



This Week in China

Old Community Renovation: Policies and Spaces

Comments:

The market space for old community renovation is relatively large, estimated total investment for future renovation is more than RMB 6 tn. Old communities are defined as those built before 2000 with public facilities outdated, which affects the basic lives of residents, and with residents having strong desire to renovate, including the replacement of water and gas facilities, supporting the installation of elevators, and improving living service facilities. According to the sampling data of the housing situation of households by housing completion time in the Sixth Census, we estimate that as of end-2010, urban housing area built before 2000 is c.11.88 bn sqm. Taking into account the demolition of old buildings, we estimate that as of end-2019, urban housing construction area before 2000 was greater than 9 bn sqm, construction area of old communities needed to be renovated is greater than 5 bn sqm, and the total investment required in the future will be greater than RMB 6 tn, the market space is large.

Old community renovation has accelerated, and has become an important channel to stabilize investment growth. Old community renovation was first proposed in 2015 for the sake of improving people's livelihood, and the pilot started at the end of 2017. Since June 2019, with the substantial decline in the scale of the shed reform, the growth momentum of real estate investment has weakened. Relative policies of old community renovation were introduced intensively, aiming at achieving stable investment growth while maintaining the stable development of the real estate market. In April 2020, the MOHURD encouraged real estate developers to participate in old community renovation.

Participating in old community renovation will help developers accumulate experience in housing renewal, improve service and operational capabilities, and achieve sustainable development. At present, the main modes for developers to participate in old community renovation are: **1) cooperate with local government to repair and renovate buildings and infrastructure of old communities:** enable developers to accumulate experience in updating existing houses and cultivate corresponding talent teams, laying the foundation for subsequent development; **2) participate in BOT projects to obtain operating income:** places higher demands on the developers' urban operations and asset management capabilities, participating in old community renovation may help developers to improve service and operation capabilities, achieving sustainable development.

Data points:

As of Apr 3rd, new house transaction area in 44 major cities last week rose 8% WoW, and cumulative transaction area in 2020 fell by 32% YoY.

As of Apr 3rd, saleable area (inventory) in 13 major cities last week rose 0.4%; average inventory period was 17.3months, decreasing 10% WoW.

As of Apr 3rd, second-hand housing transactions in 15 major cities last week decreased 2% WoW, and cumulative transaction area in 2020 fell 27% YoY.

Suggestion:

This week, resumption of production accelerated, central level reduced the reverse repurchase rate, the expectation of RRR cuts continued, and market liquidity was supported. At the local level, the Yangtze River Delta region, as a major growth pole of the Chinese economy, has introduced orderly policies such as integrated regional coordination and financial support, reflecting the determination of maintain stable growth. In terms of industry, developers continued to announce 2019FY results this week. Some companies with outstanding performance provided some support for the sector's performance. At the same time, sales data in March rebounded significantly, and we expect that the industry fundamentals will continue to improve in April. Maintain "Overweight" rating.

Overweight
(Maintain)

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1. Old Community Renovation: Policies and Spaces

1.1 Estimate of old community renovation space

According to the survey by the Ministry of Housing and Urban-Rural Development, the market space of old community renovation is about RMB 5 tn. The Ministry of Housing and Urban-Rural Development, the National Development and Reform Commission, and the Ministry of Finance defined old communities in the "Notice on Doing a Good Job in the Renovation of Old Communities in 2019" as those built before 2000 with public facilities outdated, which affects the basic lives of residents, and with residents having strong desire to renovate. In July 2019, Huang Yan, deputy minister of the Ministry of Housing and Urban-Rural Development, said that after thorough investigations, there were 170,000 old urban communities that needed to be renovated, involving hundreds of millions of residents, about 42 mn households, and a construction area of about 4 bn sqm. In September 2019, Qiu Baoxing, Counselor of the State Council stated that the total investment for the renovation of old communities should be RMB 5 tn.

We used the the Sixth National Population Census data to estimate the stock of old residential communities. According to our estimate, as of end-2010, the construction area of city housing completed before 2000 is c. 6.84 bn sqm. The overall missing rate and re-entry rate of the sixth census data conducted in 2010 were low, so we used the Sixth Census data as a starting point to measure the stock of old urban communities. The Sixth Census conducted a sampling of the housing conditions of family households according to the time of completion. For the city, the Sixth Census sampled c. 12.42 mn family households, of which c. 7.55 mn lived in houses built before 2000, involving a construction area of 564 mn sqm. The total number of city family households covered by the Sixth Census is c. 129 mn, the total number of city corporate households is c. 10.58 mn, the sample city family households account for 8.9% of the total city family households, and the total city family households account for 92.4% of the total city households. Assuming that the proportion of corporate households living in houses built before 2000 is the same as the proportion of family households, the construction area of city housing built before 2000 is c. 6.84 bn sqm.

Estimated total urban housing construction area completed before 2000 as of end-2010 is c. 11.88 bn sqm. In terms of towns, the sample number of family households drawn by the Sixth Census is about 7.55 mn, of which about 4.86 mn live in houses built before 2000, involving a construction area of about 466 mn sqm. The total number of town family households is c. 78.53 mn, the total number of town corporate households is c. 3.23 mn, the sample town family households account for 9.6% of the total households in the town, and the total town family households account for 96.0% of the total town households. Using the same assumptions as city corporate households, as of end-2010, the town housing construction area built before 2000 was c. 5.04 bn sqm, and the total urban housing area built before 2000 was c. 11.88 bn sqm.



Table 1: Estimated urban housing construction area completed before 2000 as of end-2010 is c. 11.88 bn sqm

	Construction area completed before 2000 for sample households(mn sqm)	Sample as a percentage of total	Proportion of family households	Total construction area completed before 2000 (bn sqm)
City	563.65	8.9%	92.4%	6.84
Town	465.50	9.6%	96.0%	5.04
Urban Total				11.88

Source: NBS, CWSI Research

According to our estimate, as of end-2019, the total investment required for future renovation of old communities is greater than RMB 6 tn. Taking into account the demolition of old buildings, the urban housing construction area built before 2000 has continued to decrease. According to the standard for reliability design of building structures issued by the Ministry of Housing and Urban-Rural Development in 2018, the service life of ordinary houses and structures is 50 years. Assuming that houses are depreciated in a straight line, the annual depreciation rate of houses is about 2%. Considering the relatively poor quality of houses built before 2000, the depreciation rate may be greater for those buildings. We estimated the construction area for housing built before 2000 in scenarios using annual demolition rate of 2%, 2.5% and 3%, respectively. According to the calculation, as of end-2019, the urban housing construction area built before 2000 was about 9.90, 9.46 and 9.03 bn sqm under the above circumstances. As of August 2015, Jiangsu Province reported that the old communities that needed to be renovated accounted for 47% of the communities that were built before 2000. Considering the investigation and reporting or incompleteness, we assume that the construction area of the old buildings that actually needed to be renovated in the country accounts for 60% of the area of houses built before 2000, the corresponding area of the old community is about 5.94, 5.67 and 5.42 bn sqm. According to the survey of the Ministry of Housing and Urban-Rural Development, the average cost of the renovation of old communities is about RMB 1,250 per sqm, and the total investment required for the renovation of old urban communities is about RMB 7.4, 7.1, and 6.8 tn under the above circumstances.

Table 2: Estimated total investment required for the future renovation of old communities as of end-2019 is more than RMB 6 tn

Depreciation rate	Total construction area completed before 2000 (bn sqm)		Construction area of old communities needed to be renovated (bn sqm)	Total investment required for the future renovation of existing old communities as of end-2019 (RMB tn)
	End-2010 (bn sqm)	End-2019 (bn sqm)		
2.0%	11.9	9.9	5.9	7.1
2.5%	11.9	9.5	5.7	7.1
3.0%	11.9	9.0	5.4	6.8

Source: NBS, CWSI Research



1.2 Policies continued to promote old community renovation

Old community renovation started in 2015. Unlike the monetized resettlement or physical resettlement of the shed reform, the renovation of the old community mainly aims to improve the lack of community supporting facilities, including the replacement of water and gas facilities, supporting the installation of elevators, and improving the convenience market, convenience stores, pedestrian streets, parking lot, barrier-free access and other living service facilities. For the sake of improving people's livelihood, in December 2015, the Central City Work Conference first proposed to accelerate the renovation of old communities.

In December 2017, pilot projects for old community renovation began. In December 2017, the Ministry of Housing and Urban-Rural Development proposed to carry out pilot projects for renovating old communities in 15 cities to explore new models for renovating old communities in cities and provide reproducible and expandable experiences for promoting the renovation of old communities in the country. Since 2018, the pilot cities have responded positively, for example, Guangzhou clearly promoted the micro-renovation of 779 old communities in 2018-2020, and Xiamen made efforts to basically complete the renovation of eligible old communities in 2020. As of December 2018, a total of 106 old communities have been renovated in the pilot cities, benefiting 59,000 households, and the renovation of old communities has been gradually carried forward.

Since June 2019, the central government has repeatedly mentioned old community renovation and see it as an important channel to stabilize investment growth. From June to July 2019, the central government mentioned old community renovation for three times. In June, Standing Committee of the State Council deployed to promote the renovation of old urban communities; in July, Political Bureau meeting of the CPC Central Committee proposed to stabilize manufacturing investment and implement supplementary shortcomings projects including old urban community renovation; in July, Standing Committee of the State Council included community medical care, elderly care, and housekeeping into old community renovation, and financial and tax support was given. In 2020, COVID-19 caused some pressure to the Chinese economy. With the sharp decline in the scale of shed reform, the growth momentum of real estate investment has weakened. At the same time, the top-level regulation of the real estate industry remains stable, so the policy level once again put forward the support for old community renovation to create infrastructure investment and consumer demand. In April 2020, the Ministry of Finance proposed that the government-specific bonds in 2020 should not be used for land storage and real estate-related projects, but old urban community renovation was added into the scope of support. The central government has intensively issued policies to promote the deployment of old community renovation with financial supports, aiming to achieve stable investment growth while maintaining the stable development of the real estate market.



Table 3: Old community renovation continued to receive central level policy support

Stage	Time	Department	Policy Summary
Start	2015/12	Central City Work Conference	Deepen the reform of the urban housing system, continue to improve the housing security system, accelerate the transformation of urban shanty towns and dilapidated houses, and accelerate old community renovation.
Pilot	2017/12	MOHURD	Conduct pilot projects for renovating old communities in 15 cities to explore new models and provide reproducible and scalable experiences for advancing old community renovation throughout the country. The 15 pilot cities are Guangzhou, Shaoguan, Liuzhou, Qinhuangdao, Zhangjiakou, Xuchang, Xiamen, Yichang, Changsha, Zibo, Hohhot, Shenyang, Anshan, Panzhihua and Ningbo.
	2019/6	State Council	Deploy and promote old urban community renovation.
Further encouragement and provide financial support	2019/7	Political Bureau meeting of the CPC Central Committee	Stabilize manufacturing investment, implement shortcomings such as old urban community renovation, urban parking lots, and urban and rural cold chain logistics facilities construction, and accelerate the construction of new infrastructure such as information networks.
	2019/7	State Council	Encourage community medical care, elderly care, and housekeeping to be included into old community renovation, and provide financial and tax support.
	2019/9	MOF, MOHURD	The scope of special fund support includes old community renovation.
	2019/12	Central Economic Work Conference	Necessary to increase the housing security work for the urban poor, strengthen urban renewal and the upgrading of existing housing, do a good job in old urban community renovation, and vigorously develop rental housing.
	2019/12	National Housing and Construction Work Conference	Further improve the support policy, and do a good job in the old urban community renovation.
	2020/1	Li Keqiang	Promote old community renovation on a large scale.
	2020/4	Conference call of MOHURD	Actively expand effective investment and consumption in housing and urban-rural construction. Grasp the transformation of shanty towns, the construction of policy rental housing and the old urban community renovation, further improve the support policies, and accelerate the start of the reconstruction projects. Promote the transformation of the business model of leasing, encourage real estate developers to participate in the old community renovation , as well as elderly care, leasing housing construction, etc., and promote property service enterprises to vigorously develop online and offline community service industries and build smart communities.

Source: Government websites, CWSI Research



At local level, localities actively promoted the renovation according to their own inventory of old communities. In response to the central government's policy call, localities actively promulgated policies for old community renovation, set up renovation targets according to their own circumstances, and gave financial support with trials of innovating financing methods. For example, in 2019, Shandong Province arranged RMB 230 mn in subsidy funds for old community renovation, driving the city and county finance and water and gas heating franchise companies to invest RMB 1.3 bn and attracting social capital investment; many local governments in Jiangsu Province subsidized the installation of elevators and took the responsibility of property management services for those communities without property management companies. With the introduction of flexible local policies, old community renovation has been steadily advanced and has achieved certain results.

Table 4: Local governments actively introduced policies to promote old community renovation, having achieved certain results

Province	Policy / Results
Guangdong	Guangzhou clarified that from 2018 to 2020, it will promote the micro-renovation of 779 old communities.
	From January to October 2019, the province has renovated a total of 290 communities, 311,900 households, and a construction area of 18.35 mn sqm, benefiting millions of people.
Shandong	Before the end of 2019, the provincial finance would allocate RMB 230 mn in subsidies for the renovation of old communities, driving the city and county finance, water and gas heating franchise companies to invest RMB 1.3 bn, attracting social capital investment, and renovating 881 old community projects in the province, with an area of 17.11 mn sqm, benefiting 206,600 households.
	By the end of the "Fourteenth Five-Year Plan", on the basis of ensuring the completion of the renovation of old communities built before 2000, Shandong strives to basically complete the task of renovating old communities built before 2005. After the renovation, the old residential area will be fully covered by property management.
Jiangsu	Many local governments subsidized to install elevators; government will be responsible for the property management service of communities lack of property management companies.
	From January to October 2019, 108 communities in the province have basically completed the renovation and 212 are under construction, with a cumulative investment of about RMB 1.95 bn.
Liaoning	Promote the transformation of shanty towns, old communities and dangerous houses in county towns. In areas with sufficient market housing and large inventories, the transformation of shantytowns can continue to implement monetized resettlement and digest commercial housing inventory. At the same time, by 2020, the inventory period of commercial housing in counties and new towns will return to a reasonable range.

Source: Government websites, Internet, CWSI Research

1.3 How do developers participate in old community renovation?

The first mode for developers to participate in old community renovation: cooperate with local government to repair and renovate buildings and infrastructure of old communities. In April 2019, Jiaxing introduced 7 developers including Vanke and GreenTown to renovate the old communities in Nanhu District. From the early stage of design to the later stage of management and supervision, developers are given more room to play. In July 2019, Beijing Capital Development



Holding (BCDH) and the Shijingshan District Government of Beijing signed a cooperation agreement on organic renewal of old communities and property service management, to promote the comprehensive renovation of old communities and the development of street renovation. At present, tier-1 cities provide relatively few land supply and exist many old urban houses. Participating in old community renovation can enable developers to accumulate experience in updating existing houses and cultivate corresponding talent teams, laying the foundation for subsequent development.

Chart 1: Jiaxing Zhongxing Garden before renovation



Source: Internet, CWSI Research

Chart 2: Vanke's renovation of Zhongxing Garden



Source: Internet, CWSI Research

The second mode for developers to participate in old community renovation: participate in BOT projects to obtain operating income. In 2015, Guangzhou Liwan District Government tendered publicly and introduced social capital through BOT to carry out the micro-renovation of the old city, with the enterprise carrying out the renovation, construction and operation. After 15 years of operation, the project will be returned to the government. After Vanke won the bid for the Yongqingfang project, the renovation started in December 2015 and was completed in September 2016. Yongqingfang has gradually become a popular place for new generations, and Vanke can earn revenue through its operations.

Chart 3: Before the renovation of the Yongqing area, many houses were seriously damaged



Source: Department of Natural Resources of Guangdong Province, CWSI Research

Chart 4: Vanke completed micro-remodeling retaining the original building style



Source: Department of Natural Resources of Guangdong Province, CWSI Research



The advantages for developers to participate in old community renovation: excellent architectural design and product quality, and the ability to provide funds and reduce renovation cost. One of the reasons for the lack of supporting infrastructure in old communities is the imperfect community building design, and developers have unique advantages in terms of design capabilities and product quality. One of the biggest pain points in the process of old community renovation is the source of funds. At present, the funds for old community renovation come from the central government, local finance, social funds and residents' self-financing, of which are mainly financial subsidies and residents' self-financing. Recently, MOHURD has repeatedly proposed to attract social funds to participate in old community renovation. In July 2019, it proposed to actively innovate the investment and financing mechanism for old urban community renovation to attract social forces; in April 2020, it proposed to encourage real estate developers to participate in the old community renovation. Developers can provide part of the funds and provide bargaining power for upstream and downstream industries through their advantages of supply chain, effectively reducing the cost of renovation.

Participating in old community renovation will help developers accumulate experience in housing renewal, improve service and operational capabilities, and achieve sustainable development. For developers, the capital payback period for old community renovation is relatively long, so in terms of profitability, old community renovation is far worse than traditional residential development business. However, old communities lacking property management will provide broad outreach opportunities for the property management business of major developers, and old community renovation places higher demands on the developers' urban operations and asset management capabilities. Participating in old community renovation may help developers to improve service and operation capabilities, achieving sustainable development in the era of existing housing.

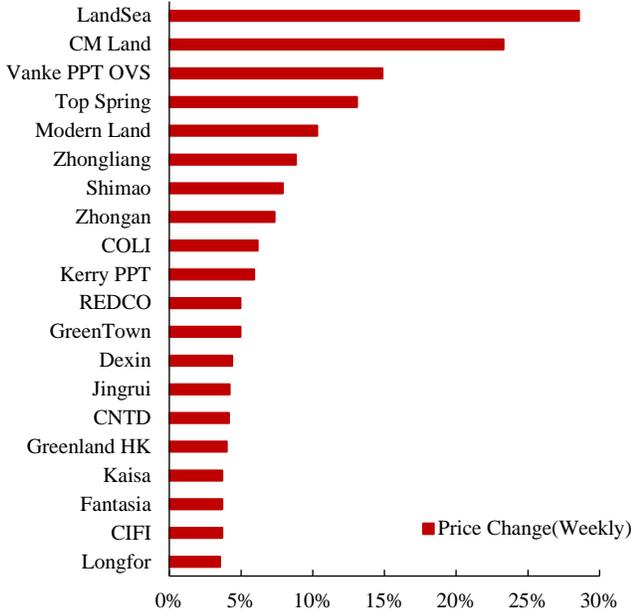


2. Sector Performance

2.1 Performance of developer sector

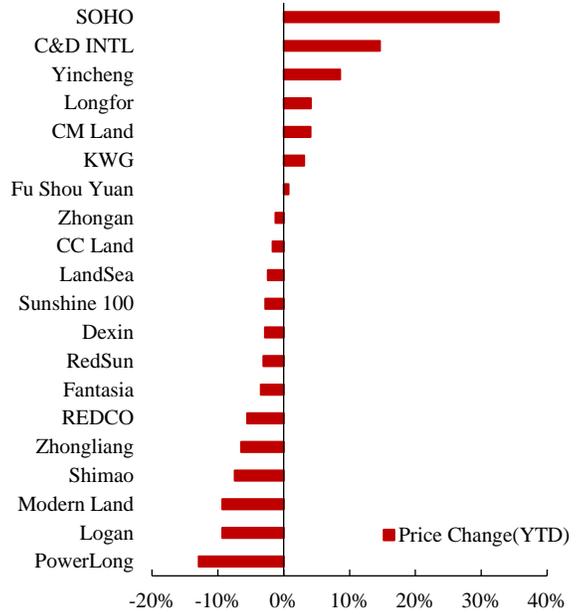
This week, LandSea, CM Land and Vanke PPT OVS had larger price increase than peers. SOHO, C&D INTL and Yincheng had better share price performance, YTD.

Chart 5: This week, LandSea, CM Land and Vanke PPT OVS had larger price increase than peers



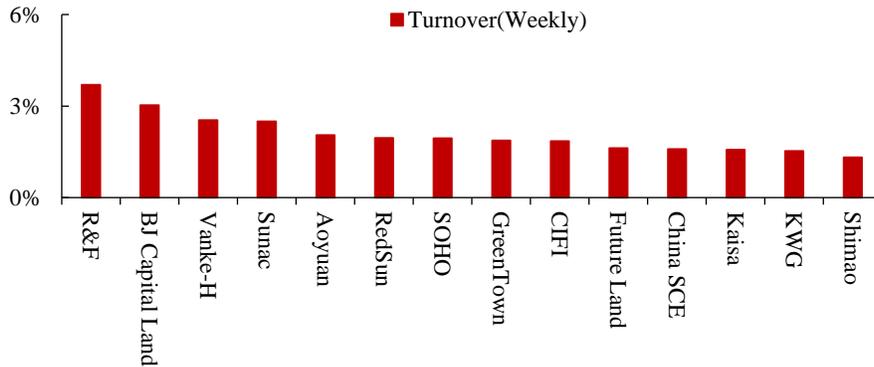
Source: Wind, CWSI Research

Chart 6: SOHO, C&D INTL and Yincheng had better share price performance, YTD



Source: Wind, CWSI Research

Chart 7: R&F, BJ Capital Land and Vanke-H were most actively traded this week



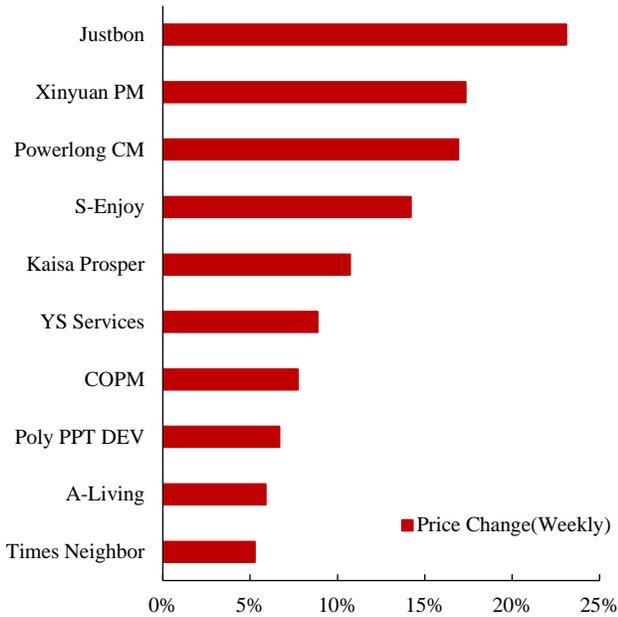
Source: Wind, CWSI Research



2.2 Performance of property service sector

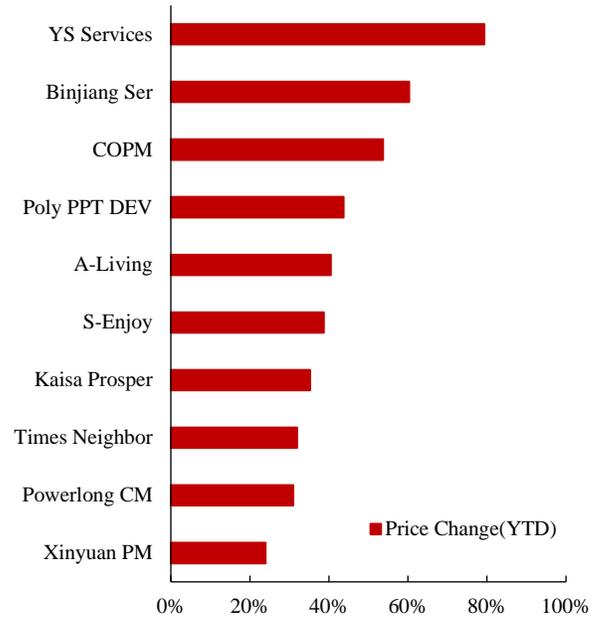
This week, Justbon, Xinyuan PM and Powerlong CM had larger price increase than peers. YS Services, Binjiang Ser and COPM had better share price performance YTD.

Chart 8: This week, Justbon, Xinyuan PM and Powerlong CM had larger price increase than peers



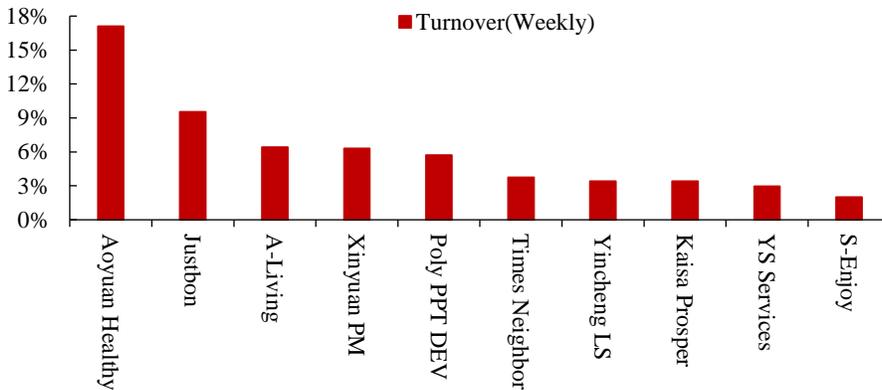
Source: Wind, CWSI Research

Chart 9: YS Services, Binjiang Ser and COPM had better share price performance YTD



Source: Wind, CWSI Research

Chart 10: Aoyuan Healthy, Justbon and A-Living were most actively traded this week



Source: Wind, CWSI Research

3. Major cities transaction performance

3.1 New house transaction data

Table 5: Major cities new house transactions volume increased WoW this week

City & Region	Last 7 days			Last 30 days			Month to date			Year to date	
	sqm	wow	yoy	sqm 000	mom	yoy	sqm 000	mom	yoy	sqm 000	yoy
Beijing	75,874	5%	-53%	271	51%	-69%	29	116%	-37%	1,004	-38%
Shanghai	235,300	21%	-29%	739	187%	-44%	87	54%	-30%	1,775	-45%
Guangzhou	206,083	16%	-24%	624	258%	-35%	49	96%	-36%	1,152	-41%
Shenzhen	68,391	12%	10%	332	183%	9%	41	56%	27%	736	2%
Tier 1	585,649	16%	-29%	1,966	170%	-43%	205	70%	-26%	4,666	-38%
Tier 2	1,853,214	6%	-17%	6,964	172%	-25%	866	35%	-10%	17,608	-27%
Tier 3	2,032,759	8%	-14%	7,460	267%	-25%	841	31%	-24%	15,941	-36%
Beijing	75,874	5%	-53%	271	51%	-69%	29	116%	-37%	1,004	-38%
Qingdao	323,694	2%	43%	1,166	353%	6%	97	109%	-6%	2,141	-18%
Dongying	241,472	45%	503%	519	1789%	284%	85	792%	172%	651	111%
PBR	641,041	16%	49%	1,956	322%	-7%	211	204%	16%	3,796	-16%
Shanghai	235,300	21%	-29%	739	187%	-44%	87	54%	-30%	1,775	-45%
Nanjing	252,908	46%	38%	710	75%	5%	177	77%	88%	1,665	10%
Hangzhou	155,488	24%	5%	628	147%	4%	76	-38%	53%	1,443	-2%
Suzhou	190,866	52%	4%	667	68%	-12%	121	26%	30%	1,721	-11%
Wuxi	82,800	-23%	-39%	408	187%	-33%	0	-	-	871	-34%
Yangzhou	24,008	-39%	-18%	179	507%	-1%	24	11%	12%	402	-27%
Jiangyin	50,156	41%	-18%	165	291%	-17%	17	34%	-25%	436	-17%
Wenzhou	133,418	19%	-51%	459	249%	-55%	58	35%	-54%	1,491	-46%
Jinhua	33,893	12%	-46%	122	324%	-49%	9	11%	-72%	243	-34%
Changzhou	61,522	47%	-39%	270	253%	-33%	25	-19%	-49%	602	-30%
Huainan	86,933	-6%	56%	321	160%	1%	50	56%	66%	822	-34%
Lianyungang	108,812	4%	2%	449	238%	-2%	45	0%	-17%	1,006	-30%
Shaoxing	49,218	-21%	-22%	196	212%	-24%	12	0%	-55%	375	-27%
Taizhou	24,299	-7%	6%	103	950%	28%	13	35%	-7%	167	-15%
Zhenjiang	124,666	6%	-20%	471	618%	-37%	50	180%	2%	891	-50%
Huainan	42,547	25%	27%	153	311%	16%	28	227%	39%	279	-40%
Wuhu	43,946	31%	89%	169	260%	36%	23	10%	96%	300	-5%
Yancheng	73,526	-11%	9%	295	130%	-20%	37	-27%	7%	602	-26%
Zhoushan	43,134	67%	11%	106	256%	-7%	15	112%	30%	205	-13%
Chizhou	25,522	53%	-30%	72	57%	-33%	14	-7%	-29%	174	-38%
Ningbo	152,229	46%	-15%	420	567%	-38%	73	273%	74%	988	-25%
YRD	1,995,191	18%	-13%	7,101	183%	-24%	955	31%	3%	16,456	-29%
Guangzhou	206,083	16%	-24%	624	258%	-35%	49	96%	-36%	1,152	-41%
Shenzhen	68,391	12%	10%	332	183%	9%	41	56%	27%	736	2%



Fuzhou	40,058	-26%	-19%	189	13%	-20%	14	-30%	-25%	493	-28%
Dongguan	101,694	-4%	-6%	326	379%	-27%	35	153%	12%	690	-26%
Quanzhou	23,678	-13%	-73%	136	197%	-61%	11	8%	-81%	359	-62%
Putian	51,729	79%	95%	147	110%	38%	11	-17%	23%	309	-26%
Huizhou	31,801	-8%	-42%	144	215%	-44%	17	72%	-30%	353	-37%
Shaoguan	27,360	-47%	38%	186	343%	68%	11	73%	15%	307	-6%
Foshan	291,092	14%	-28%	908	291%	-42%	106	153%	-29%	1,729	-43%
Jiangmen	24,043	2%	11%	96	520%	23%	7	66%	-35%	167	6%
Zhaoqing	64,736	55%	2%	183	479%	10%	27	191%	-3%	373	62%
Zhanjiang	0	-	-100%	0	-100%	-100%	0	-	-100%	274	-19%
PRD & Southern China	930,667	8%	-24%	3,271	209%	-31%	328	83%	-28%	6,942	-33%
Changchun	159,611	-9%	-13%	665	334%	-29%	76	73%	-12%	1,306	-48%
Jilin	0	-	-100%	0	-	-100%	0	-	-100%	0	-100%
Taian	34,022	7%	-24%	121	314%	-40%	19	51%	-16%	278	-47%
Northern China	193,633	-6%	-34%	786	331%	-44%	95	68%	-30%	1,585	-55%
Wuhan	34,245	-	-92%	34	-	-98%	26	-	-88%	1,383	-63%
Yueyang	34,690	-15%	-36%	136	347%	-23%	12	102%	-53%	310	-25%
Ganzhou	122,923	-18%	2%	689	152%	0%	40	-72%	-53%	1,528	-28%
Central China	191,858	1%	-68%	860	183%	-64%	78	-47%	-77%	3,221	-49%
Chengdu	224,890	-36%	-35%	1,511	129%	-9%	144	-22%	-32%	3,991	-18%
Nanning	294,341	5%	16%	905	521%	-10%	102	146%	5%	2,223	-39%
Western China	519,231	-18%	-13%	2,416	200%	-10%	246	9%	-20%	6,214	-27%
Total	4,471,621	8%	-18%	16,390	208%	-28%	1,912	36%	-18%	38,214	-32%
Num. of cities Up		26	19		41	14		30	17		5
Num. of cities Down		15	23		0	28		10	24		38

Source: Local governments, CWSI Research; Note: Till 2020/4/3



Table 6: Major cities inventory period increased YoY dramatically

City	Inventory (sqm 000)	wow	yoy	Inventory period	wow	yoy
Beijing	10,741	4%	12%	39.7	-4%	258%
Shanghai	7,404	2%	-1%	10.0	-16%	76%
Guangzhou	7,698	0%	-7%	12.3	-22%	43%
Shenzhen	2,578	0%	-21%	7.8	-5%	-27%
Tier 1 Average		1%	-4%	17.4	-11%	88%
Hangzhou	3,102	-2%	21%	4.9	2%	17%
Nanjing	5,756	-5%	67%	8.1	-17%	59%
Suzhou	5,609	3%	-5%	8.4	1%	8%
Fuzhou	4,761	9%	55%	25.3	22%	93%
Jiangyin	4,039	1%	-10%	24.5	-11%	8%
Wenzhou	10,338	-1%	8%	22.5	-11%	140%
Quanzhou	7,011	0%	8%	51.7	-1%	176%
Ningbo	2,602	-4%	-16%	6.2	-27%	35%
Dongying	1,620	-2%	19%	3.1	-44%	-69%
Overall Average		0%	10%	17.3	-10%	63%

Source: Local governments, CWSI Research; Note: Till 2020/4/3

3.2 Second-hand house transaction and price data

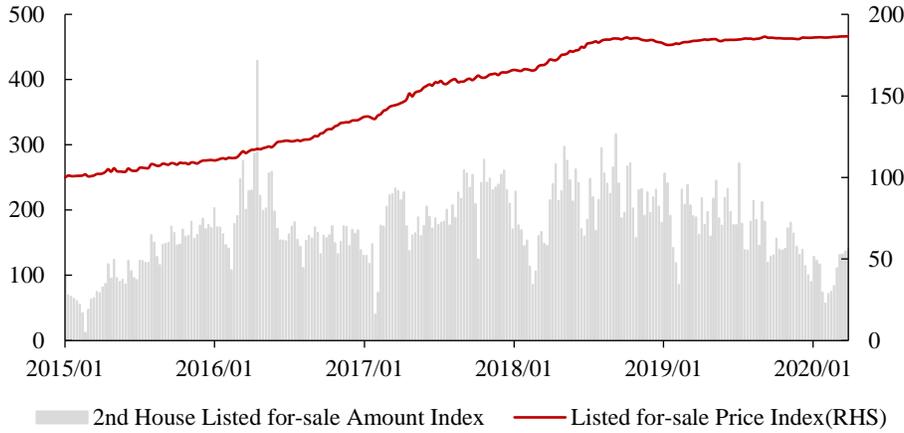
Table 7: Major cities Second-hand house transaction volume, Shenzhen rose significantly YTD

City	Last 7 days			Last 30 days			Month to date			Year to date	
	sqm	wow	yoy	sqm 000	mom	yoy	sqm 000	mom	yoy	sqm 000	yoy
Beijing	203,265	8%	-38%	750	94%	-47%	109	70%	-31%	1,906	-33%
Shenzhen	130,802	-22%	15%	689	225%	66%	79	13%	18%	1,545	66%
Hangzhou	124,137	9%	33%	379	609%	-16%	54	90%	23%	697	-27%
Nanjing	175,829	-4%	9%	776	419%	54%	105	33%	-8%	1,496	24%
Chengdu	85,569	-4%	-68%	317	283%	-72%	57	79%	-62%	996	-58%
Qingdao	85,947	3%	-7%	331	208%	-19%	47	59%	-12%	763	-9%
Wuxi	122,522	6%	16%	448	626%	2%	70	118%	10%	835	-10%
Suzhou	104,192	-4%	-56%	480	207%	-32%	64	18%	-60%	1,124	-44%
Xiamen	47,982	-8%	-59%	217	146%	-50%	29	34%	-53%	554	-41%
Yangzhou	27,553	18%	63%	81	1204%	-16%	16	221%	107%	149	-33%
Yueyang	8,701	2%	-42%	32	231%	-53%	6	103%	-39%	86	-44%
Nanning	39,355	-2%	-35%	218	2728%	2%	14	318%	-41%	406	-34%
Foshan	67,517	1%	-48%	292	148%	-48%	37	27%	-53%	773	-47%
Jinhua	33,069	10%	-12%	118	291%	-16%	22	139%	-6%	279	19%
Jiangmen	14,375	8%	-40%	59	85%	-33%	8	0%	-41%	104	-53%
Total	1,270,817	-1%	-29%	5,185	245%	-27%	717	53%	-30%	11,714	-27%
Num. of cities Up		9	5		15	4		15	4		3
Num. of cities Down		6	10		0	11		0	11		12

Source: Local governments, CWSI Research; Note: Till 2020/4/3

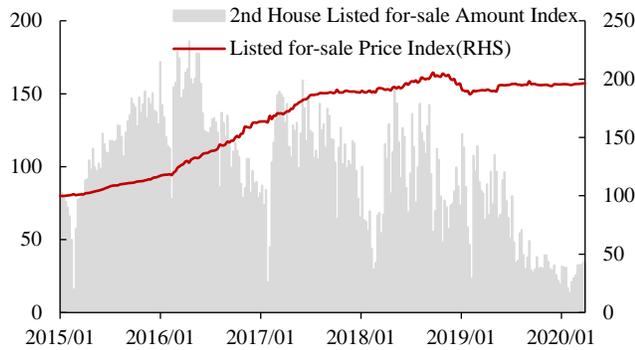


Chart 11: 2nd house listed for-sale price index stopped rising recently



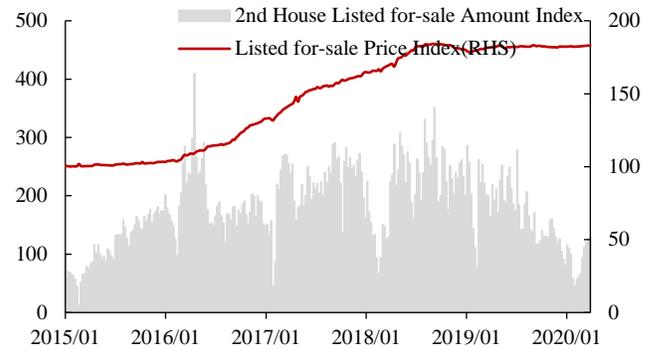
Source: Local Government, CWSI Research; Note: Till 2020/3/29

Chart 12: 2nd house listed for-sale amount index declined in tier-1 cities, with price remaining stable



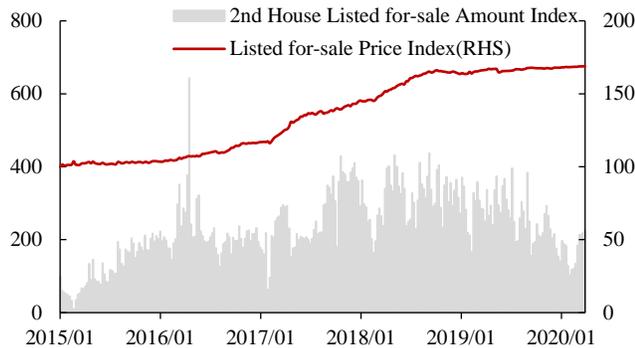
Source: Local Government, CWSI Research; Note: Till 2020/3/29

Chart 13: 2nd house listed for sale amount index declined in tier-2 cities, with price remaining stable



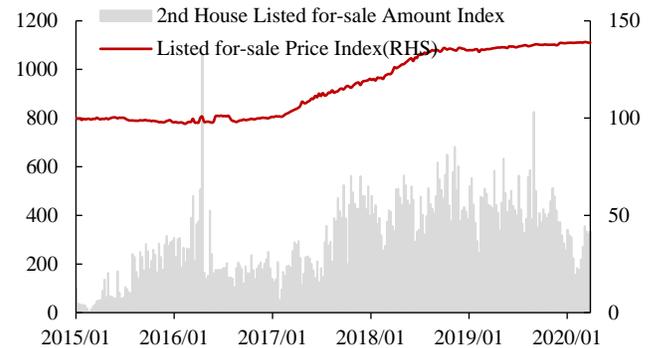
Source: Local Government, CWSI Research; Note: Till 2020/3/29

Chart 14: 2nd house listed for-sale amount index declined in tier-3 cities, with price remaining stable



Source: Local Government, CWSI Research; Note: Till 2020/3/29

Chart 15: 2nd house listed for-sale amount index declined in tier-4 cities, with price slightly upwards



Source: Local Government, CWSI Research; Note: Till 2020/3/29



4. Important Policies and News

4.1 Important Industry Policies News This Week

Table 8: Important Industry Policies News This Week: RMB 50 bn 7-day reverse repurchase operation was carried out through interest rate tendering, and the winning bid rate was reduced from 2.4% to 2.2%; from April 7th, the interest rate of excess deposit reserve of financial institutions in the central bank will be reduced from 0.72% to 0.35%; the deposit reserve ratio of City Commercial Bank will be lowered by 1%, reducing by 0.5% each time on April 15 and May 15

Date	Region / Institution	Summary
2020-03-30	Central Bank	RMB 50 bn 7-day reverse repurchase operation was carried out through interest rate tendering, and the winning bid rate was reduced from 2.4% to 2.2%.
2020-03-30	Zhuhai	From 19 Mar to three months after the end of the epidemic prevention and control period, urban infrastructure supporting fees for real estate development projects can be postponed for three months.
2020-03-30	Guiyang	Developers and real estate agencies are strictly prohibited from providing down payment financing involved in violation for house purchase.
2020-03-30	Chengdu-Chongqing	The two cities have initially established a cross-region transfer and connection mechanism and a mutual recognition and mutual loan mechanism.
2020-03-30	Liuzhou	While continuing to strengthen the control of house prices, the conditions for development and pre-sales were reduced, while the down payment ratio for house purchases was reduced to 20% for the first suite and 30% for the second suite.
2020-04-01	Heilongjiang	New regulations such as off-site provident fund loans and loan review and release time limits are added.
2020-04-01	Jiaying	The maximum loan period for the purchase of new commercial housing and second-hand housing is 30 years, and the age of the housing plus the loan period shall not exceed 50 years and the land use period of the housing, etc.
2020-04-02	Yueyang	Support the stable and healthy development of the property market in terms of financial support, tax and land transfer payments and payment of construction fees, pre-sale permits and pre-sale payment.
2020-04-02	Guiyang	More stringent supervision will be made on over-marketing methods such as down payment instalments and cashbacks in the real estate market, and violations of laws and regulations will be severely punished.
2020-04-03	Central Bank	From April 7th, the interest rate of excess deposit reserve of financial institutions in the central bank will be reduced from 0.72% to 0.35%; the deposit reserve ratio of City Commercial Bank will be lowered by 1%, reducing by 0.5% each time on April 15 and May 15.
2020-04-03	Ministry of Finance	This year's special debt is clearly not allowed to be used for land storage and real estate-related projects, but the renovation of old communities is included in the scope of special debt support.
2020-04-03	Beijing	The number of times for apply for pre-sale permits of commercial housing project and the construction permit for saleable residential part adjusted from once to twice, and at the same time, the minimum size is not less than a block, and it is not allowed to apply for pre-sale license in layers or in units.

Source: Wind, Internet, CWSI Research



4.2 Key 2019 annual results announced this week

Table 9: Key 2019 annual results announced this week: in 2019, EverGrande realized revenue of RMB 479.0bn(+2.4%), core profit of RMB 40.8bn(-47.9%); Shimao realized revenue of RMB 111.9bn(+30.4%), core profit of RMB 10.5bn(+22.6%)

Company	RIC	Revenue		Core Profit	
		(RMB bn)	YoY	(RMB bn)	YoY
Property Development					
EverGrande	3333.HK	479.0	2.4%	40.8	-47.9%
Shimao	0813.HK	111.9	30.4%	10.5	22.6%
Kaisa	1638.HK	48.0	24.1%	4.3	2.7%
Zhongliang	2772.HK	56.7	87.5%	3.9	102.3%
PowerLong	1238.HK	26.1	32.9%	2.7	45.3%
Shui On	0272.HK	10.4	-8.1%	2.3	-92.4%
Joy City	0207.HK	10.3	27.1%	1.3	-20.1%
LVGEM	0095.HK	6.9	52.7%	1.1	44.1%
Jingrui	1862.HK	13.3	17.8%	0.9	-10.9%
Central China	0832.HK	30.8	108.1%	0.0	-
Sunshine 100	2608.HK	8.3	9.1%	-	-
Yuzhou	1628.HK	23.4	-4.3%	-	-
Wanda Hotel	0169.HK	0.7	-20.8%	-	-
Yincheng	1902.HK	9.0	77.5%	-	-
REDCO	1622.HK	8.6	28.3%	-	-
Agile	3383.HK	60.3	7.2%	-	-
Property Management					
Zhongao Home	1538.HK	1.5	47.5%	-	-

Source: Company Announcements, CWSI Research



4.3 Key Mar 2020 sales data announced this week

Table 10: Key Mar 2020 sales data announced this week: EverGrande realized accumulated contracted sales of RMB 147.4bn(+23.2%) in Jan-Mar 2020; Vanke realized accumulated contracted sales of RMB 137.9bn(-7.7%) in Jan-Mar 2020

Company	Jan-Mar contracted sales		Jan-Mar contracted GFA		Mar contracted sales		Mar contracted GFA	
	(RMB bn)	YoY	(000 sqm)	YoY	(RMB bn)	YoY	(000 sqm)	YoY
EverGrande	147.4	23.2%	16582	50.4%	62.1	13.1%	6945	35.5%
Vanke	137.9	-7.7%	8848	-4.3%	54.9	-4.2%	3781	4.9%
Country Garden	100.9	-15.9%	12020	-12.5%	47.0	4.2%	5710	18.0%
Shimao	37.0	-9.2%	2109	-8.1%	20.3	5.8%	1151	8.9%
Zhongnanconstruction	21.6	-30.1%	1636	-34.6%	10.7	-24.5%	797	-28.6%
Ronshine	18.2	28.1%	766	-34.9%	7.8	-25.2%	298	-40.9%
ZhengRo	17.9	-28.5%	1161	-29.6%	7.7	-14.4%	504	-15.6%
R&F	16.7	-32.6%	1401	-34.9%	8.0	-32.4%	659	-37.0%
Agile	15.7	-37.6%	1053	-38.5%	7.7	-35.0%	568	-32.0%
Mideadc	15.4	-18.4%	1473	-21.0%	-	-	-	-
Aoyuan	14.3	-23.7%	-	-	7.3	-2.9%	-	-
Risesun	13.9	-16.8%	1354	-11.6%	7.7	4.8%	731	0.2%
Times	12.4	-11.1%	901	-4.0%	4.7	-30.0%	385	-11.7%
C&D INTL	7.7	30.7%	391	19.6%	-	-	-	-
BJ Capital Land	7.6	-45.7%	262	-53.8%	2.4	-50.2%	80	-51.5%
Modern Land	5.3	-1.3%	491	-0.8%	2.4	39.4%	225	61.6%
Jingrui	2.6	-34.8%	96	-48.2%	1.7	-33.0%	60	-48.1%
Yincheng	1.4	-33.0%	69	-50.7%	0.8	0.9%	43	-14.8%

Source: Company Announcements, CWSI Research; Note: Country Garden, R&F by attributable data

4.4 Company news and announcements

Table 11: Company news and announcements: Country Garden issued 5-year RMB 3.4 bn 4.2% corporate bonds; Yango was approved by the CSRC to publicly issue corporate bonds with a total face value not exceeding RMB 8 bn to qualified investors

Date	Company	Summary
2020-03-30	Ronshine	Repurchase a total of USD 66 mn of senior notes, including USD 1 mn of July 2020 senior notes, USD 40 mn of August 2021 senior notes, USD 12 mn of March 2022 senior notes, and USD 5 mn of January 2023 senior notes and USD 8 mn of June 2023 senior notes.
2020-03-30	Longfor	Main shareholder Charm Talent International Limited changed its holding percentage to 43.94% by increasing its holdings of the company's shares by 3 mn shares from March 26 to March 30, accounting for approximately 0.05% of the company's total share capital.
2020-03-30	Country Garden	According to the share option plan adopted on May 18, 2017, Mr. Mo Bin, the company's executive director, proposed to grant about 18.587 million share options, accounting for about 0.09% of the company's total share capital.
2020-03-30	Zhongnanconstruction	Received a notification from the Dealers Association to accept applications for registration of ultra-short-term financing bills with a total amount of no more than RMB 3 bn and medium-term notes with a total amount of no more than RMB 4.2 bn.
2020-03-31	PRE	Final interest rate of the first type of 2020 corporate bonds (first phase) is set at 3.00%, and the second type is not issued.
2020-03-31	Vanke	The business partner Shenzhen Yingan Financial Consultant Enterprise (Limited Partnership) purchased approximately 70 mn shares of the company's shares for approximately RMB 1.63 bn, accounting for approximately 0.6% of the company's total share capital.
2020-03-31	Times	Issued RMB 2.5 bn of domestic corporate bonds, including 7-year 6.3% corporate bonds and 5-year 5.1% corporate bonds.
2020-03-31	CMSK	Issued RMB 1 bn 2.20% ultra-short-term financing bills and RMB 1.25 bn 2.20% ultra-short-term financing bills, with terms of 143 and 150 days respectively.
2020-03-31	Shanghai Shimao	The company's third largest shareholder, Shanghai Shimao Investment Management Co., Ltd., has accumulatively held approximately 110 mn shares, accounting for approximately 3.03% of the company's total share capital. The total shareholding ratio reached approximately 8.67% of the company's total share capital.
2020-03-31	BRC	In 2020Q1, the company exercised the the 2018 stock option incentive plan and completed the transfer of 3.65 mn shares, accounting for 6.48% of the total number of available stock options.
2020-04-01	ChinaOCT	The company paid about RMB 180 mn to repurchase about 28.695 mn shares, accounting for about 0.35% of the company's total share capital, and the transaction price was RMB 6.38 - 6.50 per share.
2020-04-01	SHLingang	Issue RMB 1 bn of 1.95% ultra-short-term financing bills, with a duration of 120 days.
2020-04-02	Country Garden	Issued 5-year RMB 3.4 bn 4.2% corporate bonds.



2020-04-02	Zhongnanconstruction	Obtained a total of 7 real estate projects in Nantong, Changzhou, Wenzhou and Shangqiu in Mar 2020.
2020-04-02	Vanke	Obtained a total of 4 real estate projects in Baotou, Urumqi, Zhengzhou and Lanzhou in Mar 2020.
2020-04-02	Yango	Approved by the CSRC to publicly issue corporate bonds with a total face value not exceeding RMB 8 bn to qualified investors.
2020-04-02	Risesun	Obtained a total of 8 real estate projects in Qingdao, Langfang, Chongqing, Chuzhou, Wuhu and Shijiazhuang in Mar 2020.
2020-04-03	BJ Capital Development	Planned to issue a debt financing plan with a scale not exceeding RMB 1 bn and a term not exceeding 18 months.
2020-04-03	Gemdale	Issued 3-year RMB 1.5 bn 3.05% and 5-year RMB 500 mn 3.55% medium-term notes.
2020-04-03	BRC	RMB 1.065 bn REITs asset support special plan for office properties received no objection letter from the Shanghai Stock Exchange.
2020-04-03	CFLD	Obtained 3 land use rights in Langfang, Hebei, and Lu'an, Anhui, with a total area of about 165,000 sqm and a total transaction value of about RMB 1.52 bn in Mar 2020.

Source: Company Announcements, CWSI Research

Note:

1. Certain uncertainties in the industry regulation and financing policies may affect the sales performance of listed companies;
2. Macroeconomic fluctuations may have certain impact on business operations within the industry;
3. Uncertainties in the control of COVID-19 spread.



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