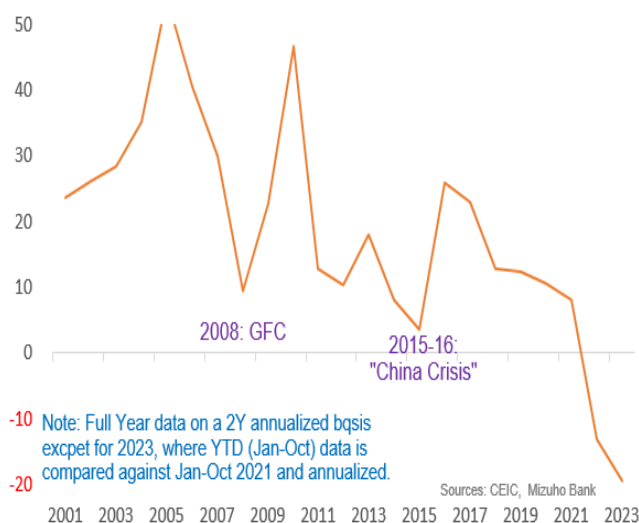
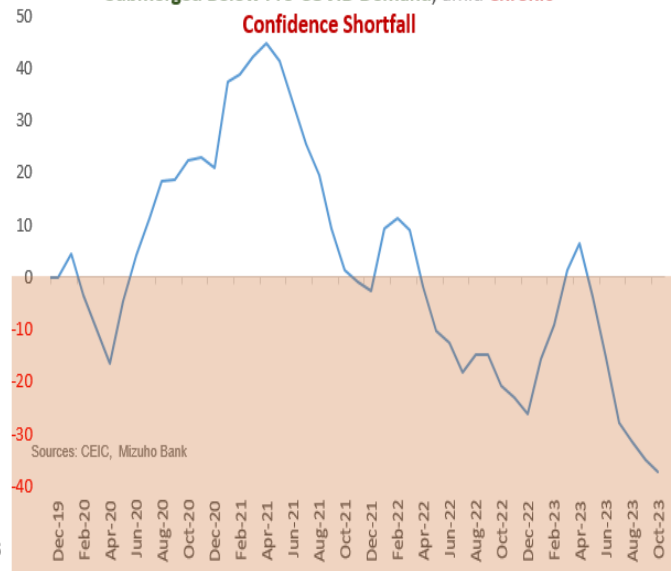


China Property: White List, Not Knight

2Y Annualized Home Sales: Demand, Unshakeable Through Financial Crises, Battered by "Common Prosperity".



China Property Sales (% of 2018-19 Avg, smoothed): Remains Submerged Below Pre-COVID Demand; amid Chronic Confidence Shortfall



“Always more questions than answers, there are” – Master Yoda, Star Wars

- **Hopes** continue to build **that China’s unabating and deepening property slump** in China **will catch a break, if not stage a turnaround**; in particular, *as Beijing steps up stimulus efforts* to backstop the downward spiral in the wider housing eco-system.
- The **latest glimmer of hope** springs from reports that the authorities drafting a **“White List” of 50 developers** (both private sector and state-owned) that *banks will be encouraged to lend to*.
- What’s more, in the context of **regulators directing banks to not allow real estate lending fall below average growth rates**, the intended credit rejuvenation of the **White List** could be **further bolstered** in its effect (as credit thrust and direction are sharpened).
- More so as this **builds on earlier reports** that **Beijing is considering ~CNY1trln of low cost financing** to boost **urban village renovation** and **affordable housing** projects.
- To be sure, **CNY1trln is nowhere in the vicinity of turning the housing market around**, *but* in view of a series of property boost, the **hope is that it starts to revive activity**.
- Nonetheless, the **White List** will probably still **fall well short of being White Knight** for the property sector that has a plethora of impediments to work through. And for now, the *White List is not the decisive answer as it still leaves too many unanswered questions and attendant doubts*.

- For one, as data showed a deepening slump in property through October, including in Tier-1 cities, the **nagging question** is **whether somewhat still restrained measures** (even when confirmed) **will prove to be too little, too late**.
- Especially as *a similar “White List” last year late November*, while initially triggering optimism *fizzled quickly with little to show for* in outcomes as *the property sector continued to languish*.
- Fact is, **apprehension about “falling knives”** from past experience may still *restrain banks and buyers alike*. And this **caution could inadvertently stifle** potential for a decisive turnaround.
- What’s more, the on-going practice of **relieving struggling private developers of their assets** is a double edged sword. While on one hand it at be aimed at the completion of stalled projects (likely by SOEs), it also *retards the ability to restructure and recover*.
- So an **unintended, but no less adverse, outcome** is that some *aspects of debt financing as well as risk pricing for developers may remain impaired* and **overly dependent on government guarantees**; which cannot be healthy.
- The upshot is that a **‘White List’ simply cannot white-wash the deep-seated and inter-connected adverse spiral in property**; at least not *to the point of being a panacea*.
- And *especially when the formal policy is not to play White Knight to any particular developer*.
- Nevertheless, the **upcoming CEWC** (central economic working committee), typically in **early-/mid-December** will be closely **watched for more coordinated suite of property market turnaround measures**; the **bar** for which **has been raised** due to the prolonged slump.
- All said and done, **some degree of pump-priming** aimed at the property sector, *which simultaneously addresses constrains in LGFV funding capabilities* will probably be a **minimum to unlock seized up cash-flows that continues to bobble the property sector**. Beyond which, consumer confidence will be the other key pre-condition to catalyze self-sustaining recovery.

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