



No doomsday scenario, but also no need for major relaxation

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No, the China property market is not collapsing

We have recently hosted property tours in Tier-1/2 cities (Beijing, Shanghai, Guangzhou, Shenzhen, Hangzhou, Nanjing, Wuhan, Chongqing, Chengdu), visiting property projects, and meeting with local government representatives, local management teams and industry experts. Overall, we have found that the 'doomsday' scenarios (e.g. property prices collapsing, homebuyers not buying when prices fall) that some bearish market participants or overseas commentators have argued about are not really happening in these cities. End-user demand remains strong, and individual cases of price cuts (10-15%) have been successful in eliciting purchasing power from end-users.

Good news is that issues in property market could be resolved by price cuts

Overall, sales of end-user-focused properties (i.e. for first-time homebuyers) in the various cities are still good. Even in Hangzhou where we see heavier pressure on larger price cuts (on surging new supply), selected developers, e.g. China Vanke, Wharf, Greenland, Hangzhou Binjiang, Greentown and Top Spring, have recently cut prices by 10-15% for their projects, or launched their projects at more attractive prices, and have generated good sales volume, with achieved sell-through rates comparable with 2013 (when the property market was very strong). Also, projects with 10-15% price reductions and good sell-through (after price cuts) have included not only mid-market projects in the new districts, but also higher-end projects in the prime areas. All this has reaffirmed our view that the current issues (low sales volume) in the property market could be resolved by price cuts by developers.

Bad news is that major policy relaxation is unlikely in the near term

In the 2008/11 downturns, we saw policy relaxations by the government. For 2014, given the central government's adamant stance on economic reform and still-solid sales performance for end-user properties, we believe any significant adjustments to property market policies by the central government are unlikely and that the key adjustment should be pricing by developers (instead of economic reform, which is positive for the Chinese economy for the medium term). With our 2014E negative cash flows for the listed developers (mainly on aggressive land purchases in 2013), rising net gearing and inventory levels, developers should start cutting prices more meaningfully in the next two/three months. A key risk is that some developers may make incorrect market judgments on pricing, which could exacerbate the risks of financial distress.

Home upgrades no longer included in the PBOC's support list

Recently, the PBOC has reiterated financing support only to first-time homebuyers, but financing to upgraders (which used to be part of the government's support list) and developers has not been mentioned at all. The government has also further tightened rules on trust and non-standard loans to developers, cracked down on zero-downpayment plans offered by some developers, and accelerated the establishment of realty registration (which is a step towards the introduction of property taxes). All this highlights that the overall property policy environment should not see much change for the rest of 2014. While we could see some minor policy fine-tuning by selected local governments, significant policy relaxation by local and central governments is unlikely unless there are significant price declines in the individual cities that pose major threats to the banking system, employment and the economy.

Top picks

COLI (0688.HK),HKD18.98	Buy
China Resources Land (1109.HK),HKD15.12	Buy
China Vanke (000002.SZ),CNY7.69	Buy
Guangzhou R&F (2777.HK),HKD9.98	Buy
Kaisa (1638.HK),HKD2.45	Buy

Source: Deutsche Bank

Companies Featured

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Guangzhou R&F (2777.HK),HKD9.98	Buy
Kaisa (1638.HK),HKD2.45	Buy
Central China Real Estate (0832.HK),HKD2.00	Buy
Sunac (1918.HK),HKD3.85	Buy

Source: Deutsche Bank



No 'doomsday' scenario, no need for relaxation

Genuine 10-20% price cuts should help restore equilibrium

The current demand/supply imbalance appears to be a standard three-year cycle, and, previously, inventories have been cleared by genuine price cuts (up to 20%); in fact, previous excess inventories have historically been cleared extremely quickly as a result of such price reductions. ASP cuts should also lead to more room for policy fine-tuning in 2H14. The sector now trades at the low end of the historical range of PE/PB levels; hence we believe valuations look attractive. However, there is likely to be more news on the financial distress of selected developers.

Our top picks are developers with an end-user focus and/or ability to pursue counter-cyclical expansions in 2014, including COLI, China Vanke, CR Land, R&F, Kaisa and CCRE. We also like Sunac for its attractive valuation.

We remain negative on developers with negative cash flows and high gearing, like Evergrande, Shimao and Country Garden.

Key risks: unexpected economic fluctuations and government policy changes, and developers' incorrect judgments on property pricing.

The good news: the China property market is not collapsing

Recently, we have hosted property tours in different Tier-1/2 cities (like Beijing, Shanghai, Guangzhou, Shenzhen, Hangzhou, Nanjing, Wuhan, Chongqing and Chengdu), visiting various property projects, and meeting with local government representatives, local management teams and industry experts). Overall, we have found that the 'doomsday' scenarios (like property prices collapsing, homebuyers not buying when prices fall) that some bearish market participants or overseas commentators have argued about are not really happening in these cities. End-user demand remains strong, and individual cases of price cuts (10-15%) have been successful in eliciting purchasing power from end-users.

End-user properties still selling very well

Overall, sales of end-user-focused properties (i.e. for first-time homebuyers) in the various cities are still doing well. Even in Hangzhou where we see heavier pressure on larger price cuts (due to surging new supply), selected developers, like China Vanke, Wharf, Greenland, Hangzhou Binjiang, Greentown and Top Spring, have recently cut prices by 10-15% for their projects or launched their projects at more attractive prices, and have generated good sales volume, with achieved sell-through rates that are comparable with those in 2013 (when the property market was very strong). In addition, projects with 10-15% price reductions and good sell-through (after price cuts) have included not only mid-market projects in the new districts, but also higher-end projects in the prime



areas. These have reaffirmed our view that the current issues (low sales volume) in the property market could be resolved by price cuts by developers.

High-end, large lump-sum properties selling slowly

However, sales of higher-end, larger-sized (e.g. 140sqm and above) properties with large lump sums (for example, more than RMB6mn in Shanghai) in the different cities that we have visited are selling quite slowly, and the higher the total price, the slower the sales.

According to the prospective homebuyers we surveyed in the various sales offices in the different cities, property prices seem unlikely to rise sharply in the next five years. In addition, liquidity of high-end properties in the secondary market is not good, and the ASPs and lump sums of the apartments are too high. With a low loan-to-value for mortgages (for example, a 70% downpayment is required when buying a second home) and high mortgage interest rates (mortgage interest rates of at least PBOC benchmark x1.1), it appears that the investment value for high-end properties is not good at all.

The bad news: major policy relaxation or economic stimulus unlikely in the near term

During the downturns in 2008 and 2011, there were policy relaxations and/or economic stimuli by the government. For the current downturn in 2014, given the central government's adamant stance on economic reform and the still-solid sales performance for end-user properties, we believe that there are unlikely to be any significant adjustments to property market policies by the central government, and that the key adjustment should take place in pricing by developers (instead of the economic reform, which is positive for the Chinese economy in the medium to longer term). Given our estimated negative cash flows for 2014 for most listed developers (due mainly to aggressive land purchases in 2013), rising net gearing and rising inventory levels, we expect developers to start cutting prices in a more meaningful manner in the next two to three months.

Home upgrades no longer included in the PBOC's support list

Recently, the PBOC has reiterated financing support only to first-time homebuyers, but financing to upgraders (which used to be part of the government's support list) and developers has not been mentioned at all. At the same time, the government has further tightened rules on trust and non-standard loans to developers, cracked down on the zero-downpayment plans offered by some developers, and accelerated the establishment of realty registration (which is a step towards the introduction of property taxes). All this has highlighted that overall property policy environments should not see much change for the rest of 2014. While we could see some minor policy fine-tuning by selected local governments, significant policy relaxation by local governments and central governments is unlikely unless there are significant price declines in the individual cities that pose major threats to the banking system, employment and the economy.

Mortgage interest rates have been reasonable in most cities

Earlier, there had been some concerns about high mortgage interest rates for first-time homebuyers. However, from our visits, we have found that, in most of the cities, mortgage interest rates for first-time homebuyers are about PBOC benchmark x1 and rates for second-time homebuyers are PBOC x1.1. The only



cities that have higher mortgage interest rates are Guangzhou and Shenzhen (PBOC benchmark x1.05-1.1 for first-time homebuyers and PBOC benchmark x1.2-1.25 for second-time homebuyers). Hence, the PBOC's recent request to banks to satisfy the financing needs of homebuyers is unlikely to boost the property market significantly, and the PBOC request represents more of a move to protect property prices from falling significantly, which would meaningfully hurt the banking system and the economy.

Figure 1: China property – recent loosening measures

Date	Measures
21-Mar-14	Ministry of Finance (MoF) issued a notice on the guidance towards local governments on funds allocations for the merger of public rental and low rent housings. The notice regulated the subsidies towards low income families have to be delivered monthly or quarterly, and the last payment of the year has to be done before 25 Dec of the year. Moreover, for eligible families to live in the public rental housings, subsidies will be given on rent reduction rather than in monetary terms.
27-Mar-14	Xiamen to transfer HPF mortgage loans to commercial banks. Starting March 2014, Funds for mortgages lend by Housing Provident Fund (HPF) will be from commercial banks, as to ease the tight liquidity of the HPF in the city. This is because by the end of 2013, the usage ratio has been reached 100% and applications are put in the waiting list. Same interest rate will be applied towards the applicants while the different in interest will be subsidized by the HPF management center
31-Mar-14	The management center of Housing Provident Fund (HPF) in Hangzhou has adjusted the eligibility for applying second home mortgages from HPF. Families with GFA per capita lower than 34.68sqm (upward adjusted from 34.36sqm) are eligible for application for improving the living standard.
7-Apr-14	The provincial government of Hainan has issued a notice to merge the low rent housing in the cities and counties to the system of public rental housing. 10% of the proceeds from land sales in the province will be allocated for the construction of social housings, and part of the funding will also from the housing provident fund.
21-Apr-14	Local housing department of Zhengzhou, Henan Province said under the condition which is permitted by the government's policy, the house purchasing policy will be adjusted timely according to market conditions. In addition, the province also encourages citizens in rural area to buy houses in urban area.
23-Apr-14	Beijing housing authority targets to allocate the families on the waiting list for social housings within 2 years. Media reported that the Beijing housings authority will redevelop a total of 640 old districts which will benefit a total of 150k citizens. Local official said the authority targets to allocate families on the waiting list for social housings within 2 years. He also mentioned a total of 50k units of self use units will be supplied in 2014 and will not be halted in the coming 1-2 years.
24-Apr-14	Wuxi to grant local Hukou for house buyers: Stating from 1 May, buyers of commodity houses (primary and secondary) with GFA over 60sqm, and with stable job in the city, local Hukou will be granted to the buyer, the husband/wife, and the children with age under 18.
25-Apr-14	Guangdong province to allow use HPF for down payment and rent. Guangdong issued a notice on the deepening reform of housing and urban and rural area development. The notice said will push forward the use of Housing Provident Fund (HPF) on down payments and also for rents. Such plan will be confirmed by 2020.
28-Apr-14	Hangzhou to implement differential treatment on property market control. Media reported that Xiaoshan area of Hangzhou will adjust the controlling measures of the property market. The deposit for bidding of land sites will keep at 10% of the value of the price but an upper limit of RMB10mn has been added. In addition, for the reallocation of households of demolished units, it will be adjusted from housing reallocation to monetary subsidies.
30-Apr-14	Tianjin to loosen house purchasing restriction. Media reported that, Tianjin will implement differential policy on property market. Citizens who do not own a house in the Binhai new district are allowed to purchase house in the district. In addition, "shared ownership" housings will also be rolled out in the district. Buyers can live in the house by paying 10% of the property price as down payment and allowed to pay the rest later when affordable.
30-Apr-14	Hangzhou to subsidize relocation buyers: Xiaoshan district of Hangzhou rolled out supporting measures for relocation buyers. Previous polices will grant money for families of demolished houses instead of reallocation. If these citizens will buy a house within one year after the demolitions of the old houses, subsidies equivalent to 2% of the property price will be granted.
1-May-14	Media reported earlier that there will be loosening of the House Purchase Restriction (HPR) in the Binhai district of Tianjin that citizens are allowed to buy a house if they do not own a house in the district. Official from the local branch of MLR said this is still under planning and has not yet obtained approval from related department.
7-May-14	Tongling city in Anhui to subsidize property buyers: A notice from the city's government showed that, effective from 1 May, buyers of normal commodity housings, (GFA equals to or less than 144 sqm in both the primary and secondary market), 1% of the property price will be granted from the finance department. Contribution period of housing provident funds will be shortened from 6 months to 3 months. Down payment ratio will also be lowered from 30% to 20%. Eligible annual income level for single worker families also increased from RMB250k to RMB300k.
8-May-14	Changzhou government is discussing on loosening: Media reported that district governments held meetings as require by the city government, major issues including the high inventory in the city and the plan to stop the constructions of reallocation units and grant subsidies to the affected families as to encourage the purchase of commodity housings. Moreover, the local government also hopes developers could set aside some units with special offers for reallocation families.
9-May-14	Zhengzhou might issue new rules on mortgages: Zhengzhou city issued a notice seeking public opinions for the aim to help the mid-low income family groups to purchase normal commodity housings. The notice stated that guarantee for mortgages to individuals covers all types of loans, including both loans from commercial banks and that from housing provident funds. (JRJ)



- 13-May-14 PBOC has posted an official document on May 13 on the summary of a discussion forum held on May 12 between the vice Chairman of PBOC and 15 major commercial banks. In the meeting, PBOC has raised the following 5 requests to the commercial banks:
- Banks should reasonably allocate their credit resources and should give priorities on satisfying the financing needs of first-time homebuyers;
 - Banks should adopt reasonable pricing for credit, and should have comprehensive review on sustainability and risk management to set reasonable interest rates for first-time homebuyers;
 - Banks should increase efficiency to approve and grant mortgages to eligible homebuyers on time;
 - Banks should control risks effectively, and should strictly implement the PBOC's regulations and guidelines on home mortgages, and should strengthen risk management on home mortgages; and
 - Banks should establish inter-bank communication channels so the banks can respond to social issues and needs efficiently.

Source: JRJ, Hexun, Soufun, Guandian

Figure 2: China Property – recent denials from local governments on loosening

Date	Measures
7-Apr-14	Changsha branch of MOHURD clarified the rumor on loosening: In response to the recent media report that Changsha is one of the cities that might loosen the purchase restrictions, the local branch of the MOHURD said there is no such plan and the house purchasing restrictions will continued to be implemented strictly.
13-Apr-14	Fujian might roll out measures to loosen controls on the property market: Media reported that the following rules might be included: normal commodity housings to be recognized by GFA, which will be set at 144sqm or below; loosening of the HPR, purchase of units in the secondary market will not be limited; 15% discounts on first home mortgage will be implemented; enhance the support on property trusts, and so on. On the next day, local government official has denied and said no such document has been rolled out. Currently, the province will stick to the country's plan on property market control.
30-Apr-14	Official in Nanning denied the loosening of house purchasing restriction. Official document of housing authority department of Nanning, Guangxi Province stated that, as to push forward the economic growth of the northern bay economic area of the province, citizens from Beihai, Fanggangcheng, Yinzhou, Yulin and Songzuo are allowed to purchase houses in Nanning under the same policy towards families with local Hukou in Nanning. However, Official from Nanning said this is the act for the promotion of the unification of the areas instead of loosening.
5-Jan-14	Tianjin official: loosening of HPR not yet approved: Media reported earlier that there will be loosening of the House Purchase Restriction (HPR) in the Binhai district of Tianjin that citizens are allowed to buy a house if they do not own a house in the district. Official from the local branch of MLR said this is still under planning and has not yet obtained approval from related department.
7-May-14	Officials denied the loosening of HPR in Ningbo: Media reported that, buyers are allowed to purchase properties even they have more than one houses in Ningbo but does not or only holding one property in other cities. In the past, all people owning two properties are not allowed to buy houses no matter inside or outside Ningbo. However, officials from Ningbo MLR denied.
9-May-14	Media reported that the official of local government of Nanjing said the city is not considering on the loosening of the policies towards the property market at the moment. He added that the house purchase restriction is a national policy and will be implemented strictly in the city. (JRJ)
9-May-14	Official in Changzhou denied the rumor on stopping construction on social housing. In response to the earlier media reports on the stopping of construction in social housings in Changzhou in order to clear the piling inventory in the city, the local officials said this is not true. The government is still studying whether the commodity housings could be served as a channel for reallocation.
12-May-14	Foshan suspended loosening plan: According to JRJ, the loosening home purchase restrictions (HPR) of Gaoming District in Foshan has been suspended on the morning of May 10 as various developers received the urgent SMS from local real estate association. Several developers mentioned that the suspension is mainly due to the pressures from local government. Later on the local branch of MOHURD issued a notice saying that the government is exploring the impacts of the policies to be implemented on the market. The focuses will be whether the policies could help to solve the end-user demand of people coming into the cities and whether the policies will be fluctuated due to the policies implementation.

Source: JRJ, Hexun, Soufun, Guandian

Figure 3: China Property – recent tightening measures

Date	Measures
11-Mar-14	Nanjing announced 7 additional rules on property market control. The rules included: in the coming 5 years, average land use for commodity housings will be over 500 Ha with over 50% of the units are with GFA of less than 90sqm; bidding price of lands cannot be higher than 45% of the asking price, when the limited reached, the bid will be subjected to the area allocated for social housing; developers which have delayed or failed deliveries before, units for sale are required to be completed; provide guidance on selling prices on projects, no pre-sale permits will be granted if not following the guidance standardize the application for "fine decorated" units; enhance supervision on 6 sub-urban areas; strengthen the monitoring on property prices.
13-Mar-14	Effective from 1 Apr, Beijing will raise the lowest life security amount of those who are contributing to their House Provident Fund (HPF) account. The item is a component in the formula for the calculation on mortgages to be approved from the House Provident Fund (HPF). Simply speaking, the adjustment will lower the amount of mortgage from the HPF.
25-Mar-14	Guangzhou issued a notice seeking public opinions on modifying the rules on the Housing Provident Fund (HPF). Those who have obtained loans from HPF will not be eligible to further loans. This means citizens are only allowed to use the loans from the HPF for once only. In addition, application on mortgages will be accepted only after the down payment has been done paid.



- 1-Apr-14 Beijing adjusted up the guidance price for secondary commodity housings: Media reported that Beijing has adjusted up the guidance price of secondary commodity housings. Such increase would lead to the increase in tax payment and hence the guidance price is not disclosed to prevent tax evasion. Moreover, the pre-sale priced of new homes have to be linked with the land costs to prevent increase in selling price if the surrounding projects recorded higher transaction prices.
- 2-Apr-14 Shanghai to adjust land bidding rules: Media reported that the deposit for the land bidding will be raised from 20% to 40%, which would increase the entry barrier to the land auctions. In addition, maximum of three bidders will be limited for live auctions to shorten the bidding time.
- 4-Apr-14 Guangzhou issues new rules to prevent land hoarding. The new rules require developers have to start constructions within 1 year after the land is bought and completions have to be done within 3 years. For those sites that will be delayed for development, the developer has to pay extra land premium for the increase in land value.
- 7-Apr-14 CCTV of confirmed the information that Sanya has decided to stop the constructions of the housing units with area below GFA of 80sqm. This is due to the enormous investment demand from non-local citizens. However, the construction of social housing will not be limited by the new rule.
- 14-Apr-14 MOHURD abandon the use of reporting of property price control targets. Media reported that the Ministry of Housing and Urban –Rural Development (MOHURD) has abandoned the requirement of local governments to report and publicize the annual property price controlling target. Local governments have doing so since 2009. An official from MOHURD said earlier that the control in 2014 will be more city-specific. Also, MOHURD has confirmed house purchase restriction will be continued to be implemented in the four Tier-1 cities.
- 16-Apr-14 Shanghai official said controls will be continued: The official from the housing department in Shanghai said the controlling measures over the property market will be continued to be strictly implemented, currently there will not be any loosening. He added that the measures on differential mortgage treatments, tax policies and house purchase restrictions will be continued to be carried out to curb the investment demand.
- 24-Apr-14 Media reported that Hangzhou branch of NDRC require developers have to report to government departments before significant price change. However, media reported that details have not yet been confirmed. In the first quarter, units of transactions in Hangzhou dropped 38% YoY to 10,112 units with ASP dropped 11% o RMB15,388 psqm.
- 9-May-14 Media reported that the Ministry of Land and Resources (MLR) has issued a notice on the formal establishment of the bureau for realty registration. The bureau is responsible for the registration of land, property, forest, grassland and sea. This act confirmed the unifications on registration body, registration records, registration basis and the information platform and also paving the way for property tax going forward.
- 14-May-14 CBRC rolled out details on Circular No. 99: CBRC has issued a detailed document to the trust companies explaining the Circular No. 99 in more detail, including areas on third party selling, reporting and non-standard funds pool. The notice indicated clearly that the sales of trust products have to be conducted in strict accordance with several requirements, such as,
- i) Sales could only be conducted under private placements and no public promotion is allowed. Trust companies are not allowed to entrust non-financial institutions for selling the trust plans;
 - ii) Not allowed to entrust non-financial institutions to promote the trust plans in the form of consultation, advising and intermediating. This would cut the third party risk towards the rust companies;
 - iii) Based on the concerns on proper disclosure and legalized sales, contracts should be signed directly between the trust companies and the investors.
- 15-May-14 Ministry of Land and Resources (MLR) announced that, as to coordinate the draft on rules for land supervision by the Standing Committee of the NPC and the State Council, MLR is striving to complete the “send for approval” version of the draft of the regulations for realty registrations in June - which is earlier than expected.
- 16-May-14 Media reported that the regulatory body is thinking about strengthening the supervision over the “non-standard” products of banks and might require banks to reflect the actual nature of the trades. In addition, banks have to assess the actual risks bear by the loans which are excluded in the balance sheet and to report the corresponding capitals and to assign provisions for such loans.

Source: JRJ, Hexun, Soufun, Guandian

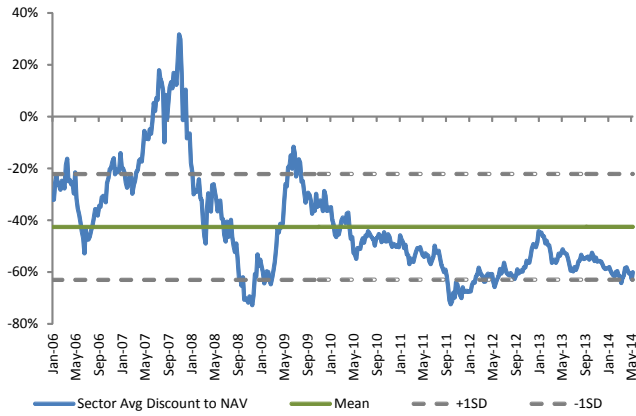
Potential risks to our investment thesis: developers making wrong market judgments on pricing

In addition to unexpected economic and policy fluctuations, we see a lack of price adjustments as a risk to our investment thesis for the China property market. According to the industry experts we met in the different cities, originally more price cuts had been expected to take place in May, but because there has recently been some news about local government loosening, more developers are now holding back on their price cuts. Therefore, sales volume in May MTD has remained soft compared with April. In addition, overall property prices in most cities have not really come down, and if property prices do not come down, local governments will not relax property market tightening, especially as recent economic statistics show that the Chinese economy is doing fine. In our view, if developers are not willing to cut prices, sales volume in the property market is likely to remain low, and we could see more serious cases of financial distress for the Chinese developers.



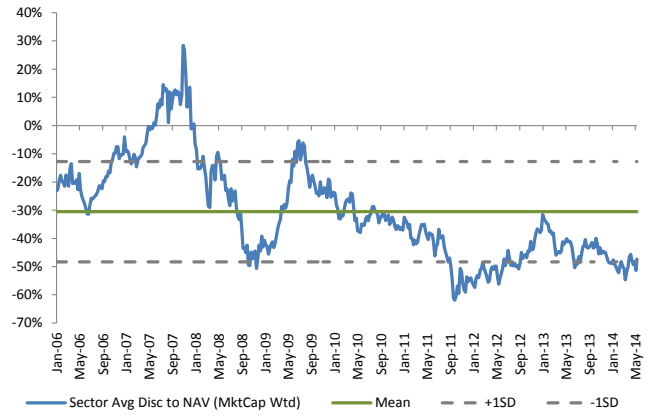
Taking a look at valuations

Figure 4: China Prop – disc. to NAV (since 2006)



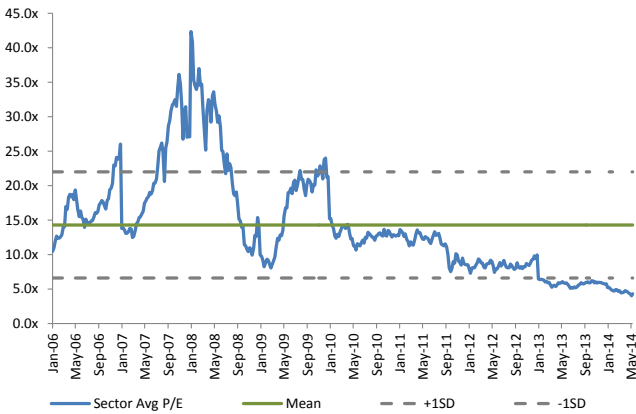
Source: Company data, Deutsche Bank, Bloomberg Finance LP

Figure 5: China Prop – disc. to NAV (MktCap weighted)



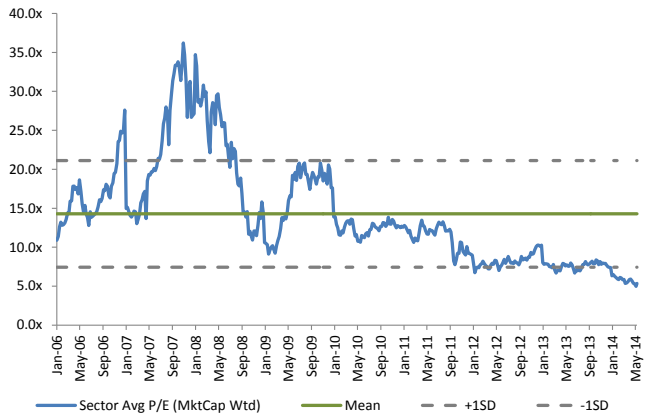
Source: Company data, Deutsche Bank, Bloomberg Finance LP

Figure 6: China Prop – sector P/E (Since 2006)



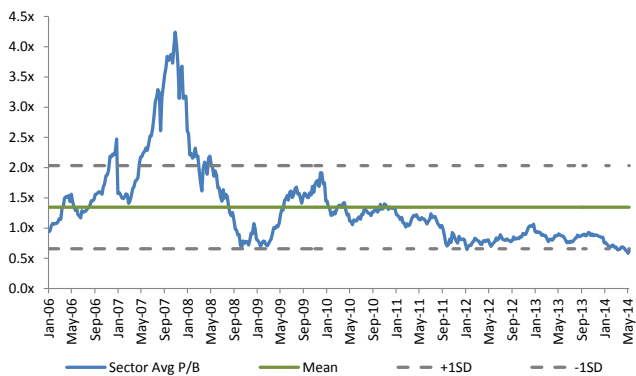
Source: Company data, Deutsche Bank, Bloomberg Finance LP

Figure 7: China Prop – sector P/E (MktCap weighted)



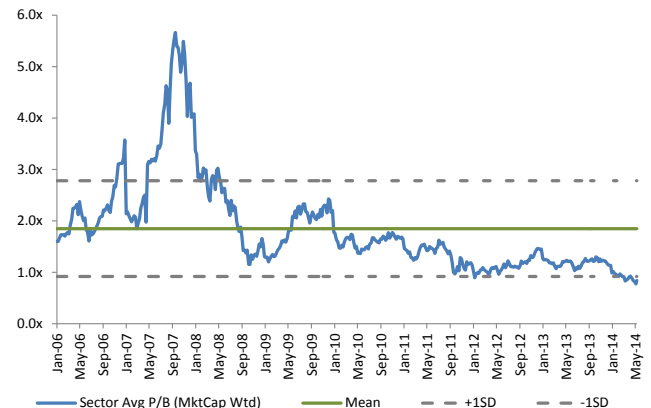
Source: Company data, Deutsche Bank, Bloomberg Finance LP

Figure 8: China Prop – sector P/B (Since 2006)



Source: Company data, Deutsche Bank, Bloomberg Finance LP

Figure 9: China Prop – sector P/B (MktCap weighted)



Source: Company data, Deutsche Bank, Bloomberg Finance LP



Figure 10: China Prop – valuation

Company	Ticker	DB Rating	Trade Ccy	Report Ccy	Mkt Cap USDm	12M Daily T/O USDm	16	Target	Implied	Est.	NAV	EPS			PE(x)		
							May Price	Price	Upside	NAV	Disc	13A	14F	15F	13A	14F	15F
Covered																	
COLI	688 HK	Buy	HKD	HKD	20,287	63.11	19.24	27.74	44%	30.8	-38%	2.32	2.79	3.39	8.3	6.9	5.7
China Vanke - A	000002 CH	Buy	CNY	CNY	14,011	130.25	7.70	12.60	64%	15.8	-51%	1.36	1.67	2.00	5.7	4.6	3.8
CR Land	1109 HK	Buy	HKD	HKD	11,509	23.66	15.30	22.82	49%	28.5	-46%	1.62	1.91	2.28	9.4	8.0	6.7
Country Garden	2007 HK	Sell	HKD	CNY	7,476	15.70	3.14	2.65	-16%	4.4	-29%	0.46	0.54	0.60	5.5	4.7	4.2
Longfor	960 HK	Buy	HKD	CNY	6,774	6.95	9.65	16.80	74%	21.0	-54%	1.15	1.36	1.60	6.8	5.7	4.9
Shimao	813 HK	Sell	HKD	CNY	6,737	18.85	15.04	13.37	-11%	22.3	-32%	2.11	2.64	2.88	5.7	4.6	4.2
CSCI	3311 HK	Buy	HKD	HKD	6,578	9.07	13.10	14.89	14%	14.9	-12%	0.58	0.84	1.03	22.6	15.6	12.7
Evergrande	3333 HK	Sell	HKD	CNY	6,395	19.96	3.39	2.48	-27%	5.0	-32%	0.71	0.72	0.73	3.9	3.8	3.7
R&F	2777 HK	Buy	HKD	CNY	4,215	9.25	10.14	16.83	66%	28.1	-64%	1.80	2.18	2.61	4.5	3.7	3.1
Sino-Ocean	3377 HK	Buy	HKD	CNY	3,769	3.69	4.01	6.38	59%	9.1	-56%	0.41	0.51	0.65	8.0	6.4	4.9
Hui Xian REIT	87001 HK	Buy	CNY	CNY	2,837	1.20	3.39	4.40	30%	6.3	-46%	0.22	0.22	0.23	15.6	15.3	14.9
Agile	3383 HK	Hold	HKD	CNY	2,560	8.47	5.70	8.50	49%	14.2	-60%	1.28	1.34	1.41	3.6	3.4	3.2
Greentown	3900 HK	Buy	HKD	CNY	2,236	6.07	8.03	19.10	138%	29.4	-73%	2.29	2.56	3.00	2.8	2.5	2.2
Yuexiu	123 HK	Buy	HKD	CNY	1,816	4.78	1.51	2.60	72%	4.4	-65%	0.16	0.20	0.24	7.7	6.0	5.0
Yanlord	YLLG SP	Sell	SGD	CNY	1,758	1.23	1.13	1.02	-10%	2.0	-45%	0.50	0.56	0.69	11.2	10.0	8.2
KWG	1813 HK	Buy	HKD	CNY	1,657	3.42	4.44	6.68	50%	11.1	-60%	0.83	1.09	1.31	4.3	3.3	2.7
Sunac	1918 HK	Buy	HKD	CNY	1,657	8.94	3.86	5.57	44%	11.1	-65%	0.95	1.20	1.34	3.3	2.6	2.3
Kaisa	1638 HK	Buy	HKD	CNY	1,559	3.27	2.43	4.68	93%	7.8	-69%	0.42	0.64	0.81	4.6	3.1	2.4
COGO	81 HK	Buy	HKD	HKD	1,266	4.12	4.30	13.66	218%	15.2	-72%	1.22	1.58	2.12	3.5	2.7	2.0
E-House	EJ US	Buy	USD	USD	1,197	19.91	8.38	18.20	117%	0.0	NA	0.56	0.73	0.91	14.9	11.4	9.2
CIFI	884 HK	Buy	HKD	CNY	1,119	1.56	1.44	2.53	76%	4.6	-69%	0.26	0.34	0.46	4.4	3.4	2.5
Central China	832 HK	Buy	HKD	CNY	628	0.35	2.00	4.37	119%	7.3	-73%	0.49	0.82	0.89	3.3	2.0	1.8
C C Land	1224 HK	Buy	HKD	HKD	461	0.34	1.38	4.87	253%	9.7	-86%	0.35	0.44	0.52	3.9	3.1	2.7
Far East Global	830 HK	Buy	HKD	HKD	400	1.45	1.44	3.28	128%	3.3	-56%	0.02	0.09	0.13	61.4	16.2	11.4
Not Rated																	
China Vanke - B	200002 CH	NR	HKD	CNY	14,011	3.56	11.96	NA	NA	NA	NA	1.36	1.67	2.00	7.1	5.8	4.8
NWCL	917 HK	NR	HKD	HKD	7,222	2.28	6.45	NA	NA	NA	NA	0.34	0.53	0.53	19.0	12.2	12.2
Hopson	754 HK	NR	HKD	HKD	2,078	1.59	7.18	NA	NA	NA	NA	1.20	1.47	1.47	6.0	4.9	4.9
Shenzhen Inv	604 HK	NR	HKD	HKD	1,742	3.26	2.51	NA	NA	NA	NA	0.41	0.44	0.44	6.1	5.7	5.7
Glorious	845 HK	NR	HKD	CNY	1,176	1.27	1.17	NA	NA	NA	NA	0.13	0.16	0.16	7.1	6.1	6.1
Yuzhou	1628 HK	NR	HKD	CNY	807	0.81	1.81	NA	NA	NA	NA	0.32	0.49	0.49	4.5	3.0	3.0
BJ North Star	588 HK	NR	HKD	CNY	791	0.26	1.82	NA	NA	NA	NA	0.28	0.25	0.25	5.2	5.9	5.9
Fantasia	1777 HK	NR	HKD	CNY	631	1.09	0.85	NA	NA	NA	NA	0.21	0.27	0.27	3.3	2.5	2.5
Powerlong	1238 HK	NR	HKD	CNY	616	0.38	1.18	NA	NA	NA	NA	0.27	0.30	0.30	3.6	3.2	3.2
Greenland Hong Kong	337 HK	NR	HKD	CNY	500	2.07	3.39	NA	NA	NA	NA	0.22	0.16	0.16	12.2	17.4	17.4
Aoyuan	3883 HK	NR	HKD	CNY	431	0.48	1.20	NA	NA	NA	NA	0.14	0.40	0.40	6.9	2.4	2.4
Overall average											-55%				8.2	6.0	5.4

Source: Deutsche Bank estimates, Company data, Bloomberg Finance LP Consensus estimates for companies NR



Figure 11: China property – valuations (cont.)

Company	Ticker	EPS growth %			BVPS			PB(x)			DPS			Dividends yield %			Net gearing %		
		13A	14F	15F	13A	14F	15F	13A	14F	15F	13A	14F	15F	13A	14F	15F	13A	14F	15F
Covered																			
COLI	688 HK	20	20	21	13.5	16.1	19.0	1.4	1.2	1.0	0.5	0.5	0.5	2.4	2.5	2.6	28.5	23.4	6.0
China Vanke - A	000002 CH	19	23	20	7.0	8.4	10.2	1.1	0.9	0.8	0.2	0.2	0.3	2.6	3.2	3.9	30.7	37.3	34.3
CR Land	1109 HK	30	18	19	14.5	16.0	17.8	1.1	1.0	0.9	0.4	0.5	0.5	2.9	2.9	2.9	43.2	49.6	34.1
Country Garden	2007 HK	17	17	12	2.5	2.8	3.2	1.0	0.9	0.8	0.2	0.2	0.2	6.7	8.0	9.0	67.3	49.9	43.3
Longfor	960 HK	12	18	18	6.8	7.9	9.2	1.1	1.0	0.8	0.2	0.3	0.3	2.9	3.5	4.2	57.9	46.7	36.3
Shimao	813 HK	67	25	9	12.0	14.3	16.4	1.0	0.8	0.7	0.8	0.8	0.9	5.4	5.5	5.8	57.4	49.1	41.4
CSCI	3311 HK	3	45	23	4.2	4.8	5.6	3.1	2.7	2.3	0.2	0.2	0.2	1.6	1.6	1.6	27.9	35.3	29.4
Evergrande	3333 HK	69	2	2	3.4	3.8	4.3	0.8	0.7	0.6	0.5	0.3	0.3	19.7	9.5	10.0	69.5	72.7	72.6
R&F	2777 HK	14	21	20	10.0	11.6	13.6	0.8	0.7	0.6	0.6	0.6	0.7	7.6	7.6	8.0	111.1	67.0	78.0
Sino-Ocean	3377 HK	(2)	25	29	5.5	6.2	6.7	0.6	0.5	0.5	0.2	0.2	0.2	7.1	6.9	7.7	37.4	36.5	37.0
Hui Xian REIT	87001 HK	38	2	3	5.4	5.3	5.2	0.6	0.6	0.6	0.2	0.2	0.2	7.0	7.1	7.3	-24.5	-31.0	NA
Agile	3383 HK	(4)	5	5	8.5	10.7	11.7	0.5	0.4	0.4	0.5	0.5	0.5	10.4	10.4	10.5	72.4	61.0	58.0
Greentown	3900 HK	(3)	12	17	11.7	14.3	16.8	0.6	0.5	0.4	0.4	0.5	0.5	6.7	7.1	7.9	77.1	73.2	68.1
Yuexiu	123 HK	(13)	27	21	2.5	2.6	2.8	0.5	0.5	0.4	0.1	0.1	0.1	5.8	5.8	5.8	66.8	63.5	58.0
Yanlord	YLLG SP	12	12	22	9.2	9.7	10.3	0.6	0.6	0.5	0.0	0.0	0.0	0.2	0.2	0.3	36.6	38.8	41.0
KWG	1813 HK	6	30	21	6.0	6.8	7.9	0.6	0.5	0.5	0.2	0.2	0.2	6.2	6.2	6.2	56.3	23.7	11.5
Sunac	1918 HK	18	26	12	4.1	5.1	6.3	0.8	0.6	0.5	0.2	0.2	0.2	6.2	6.4	7.1	93.3	64.6	4.5
Kaisa	1638 HK	37	50	26	3.5	4.1	4.8	0.6	0.5	0.4	0.2	0.2	0.2	7.7	9.3	11.8	62.1	66.4	65.6
COGO	81 HK	32	29	34	5.0	6.4	8.4	0.9	0.7	0.5	0.1	0.1	0.1	2.6	2.8	2.8	47.8	44.2	35.6
E-House	EJ US	30	24	24	5.6	5.9	6.4	1.5	1.4	1.3	0.2	0.2	0.2	2.4	2.4	2.4	-50.6	-57.7	-54.6
CIFI	884 HK	32	30	37	1.5	1.7	2.1	0.8	0.7	0.6	0.1	0.1	0.1	6.0	5.9	8.0	55.9	58.6	48.0
Central China	832 HK	66	66	9	2.6	3.3	4.1	0.6	0.5	0.4	0.1	0.2	0.2	8.6	11.4	15.4	39.9	32.6	-22.3
C C Land	1224 HK	76	26	17	5.6	5.9	6.4	0.2	0.2	0.2	0.1	0.1	-	3.6	4.3	0.0	34.7	12.4	-22.0
Far East Global	830 HK		278	42	0.5	0.6	0.7	2.7	2.4	2.1	-	-	-	0.0	0.0	0.0	6.2	-5.3	-7.5
Not Rated																			
China Vanke - B	200002 CH	19	23	20	7.0	8.4	10.2	1.4	1.1	0.9	0.4	0.5	0.5	4.5	4.8	5.3	37.8	37.3	34.3
NWCL	917 HK	19	56	-	6.0	6.7	6.7	1.1	1.0	1.0	0.1	0.1	0.1	1.2	1.3	1.3	26.8	36.6	36.0
Hopson	754 HK	31	22	-	23.8	26.5	26.5	0.3	0.3	0.3	0.0	-	-	0.1	0.0	0.0	63.0	38.5	20.3
Shenzhen Inv	604 HK	(2)	7	-	5.2	5.4	5.4	0.5	0.5	0.5	0.1	0.2	0.2	5.7	8.0	8.0	NA	NA	NA
Glorious	845 HK	(29)	17	-	2.5	2.7	2.7	0.4	0.4	0.4	-	0.0	0.0	0.0	0.3	0.3	83.1	85.6	75.1
Yuzhou	1628 HK	42	54	-	2.0	2.5	2.5	0.7	0.6	0.6	0.1	0.1	0.1	6.7	9.6	9.6	63.8	45.3	12.9
BJ North Star	588 HK	47	(11)	-		3.4	3.4	NA	0.4	0.4	0.1	0.1	0.1	NA	4.1	4.1	NA	NA	NA
Fantasia	1777 HK	7	30	-	1.4	1.7	1.7	0.5	0.4	0.4	0.1	0.1	0.1	8.0	9.9	9.9	94.1	85.1	NA
Powerlong	1238 HK	12	11	-	4.2	4.6	4.6	0.2	0.2	0.2	0.1	0.1	0.1	8.3	6.3	6.3	75.5	101.4	NA
Greenland Hong Kong	337 HK	(85)	(30)	-	3.5	2.9	2.9	0.8	0.9	0.9	0.0	0.1	0.1	1.0	2.1	2.1	NA	37.0	NA
Aoyuan	3883 HK	(36)	186	-	2.8	3.0	3.0	0.3	0.3	0.3	0.1	0.1	0.1	5.2	10.4	10.4	64.4	49.1	30.2
Overall average		23	32	14				0.8	0.7	0.7				5.1	5.4	5.8	47.5	41.7	29.6

Source: Deutsche Bank estimates, Company data, Bloomberg Finance LP consensus estimates for companies NR



Appendix 1

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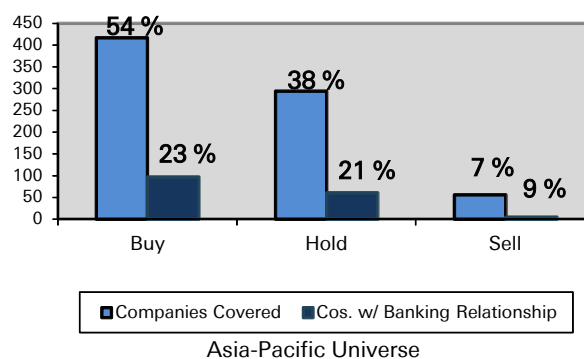
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