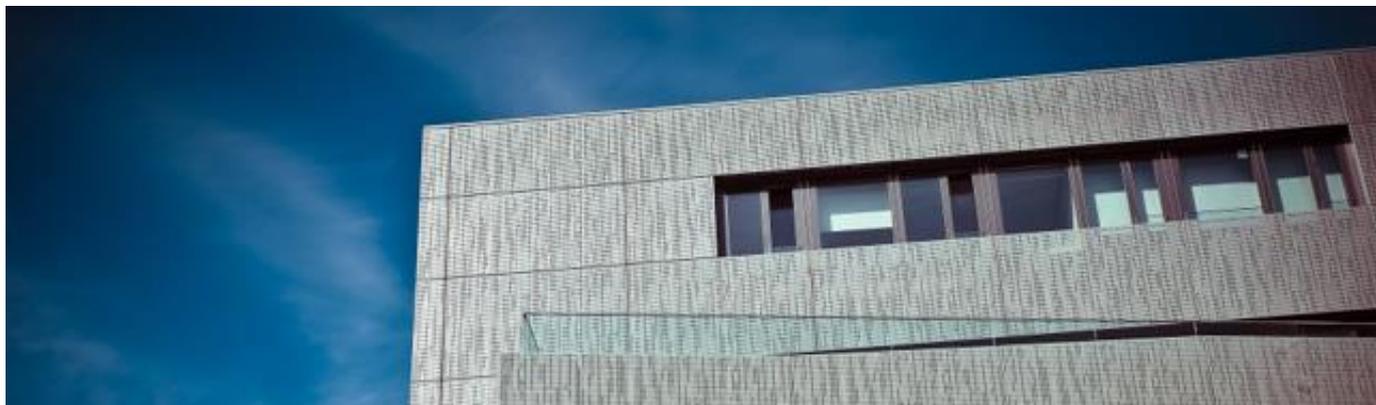


# AMTD China Property Weekly

Monday  
12 March 2018



## AMTD Property Weekly

Date: 5 Mar 2018 – 11 Mar 2018

### China Property News

#### China Property Market and Policy Dynamics

##### 1 (13th NPC) Property tax regime to take cue from overseas

China will develop its real estate tax system on the basis of domestic conditions and practices in other countries, a senior finance official said in Beijing. The budgetary affairs commission of the National People's Congress Standing Committee and the Ministry of Finance are jointly drafting the law, and debate on important issues and internal consultations are underway.

**AMTD Comments: We believe the legislation process still has a long way to go. Government should clarify the tax base for property tax. There are 3 main issues to be resolved before legislation implementation: 1) Home buyers only have the land use right for 70 years. They are tenants essentially and do not possess the property; 2) A standardized system to appraise the value of existing housing needs to be established; 3) It is questionable whether property tax will be an effective way to reduce speculative home purchase.**

Source: [the Standard](#)

##### 2 China's Financial Risks in Property Market Under Control

Financial risks in China's property market is controllable as the country has taken a string of prudential regulation policies, a central bank official said Friday. China will urge commercial banks to take a differentiated approach in issuing housing loans to offer more support to first home buyers, especially new urban residents

Source: [XinhuaNet](#)

### 3 Hainan Governor: Hainan will be less reliable on property industry

On March 6, at the opening ceremony of the Hainan delegation's media open day at the 13th NPC, Hainan Governor Shen Xiaoming said Hainan would reduce economy's dependence on real estate. Real estate has contributed a significant portion of Hainan's economy, with more than 50% shares in investment and tax income. The province will develop duty-free retail, tourism, agriculture and high tech as alternative source of growth as the government curbs speculative property growth.

Source: [Sina News](#)

### 4 Office Rents in Shanghai, Shenzhen Face Downward Pressure

According to a CBRE report, a spike in supply is exerting downward pressure on Shanghai and Shenzhen office building rents, but Guangzhou's office leases will lead the rise in China while those in Beijing will go up moderately. Globally, class A office building rents in Japan, Singapore and Australia's Sydney and Melbourne will also see active growth.

Source: [Yicai Global](#)

### 5 Land sales in Hangzhou

Recently, three land parcels were sold in Xiaoshan, Hangzhou. The lands contained both commercial and residential purpose. Total land areas were 48.3k sq.m with total GFA of 129.5k sq.m. The starting price was RMB 332 million and the final settlement amount was RMB 488 million. Average floor price of the three parcels was RMB 4,716/sq.m, RMB 2,140/sq.m, and RMB 5,818/sq.m compared to average home selling price of RMB 25,000 per sq.m in Xiaoshan area. The location of the three parcels were far away from downtown areas and are near to the airport.

**AMTD Comments: Inventory month in Hangzhou has declined to only less than 4 months. Increase of land supply should be an effective way to relieve the gap between demand and supply in Hangzhou.**

Source: [Guandian Property](#)

## Property Company News

### 1 HNA sells Kai Tak plot to Wheelock for HK\$6.36b

The Hainan-based company sold the plot, bought in January, 2017 for HK\$5.53 billion, to Wheelock & Co for HK\$6.36 billion, netting a profit of HK\$830 million from the 425,360 sq ft site. Sales of the three plots for a combined HK\$21.53 billion since February have earned HNA a net gain of HK\$2.54 billion.

**AMTD Comments: HNA has been keeping selling its offshore assets for a few months for deleverage. The group also wants to enhance the offshore bond holders' confidence. As the group still faces great pressure on debt repayment, we believe HNA will sell more offshore asset to generate cash inflow.**

Source: [SCMP](#)

### 2 PRICED: Shimao Property [813.HK] CNH950m 3NC2 Bond 5.575%

**Shimao Property [813.HK]** is going to issue CNH 3NC2 bond with IPT 6.125% area. Issuer's ratings is Ba2/BB+/BBB-. The fund will be used outside the PRC to refinance certain existing debt and for business development and other GCP.

Source: Bloomberg {NSN P58YUC6JTSE8 <GO>}

### 3 Beijing Capital Land [2868.HK] Outlook Revised to Stable at Moody's

**Beijing Capital Land [2868.HK]** outlook revised to stable from negative, affirms Ba3 corporate family by Moody. Outlook revision reflects expectations of sustained improvement to credit metrics, including BJCL maintaining gross profit margin of ~25%, revenue growth of ~20% y/y and debt to increase by around 5%-10%.

Source: Bloomberg {NSN P57SJJ6VDKHT <GO>}

### 4 Evergrande [3333.HK] issues positive profit alert

**Evergrande [3333.HK]**, China's third-largest developer by sales, issued a positive profit alert on March 8<sup>th</sup>, saying that it expected a "substantial increase" in 2017 net profit, in the order of "four to five times that of last year", thanks to reductions in interest expenses and other factors. The developer also cited a reduction in expenses and "the redemption of the perpetual capital instruments by the Group during the relevant period".

Source: Company announcement; [Guandian Property](#)

### 5 Longfor [960.HK] February Contracted Sales

**Longfor [960.HK]** February contract sales achieved RMB 13.25b. Total contract sales in Jan-Feb was RMB 29.7b, with an increase of 20% yoy. Major contracted sales were contributed by Pan Bohai Rim and Yantze River areas in February, with 39.54% and 35.70% of total sales respectively.

**AMTD Comments: we believe the sales momentum will be weaken, as more policies might be imposed to curb the mortgage and potential buyers are holding a wait-and-see attitude. Mortgage rate hike is another factor to increase purchasing cost.**

Source: Company announcement; [Guandian Property](#)

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