, CFA
China Overseas Land Investment	OW	0688.HK	Ryan Li, CFA
China Resources Land	OW	1109.HK	Ryan Li, CFA
China Vanke - B shares	OW	200002.SZ	Ryan Li, CFA
COFCO Land	N	0207.HK	Ryan Li, CFA
Country Garden	N	2007.HK	Ryan Li, CFA
Evergrande Real Estate	N	3333.HK	Ryan Li, CFA
Franshion Properties	N	0817.HK	Ryan Li, CFA
Guangzhou R&F	OW	2777.HK	Ryan Li, CFA
Hang Lung Properties	N	0101.HK	Amy Luk, CFA
KWG Property	OW	1813.HK	Ryan Li, CFA
Longfor Properties	OW	0960.HK	Ryan Li, CFA
Shimao	OW	0813.HK	Ryan Li, CFA
Shui On Land	N	0272.HK	Ryan Li, CFA
Sino-Ocean Land	N	3377.HK	Ryan Li, CFA

Source: J.P. Morgan

Companies Discussed in This Report (all prices in this report as of market close on 17 March 2014)

Agile Property Holdings Ltd (3383.HK/HK\$5.75/Neutral), China Overseas Land & Investment (0688.HK/HK\$18.52/Overweight), China Resources Land (1109.HK/HK\$15.56/Overweight), Country Garden Holdings (2007.HK/HK\$3.20/Neutral), Evergrande Real Estate (3333.HK/HK\$3.37/Neutral), Franshion Properties (China) Ltd. (0817.HK/HK\$2.39/Neutral), Longfor Properties Co. Ltd. (0960.HK/HK\$8.95/Overweight), Shimao Property Holdings (0813.HK/HK\$13.32/Overweight)

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	Overweight (buy)	Neutral (hold)	Underweight (sell)
J.P. Morgan Global Equity Research Coverage	43%	45%	12%
IB clients*	57%	49%	36%
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*Percentage of investment banking clients in each rating category.

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Country Garden Holdings - J.P. Morgan Recommendation History

Date	Issuer Rating	Primary Indicative Instrument
17 Jun 10	Overweight	11.125% '18

Recommendation changes made by J.P. Morgan Credit Research Analysts in the subject company over the past 12 months (or, if no recommendation changes were made in that period, the most recent change).

Note: Effective September 30, 2013, J.P. Morgan changed its Credit Research Ratings System.

Road King Infrastructure Ltd - J.P. Morgan Recommendation History

Date	Issuer Rating	Primary Indicative Instrument
01 Oct 13	Overweight	9.875% '17

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Note: Effective September 30, 2013, J.P. Morgan changed its Credit Research Ratings System.

Yanlord Land Group Limited - J.P. Morgan Recommendation History

Date	Issuer Rating	Primary Indicative Instrument
10 Oct 13	Neutral	10.625% '18

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companies in the sector, such as revenue and earnings growth rates, margins, and the composition of the issuer's balance sheet relative to the operational leverage in its business.

J.P. Morgan Credit Research Ratings Distribution, as of January 1, 2014

	Overweight	Neutral	Underweight
Global Credit Research Universe	25%	56%	19%
IB clients*	64%	58%	52%

Note: The Credit Research Rating Distribution is at the issuer level. Please note that issuers with an NR or an NC designation are not included in the table above.

*Percentage of investment banking clients in each rating category.

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