



## This Week in China

### Opportunities and challenges of agent construction

#### Event:

On July 10, Greentown Management Holdings (9979.HK) was officially listed on the main board of the Hong Kong Stock Exchange.

#### Comments:

The advantage of the agent construction business lies in the high profit margin, and the moat lies in brand power, experience, and resource integration capabilities. The moat of competition for agent construction enterprises mainly has the following three points: 1) **Brand power**: Brand power is an important competitiveness of agents, which requires a long time to accumulate; 2) **Experience**: Understanding the demands of the client, communication and coordination in the distribution of benefits between parties are essential. The way to simplify the process, reduce project risks, and optimize revenue is needed learning in the long term; 3) **Ability of resource integration**: Although the agent does not bear the cost of land acquisition and property development in the agent construction business, the ability to integrate channel resources such as financial institutions, suppliers, design companies, construction companies, and sales parties in the industrial chain can effectively help the client to reduce costs and expenses, so as to be more favored by the client.

The agent construction business can contribute a lower income scale, and under the situation that land prices are still expected to maintain growth, the agent construction business cannot enjoy the disadvantages of land premiums and other disadvantages, **making big developers are not very willing to enter the industry**. However, the industry concentration is still relatively scattered. With the shrinking of the industry's profit space and intensified competition, the development of small and medium-sized developers may be more difficult to survive. The demand for the agent construction business may further increase. **The industry scale may expand in the short to medium term, which will benefit developers that have been deeply involved in the industry for many years most, such as Greentown Management**. As the land dividend and the demand for expansion declines, the agent construction business may be favored by big developers due to its light asset attributes and high profit margins. However, since the concentration of big developers at this stage has further increased, so the demand for agent construction will be reduced, and **the structure of the agent construction industry will tend to be stable in the long run, and the deep-cultivated and experienced developers may be expected to stand out**.

#### Data points:

As of July 10, new house transaction area in 42 major cities this week decreased by 6% YoY, the cumulative transaction area of 2020 fell by 13% YoY; saleable area (inventory) in 13 major cities this week decreased by 15% YoY; average inventory period was 7.0 months, down 16% YoY. second-hand housing transaction in 15 major cities this week increased by 3% YoY, and the cumulative transaction area in 2020 fell by 11% YoY.

#### Suggestion:

This week, Ningbo, Qingdao and Nanjing have carried out real estate remediation to ensure stable and healthy development of the market under the loosening of liquidity and the relaxation of early policy. The liquidity easing renders M2 and social financing maintained a high growth rate; the CPI growth rate remained low, which is expected to support monetary policy space. Maintain "overweight" rating.

**Overweight**  
(Maintain)

Public WeChat account



**Sicong Shen**

Analyst

+852 3958 4699

shensicong@cwghl.com

SFC CE Ref: BNF 348

**Siqi Li**

Contact

+852 3958 4631

lisiqi@cwghl.com



# 1. Opportunities and challenges of agent construction

## 1.1 What is agent construction business

**Agent construction business is characterized by light assets.** The traditional real estate development business is a capital-intensive, heavy asset business, with land appreciation and property sales as the main source of income. Due to the strong periodicity due to the influence of economic development and policy regulation, and under the tightening of industry policies in recent years, the overall profit center of the industry has declined. The agent construction business is characterized by the property of light assets. Based on the entrusted relationship, the agent constructs the brand value and management experience to the entrusting party, thereby helping the entrusting party to revitalize the existing land resources and improve the management quality of the development project, etc.; The purchase, project development and other capital investment, the agent will receive a certain percentage of the replacement service fee in return. At present, the overall net interest rate of the agency construction business is higher than that of the traditional real estate development business. At the same time, the agent construction business is weak in periodicity. When the cycle goes down, small and medium developers will also prefer to use the agent construction model to resist downside risks, thereby expanding the scale of the agent construction industry.

**Figure 1: Agent construction business is characterized by light assets**

	<b>Traditional real estate development business</b>	<b>Construction business</b>
Business attributes	Heavy assets	Light assets
Customer attributes	C side	B side
Period attribute	Periodic	Counter-periodic
Return on investment	Land appreciation + property sales	Agent Construction Service Fee
Profit margin	Lower	Higher

Source: Prospectus, CWSI

**Commercial agent construction is currently the main type of agent construction business.** According to different project entrusting parties, the current agency construction business mainly includes three types: government agency construction, commercial agency construction, and capital agency construction. 1) **Government agency construction:** It is the main form of the development of China's agency construction industry. The principal is mainly the government or public institution. The development projects include public housing and public infrastructure. A fixed percentage of the total amount of project investment is charged as the agency Construction cost, the profit margin of agent construction projects is lower than that of commercial agent construction, but government agent construction projects can shape the corporate social image and strengthen the relationship between government and



enterprises, so as to achieve a win-win situation between government and enterprises; 2) **Commercial agent construction:** it is the current agent The main form of construction business, the entrusting party is mainly small and medium-sized housing companies with relatively weak brand power and management ability, and entrust large-scale housing companies with rich resources, strong brand influence and rich development experience to accelerate project turnover and improve profitability; 3) **Capital agent construction:** As trusts, funds, etc. gradually enter the real estate field, the capital agent construction funded by capital and constructed by housing companies is more in line with the current international development model of agent professional division of labor, which is currently relatively rare in China.

**Figure 2: At present, the agent construction business mainly includes three types**

	<b>Government agent construction</b>	<b>Commercial agent construction</b>	<b>Capital agent construction</b>
Client	Government or institution	Small and medium-sized housing enterprises	Trusts, funds, etc.
Agent	Large-scale housing enterprises or project management enterprises with legal personality	Large housing enterprises	Large housing enterprises
The client's interests	Social benefit	Improve desalination and profitability	Capital gain maximization

Source: SAP Consulting, CWSI; Note: The following discussion mainly focuses on commercial agent construction

## 1.2 Business model and industry track of agent construction business

### 1.2.1 Business Model of Agent Construction Business

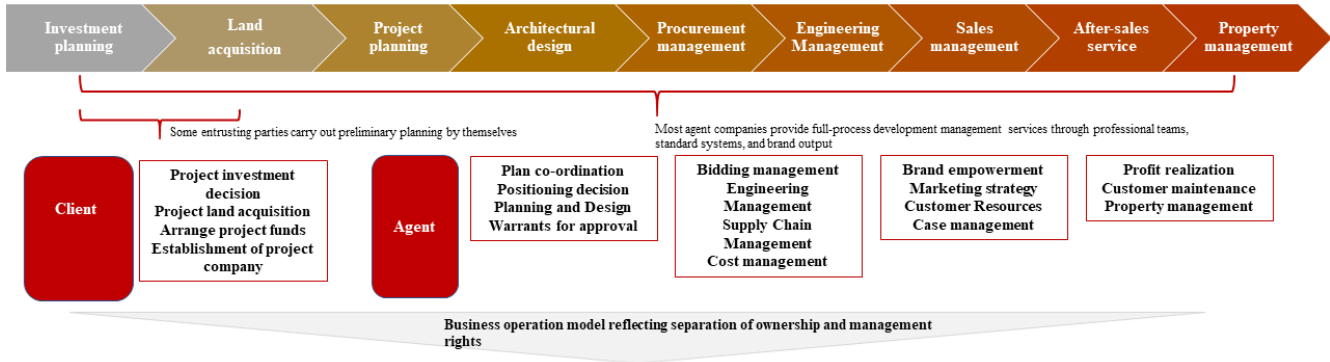
**Agent construction business-a business operation model in which ownership and management rights are separated.** With the strengthening of industry adjustment policies, the development of the real estate industry is approaching the ceiling of scale, competition among real estate development companies has intensified, and the development fault tolerance rate has declined. Especially for small and medium-sized housing companies, the brand awareness is low, the product power is insufficient, the development management and control ability is weak, and financing Difficulties make the difficulty of acquiring land and product sales more difficult, and Daicheng is an important choice when facing competition in the industry. Usually small and medium-sized housing companies choose large housing companies with similar management



styles and product characteristics according to their needs. With their financing channels, brand influence, product standardization design system, mature management and control capabilities, etc., they can improve the pre-design, from land acquisition to product design. The efficiency of the entire process of project construction and then property sales and management. The entrusting party is responsible for arranging the whole process of funds, and the agent is responsible for the whole process of output management experience (some of the entrusting parties are responsible for land acquisition links themselves), forming a business operation model in which ownership and management rights are separated.

**The agent obtains income in stages, and the income is mainly from the pre-agreed agent construction service fee.** In terms of agents, at present, the mainstream agent construction companies generally form a three-tier structure of agent construction management headquarters-regional company-project company. The management headquarters is responsible for the standardized formulation of service plans and product processes, and is responsible for integrating internal and external resources and channels for brand and management experience output. Regional companies are generally responsible for regional market research and project development, and communicate with entrusting parties in terms of cooperation plans and revenue sharing, etc., while ensuring the quality of service output and achieving customization as much as possible. The project company is responsible for the implementation of the project after the plan is determined. In terms of the client, after reaching an agreement, the client will send the role of chairman, legal representative, financial manager and other roles to the agent project company according to the needs of the project, and supervise and report on the progress of the project. And in accordance with the signing of the cooperation agreement, the completion of the project acceptance, the desalination reached the agreed standard and other milestones, the corresponding consideration will be paid to the contractor in stages. The income of the agency mainly comes from the pre-agreed agency service fees, including personnel costs (including salary and employee benefits), consulting and management fees (depending on the agreed percentage of property sales, the total construction area of the project managed and the agreed Square meters of expenses, etc.), performance-based dividends (if the excess profits are realized, dividends will be distributed in accordance with the ladder), etc.

**Figure 3: Agent Construction Business—Business Operation Mode with Separation of Ownership and Management Right**



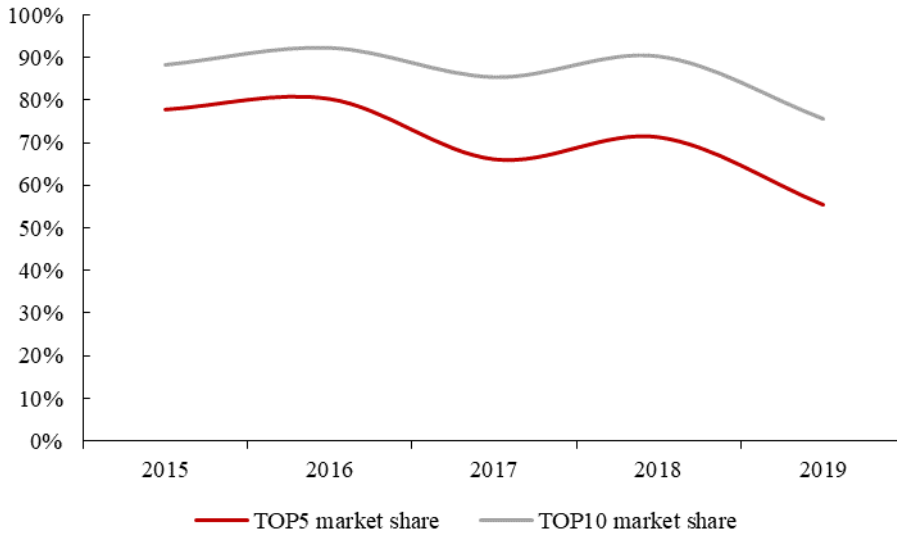
Source: SAP Consulting, Prospectus, CWSI

### 1.2.2 The competition pattern and moat of agent construction industry

**The industry scale is relatively small and the industry concentration is high.** Since 2010, domestic property developers have gradually entered the agent construction industry. The total construction area of new contracted projects in the construction market in the 2010-2019s has a compound annual growth rate of 25.0%. The total construction area of new contracted projects in the 2019s reached 67.429 million square meters . At present, the domestic agent construction business track is relatively concentrated, and the main market participants are real estate development companies with high sales rankings and high brand awareness, including Greentown, Gemdale, Binjiang, Agile, Wanda, etc., but most of them The real estate developers involved in the agent construction business only operate the agent construction as a supplementary business. In terms of market share, the overall revenue of the domestic agent construction industry in 2019 was 9.06 billion yuan, the market share of the top five agent companies was 55.3%, and the market share of the top ten agent companies was 75.7%. Among them, Greentown Management In the 2019s, revenue from construction business was 1.99 billion yuan, and its market share accounted for 12.0%.



**Figure 4: In 2019, the market share of TOP5 agency construction company revenue was 55.3%**



Source: China Index Academy, CWSI

**The advantage of agent construction business lies in high profit margin.** As can be seen from the foregoing, the agent construction business does not require a large amount of investment costs, but adopts the asset-light model operation of input management experience and brand effect. Therefore, it has the advantages of small investment scale, low financial leverage, anti-cyclicality, and high profit rate. It may play a better role in responding to the current situation of the industry with a high leverage ratio, a cycle at the bottom, and a compressed profit margin.

**The difficulty of the agent construction business lies in the accumulation of brand, experience, and resource integration capabilities.** The moat of competition for agent companies mainly has the following three points: 1) **Brand premium:** The reason why small and medium-sized housing companies need to seek agent companies is mainly because their brand influence is weak, which makes it difficult to obtain lower financing costs. In terms of land acquisition, it is difficult to obtain higher-quality plots, and in product sales, it is difficult to obtain higher premiums with higher-quality products. Therefore, brand premium is an important competitiveness of the agent, and it takes a long time to build brand influence and popularity. The accumulation can be reflected, and at the same time, it has higher requirements for the agent's reputation risk management and control capabilities, and it is difficult to be imitated and surpassed in a short period of time; 2) **Agent construction business experience:** the agent construction business is superficially similar to the companies themselves in the process of land acquisition, development, and sales, but the experience of the contractor cannot be directly copied. It is essential for the communication and coordination of the client's own characteristics, development claims, and the distribution of benefits



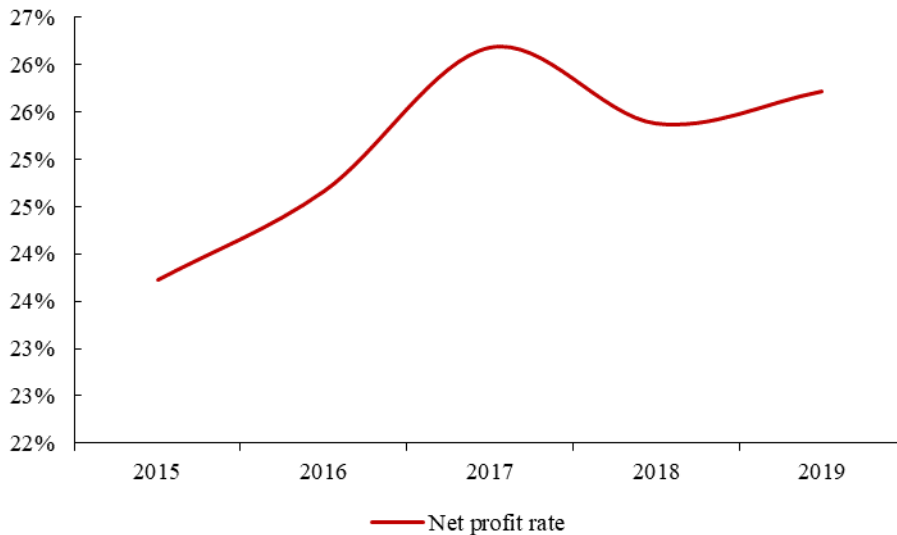
between the two parties. Different commissioners often need to customize the plan, so how to optimize process management, reduce project risks, and optimize revenue acquisition as much as possible is all the accumulation of experience required by the agent in the long-term business development. Time to form a mature and perfect management system; 3) **Omni-channel resource integration capability**: Although the agent does not bear the cost of land acquisition and property development in the agent construction business, for financial institutions, suppliers, and design companies in the industry chain, Construction companies, sales parties and other channel resource integration capabilities, can effectively help the client reduce costs and expenses, so as to be more favored by the client.

Taking the industry leader Greentown Management as an example, many years of deep cultivation in the construction industry has the first mover advantage. In 2005, Greentown started the development of agency construction through the government agency construction business. In 2010, Greentown established Greentown Real Estate Construction Management Co., Ltd., the predecessor of Greentown Management, with "government agency construction, commercial agency construction, and capital agency construction" as its core. Business, becoming China's first agent company of asset-light business model. After years of development and accumulation of experience, Greentown's agent construction business model has iterated to the 4.0 management system, and through continuous improvement of the "Green Star Standard" to simplify and improve the agent construction process involving multiple parties, reduce the overall process cost and improve development efficiency. Building talent accumulation, supplier networks, industry ecosystems and other aspects are becoming more mature, continue to promote the development of agent construction business, build a competitive moat, and maintain the industry's leading position. At the same time, with its brand influence and more experienced characteristics in mid-to-high-end projects, Greentown has achieved good performance in improving sales performance and obtaining higher pricing premiums. In 2019, its agent-built Zhuhai Cuihu Xiangshan project sold villas on average The price is 50% higher than comparable properties in the city, and the average selling price of high-rise residential apartments is 18% higher than comparable properties in the city.





Figure 5: The net profit of the construction industry in the 2019s was 25.7%



Source: China Index Academy, CWSI

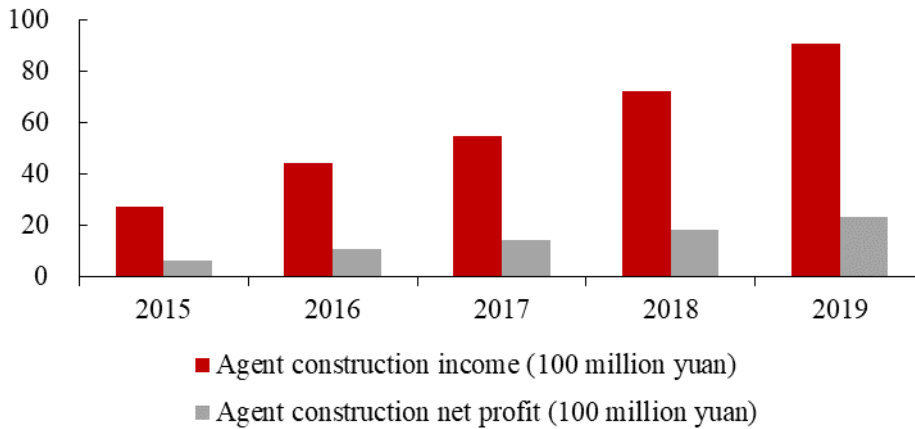
### 1.3 Two major restrictions reduce the new willingness to enter, and the size of the industry in the short and medium term is expected to expand

**One of the restrictions: the scale of income is too small.** From 2015 to 2019, the compound annual growth rate of revenue and net profit of the agent construction industry were 34.9% and 37.8%, respectively. However, after more than ten years of development, in 2019, the revenue of major agent companies was only 9.1 billion yuan. The net profit is only 2.3 billion yuan. Although the net profit margin reaches 26%, which is much higher than the overall net interest rate of real estate development companies, **the income and net profit are only comparable to the scale of small real estate development companies after the industry ranks in the top 100**. This is related to the income model of the agency construction business. Because its revenue mainly depends on management service fees, most of the total project management service fees usually only account for 3% to 7% of the contracted sales of the project. Small, so it further reduces the scale of available income. For current real estate companies, their scale expansion appeals are still relatively strong. Centralizing capital and human resources to develop high-turnover property development businesses and increasing the scale of enterprises are still the top priorities.





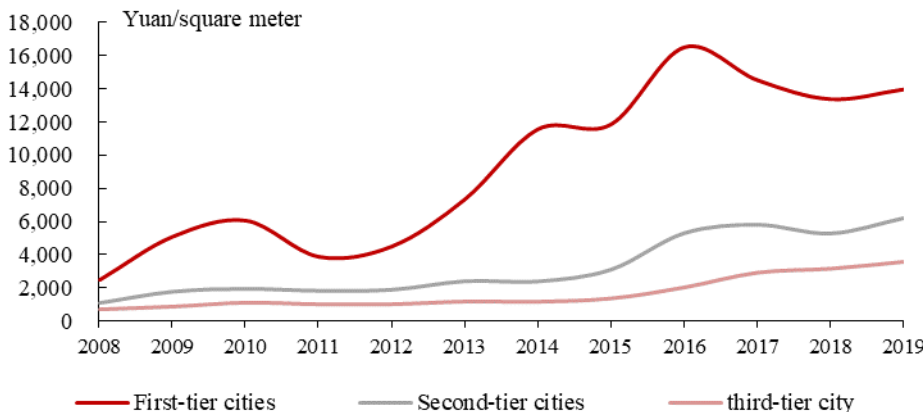
**Figure 6: In the 2019s, the total industry revenue of the construction business was only 9.1 billion yuan**



Source: Greentown Management Prospectus, CWSI

**Restriction 2: There are certain restrictions on the business model, and it is impossible to enjoy the premium of land appreciation.** Low risk brings low income. As an asset-light business model, agent construction itself has relatively small operational risks, but therefore loses control of the project and cannot enjoy opportunities for land value-added gains. Despite the tightening of relevant policies in the real estate market in recent years, the average floor price of land for first-, second-, and third-tier residential land transactions in China’s 100 large and medium-sized cities still shows a trend of increase. In the second- and third-tier cities, there is still room for value increase in land prices. At the same time, based on the fact that land supply in many cities is still relatively tight, and the demand side is still strong, the probability of land price decline is relatively small.

**Figure 7: The transaction price of residential land in 100 cities is still trending upward**



Source: Wind, CWSI



In summary, for real estate development companies that are still important to do large-scale development at this stage, the agency construction business can contribute a lower income scale, and under the situation that land prices are still expected to maintain growth, the agency construction business cannot enjoy the land premium, etc. **The disadvantages have made housing companies less willing to enter the industry.** However, in the short and medium term, the sales of China's top 100 housing companies accounted for 63.5% of the market share in 2019, and the industry concentration is still relatively scattered. With the shrinking of the industry's profit space and intensified competition, the development of small and medium-sized housing companies may be more difficult to survive. The demand for the agency construction business may further increase, **and the industry scale may be expanded in the short to medium term, which will be a great benefit for enterprises that have been deeply involved in the agency construction business for many years.** As the land dividend subsides and the demand for expansion of housing companies declines, the agency construction business may be favored by housing companies due to its light asset attributes and high profit margins. However, since the concentration of large housing companies at this stage has further increased, so The demand for agent construction will be reduced, **and the structure of the agent construction industry will tend to be stable in the long run, and the deep-cultivated industry and experienced enterprises may be expected to stand out.**

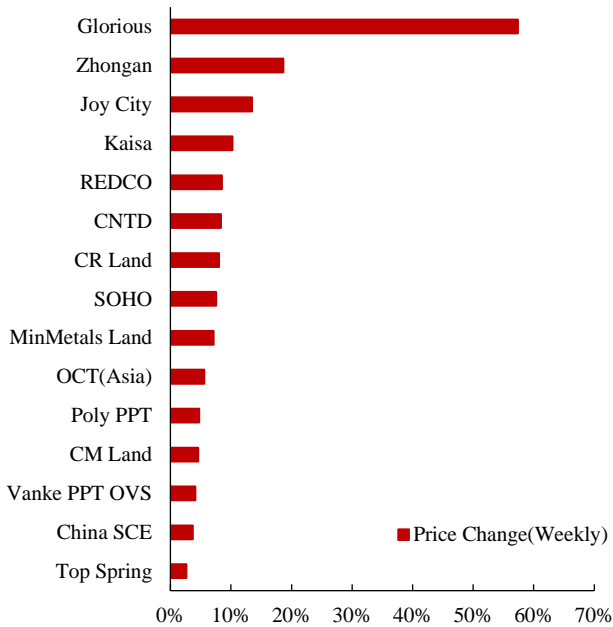


## 2. Sector Performance

### 2.1 Performance of developer sector

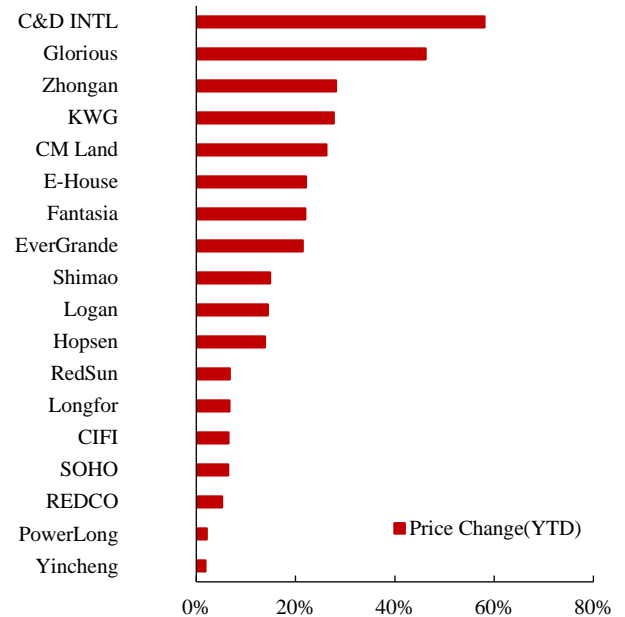
This week, Glorious, Zhongan and Joy City had larger price increase than peers. C&D INTL, Glorious, and Zhongan had better share price performance, YTD.

**Figure 8: This week, Glorious, Zhongan and Joy City had larger price increase than peers**



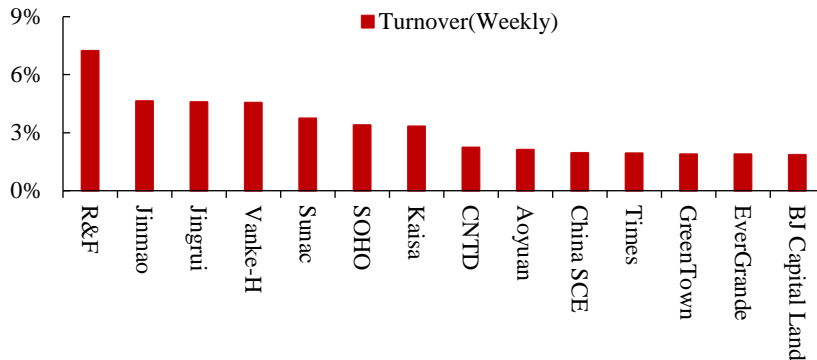
Source: Wind, CWSI Research

**Figure 9: C&D INTL, Glorious, and Zhongan had better share price performance, YTD**



Source: Wind, CWSI Research

**Figure 10: R&F, Jinmao and Jingrui were most actively traded this week**



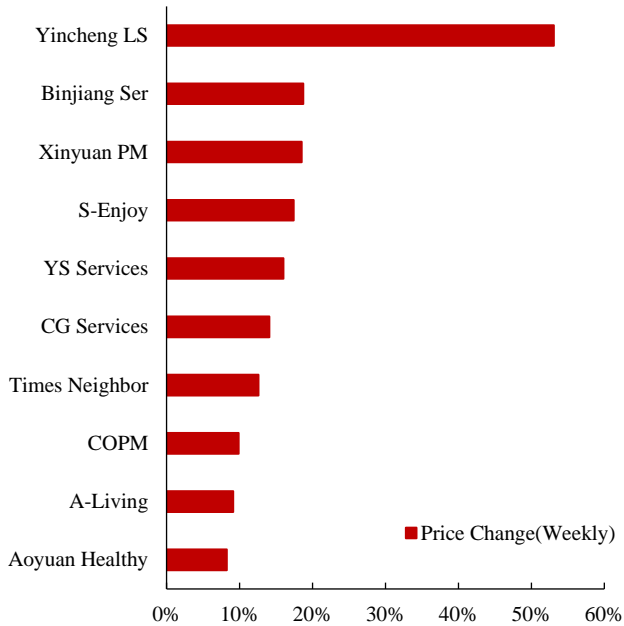
Source: Wind, CWSI Research



## 2.2 Performance of property service sector

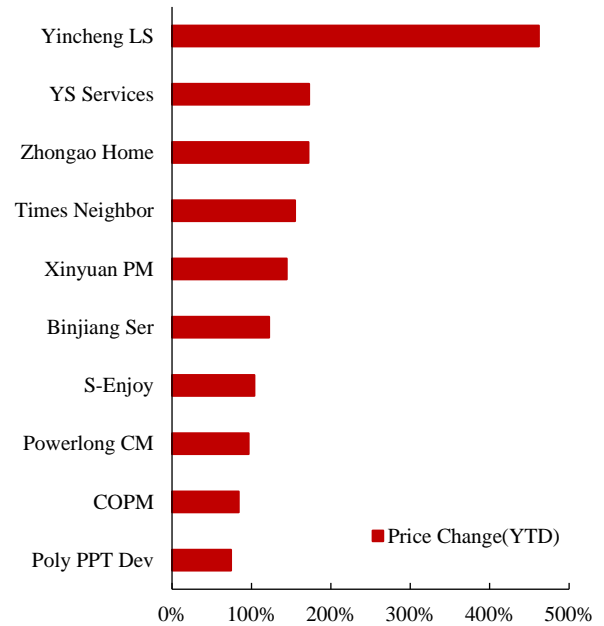
This week, Yincheng LS, Binjiang Ser and Xinyuan PM had better share price performance than peers. Yincheng LS, YS Services and Zhongao Home had better share price performance YTD.

**Figure 11: This week, Yincheng LS, Binjiang Ser and Xinyuan PM had better share price performance than peers**



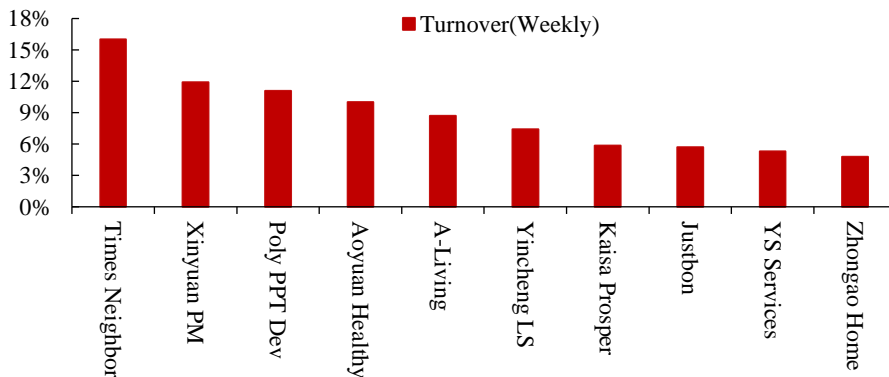
Source: Wind, CWSI Research

**Figure 12: Yincheng LS, YS Services and Zhongao Home had better share price performance YTD**



Source: Wind, CWSI Research

**Figure 13: Time Neighbor, Xinyuan PM and Poly PPT Dev were most actively traded this week**



Source: Wind, CWSI Research



### 3. Major cities transaction performance

#### 3.1 New house transaction data

Figure 14: Major cities new house transactions volume decreased YoY this week

City & Region	Last 7 days				Last 30 days			Month to date		Year to date	
	sqm	wow	revious peric	yoy	sqm 000	mom	yoy	sqm 000	yoy	sqm 000	yoy
Beijing	139,214	↓25%	179,925	↓-23%	652	↑1%	↓-10%	208	↓-25%	2,841	↓-26%
Shanghai	229,800	↓32%	277,700	↓-17%	1,220	↓-1%	↓-10%	331	↓-18%	5,536	↓-25%
Guangzhou	176,788	↓41%	140,698	↑26%	1,059	↑30%	↑4%	268	↑34%	3,836	↓-18%
Shenzhen	94,663	↑30%	76,271	↑24%	326	↓-9%	↓-1%	133	↑19%	1,794	↓-2%
<b>Tier 1</b>	<b>640,465</b>	<b>↓28%</b>	<b>674,594</b>	<b>↓-5%</b>	<b>3,256</b>	<b>↑7%</b>	<b>↓-5%</b>	<b>939</b>	<b>↓-5%</b>	<b>14,008</b>	<b>↓-21%</b>
<b>Tier 2</b>	<b>3,077,429</b>	<b>↓23%</b>	<b>2,971,919</b>	<b>↑4%</b>	<b>13,921</b>	<b>↑15%</b>	<b>↑14%</b>	<b>4,724</b>	<b>↑15%</b>	<b>54,859</b>	<b>↓-7%</b>
<b>Tier 3</b>	<b>1,983,501</b>	<b>↓42%</b>	<b>2,394,449</b>	<b>↓-17%</b>	<b>11,417</b>	<b>↑7%</b>	<b>↓0%</b>	<b>3,097</b>	<b>↓-16%</b>	<b>48,418</b>	<b>↓-17%</b>
Beijing	139,214	↓25%	179,925	↓-23%	652	↑1%	↓-10%	208	↓-25%	2,841	↓-26%
Qingdao	333,520	↓28%	312,619	↑7%	1,733	↑23%	↑29%	494	↑14.2%	6,968	↑3%
Dongying	68,159	↓35%	38,769	↑76%	486	↑45%	↑133%	111	↑90%	1,875	↑107%
<b>PBR</b>	<b>540,894</b>	<b>↓28%</b>	<b>531,312</b>	<b>↑2%</b>	<b>2,871</b>	<b>↑20%</b>	<b>↑26%</b>	<b>813</b>	<b>↑6%</b>	<b>11,684</b>	<b>↑2%</b>
Shanghai	229,800	↓32%	277,700	↓-17%	1,220	↓-1%	↓-10%	331	↓-18%	5,536	↓-25%
Nanjing	228,484	↓30%	309,704	↓-26%	874	↓-4%	↑1%	467	↑16%	4,575	↑25%
Hangzhou	389,048	↑4%	262,442	↑48%	1,298	↑27%	↑44%	494	↑33%	4,692	↑19%
Suzhou	205,218	↓65%	292,913	↓-30%	2,110	↑46%	↑102%	305	↓-8%	6,109	↑13%
Wuxi	178,800	↑35%	122,900	↑45%	562	↓-4%	↓-15%	179	↑45%	2,674	↓-25%
Yangzhou	71,057	↑194%	60,089	↑18%	237	↑16%	↓-12%	95	↑33%	1,043	↓-20%
Jiangyin	34,511	↓59%	63,043	↓-45%	329	↓-17%	↓-16%	54	↓-32%	1,379	↓-9%
Wenzhou	147,416	↓85%	270,291	↓-45%	2,101	↑31%	↑65%	299	↓-23%	6,064	↓-6%
Jinhua	134,497	↓-2%	39,247	↑243%	392	↑57%	↑110%	213	↑269%	1,136	↑12%
Changzhou	61,470	↓27%	114,123	↓-46%	361	↑21%	↓-49%	97	↓-57%	1,504	↓-53%
Huaian	84,608	↓25%	91,926	↓-8%	492	↑11%	↑4%	137	↓-11%	2,183	↓-17%
Lianyungang	150,870	↓29%	115,603	↑31%	621	↑1%	↑4%	240	↑16%	2,969	↓-3%
Shaoxing	126,747	↑100%	35,779	↑254%	303	↓-13%	↑33%	150	↑123%	1,284	↓0%
Zhenjiang	123,098	↓40%	129,817	↓-5%	651	↑0%	↑2%	216	↑15%	2,897	↓-27%
Wuhu	38,836	↓44%	47,310	↓-18%	211	↑8%	↓-15%	70	↓-38%	903	↓-4%
Zhoushan	16,765	↓60%	21,107	↓-21%	137	↓-9%	↑9%	30	↑0%	672	↑6%
Chizhou	15,234	↓40%	28,902	↓-47%	73	↓-12%	↓-46%	26	↓-44%	438	↓-38%
Ningbo	351,195	↓21%	127,608	↑175%	1,131	↑33%	↑38%	593	↑205%	3,764	↓-7%
<b>YRD</b>	<b>2,587,655</b>	<b>↓40%</b>	<b>2,575,744</b>	<b>↑0%</b>	<b>13,370</b>	<b>↑12%</b>	<b>↑16%</b>	<b>4,020</b>	<b>↑9%</b>	<b>52,609</b>	<b>↓-9%</b>
Guangzhou	176,788	↓41%	140,698	↑26%	1,059	↑30%	↑4%	268	↑34%	3,836	↓-18%
Shenzhen	94,663	↑30%	76,271	↑24%	326	↓-9%	↓-1%	133	↑19%	1,794	↓-2%
Fuzhou	75,210	↑125%	45,437	↑66%	168	↓-2%	↓-27%	97	↑32%	990	↓-28%
Dongguan	144,970	↓45%	116,424	↑25%	856	↑48%	↑48%	199	↑27%	2,679	↑6%
Quanzhou	52,211	↑2%	69,329	↓-25%	274	↑0%	↓-15%	67	↓-33%	1,125	↓-38%
Putian	23,398	↓70%	67,531	↓-65%	167	↓0%	↓-52%	39	↓-71%	800	↓-28%
Huizhou	65,846	↓45%	76,680	↓-14%	410	↑74%	↑45%	92	↓-13%	1,230	↓-10%
Shaoguan	33,113	↓21%	26,192	↑26%	166	↓-18%	↑16%	50	↑31%	854	↑7%
Foshan	227,440	↓37%	293,491	↓-22.5%	1,366	↑12%	↓-4%	356	↓-16%	5,664	↓-24%
Jiangmen	17,505	↓55%	49,899	↓-65%	127	↓-19%	↓-9%	25	↓-65%	602	↑18%
Zhaoqing	43,750	↓33%	45,470	↓-4%	246	↑11%	↑2%	67	↑3%	1,100	↑4%
<b>PRD &amp; Southern China</b>	<b>954,894</b>	<b>↓33%</b>	<b>1,041,218</b>	<b>↓-8%</b>	<b>5,164</b>	<b>↑17%</b>	<b>↓-2%</b>	<b>1,393</b>	<b>↓-9%</b>	<b>20,949</b>	<b>↓-18%</b>
Changchun	135,929	↓44%	249,778	↓-46%	825	↑6%	↓-20%	222	↓-39%	3,691	↓-30%
Taian	60,880	↓15%	55,555	↑10%	254	↓-1%	↓-3%	94	↓-1%	1,016	↓-20%
<b>Northern China</b>	<b>196,808</b>	<b>↓37%</b>	<b>305,333</b>	<b>↓-36%</b>	<b>1,079</b>	<b>↑4%</b>	<b>↓-16%</b>	<b>316</b>	<b>↓-31%</b>	<b>4,707</b>	<b>↓-28%</b>
Wuhan	586,665	↑24%	576,626	↑2%	2,080	↑58%	↓-26%	832	↓-8%	5,813	↓-44%
Yueyang	72,680	↑11%	58,339	↑25%	237	↑9%	↑31%	91	↑25%	1,016	↑5%
Ganzhou	177,480	↑39%	147,143	↑21%	683	↓-13%	↓-14%	231	↓-5%	3,910	↓-15%
<b>Central China</b>	<b>836,825</b>	<b>↑26%</b>	<b>782,109</b>	<b>↑7%</b>	<b>3,001</b>	<b>↑29%</b>	<b>↓-21%</b>	<b>1,153</b>	<b>↓-6%</b>	<b>10,740</b>	<b>↓-33%</b>
Chengdu	528,367	↑2%	478,253	↑10%	2,031	↓-19%	↑2%	862	↑26%	10,784	↑7%
Nanning	55,951	↓84%	326,994	↓-83%	1,078	↓-19%	↑5%	202	↓-55%	5,810	↓-21%
<b>Western China</b>	<b>584,319</b>	<b>↓33%</b>	<b>805,247</b>	<b>↓-27%</b>	<b>3,109</b>	<b>↓-19%</b>	<b>↑3%</b>	<b>1,064</b>	<b>↓-6%</b>	<b>16,594</b>	<b>↓-5%</b>
<b>Total</b>	<b>5,701,395</b>	<b>↓31%</b>	<b>6,040,962</b>	<b>↓-6%</b>	<b>28,594</b>	<b>↑11%</b>	<b>↑5%</b>	<b>8,760</b>	<b>↓0%</b>	<b>117,284</b>	<b>↓-13%</b>

Source: Local governments, CWSI Research; Note: Till 2020/7/10



Figure 15: Major cities inventory period decreased YoY

City	Inventory (sqm 000)	wow	yoy	Inventory period	wow	yoy
Beijing	12,260	↑ 2.2%	↑ 35.5%	18.8	↓ -0.2%	↑ 51.0%
Shanghai	7,154	↑ 0.3%	↓ -7.7%	5.9	↑ 3.9%	↑ 3.0%
Guangzhou	8,098	↓ -0.5%	↑ 3.5%	7.6	↓ -0.1%	↓ -0.5%
Shenzhen	2,056	↑ 2.3%	↓ -18.0%	6.3	↑ 1.5%	↓ -17.1%
<b>Tier 1</b>	<b>7,392</b>	<b>↑ 1.1%</b>	<b>↑ 9.0%</b>	<b>9.7</b>	<b>↑ 1.2%</b>	<b>↑ 15.5%</b>
Hangzhou	3,391	↓ -3.2%	↑ 47.6%	2.6	↓ -10.5%	↑ 2.4%
Nanjing	5,712	↓ -1.3%	↑ 57.5%	6.5	↓ -6.6%	↑ 55.8%
Suzhou	6,591	↓ -0.7%	↑ 35.1%	3.1	↑ 0.2%	↓ -33.1%
Fuzhou	6,355	↑ 0.2%	↑ 88.9%	37.7	↓ -21.1%	↑ 159.0%
Ningbo	2,885	↓ -9.8%	↑ 6.3%	2.6	↓ -19.8%	↓ -23.0%
<b>Overall Average</b>	<b>4,542</b>	<b>↓ -24.4%</b>	<b>↓ -14.9%</b>	<b>7.0</b>	<b>↓ -37.1%</b>	<b>↓ -16.2%</b>

Source: Local governments, CWSI Research; Note: Till 2020/7/10



### 3.2 Second-hand house transaction and price data

Figure 16: Major cities Second-hand house transaction volume, Jinhua rose significantly YTD

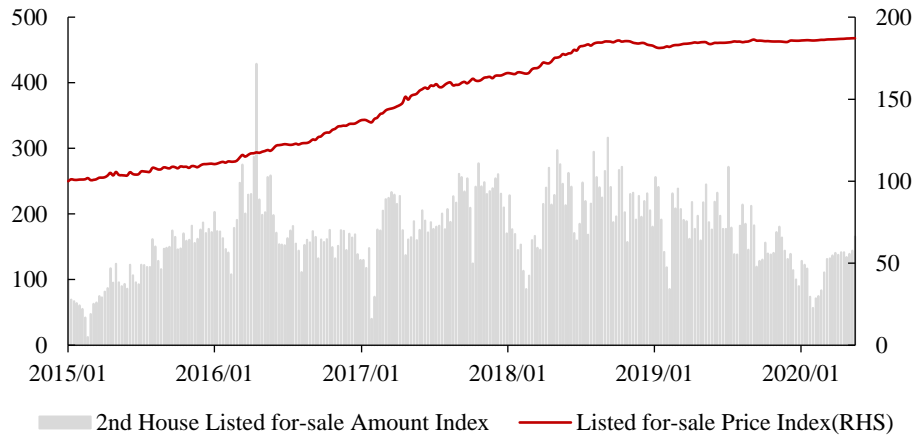
City	Last 7 days		Last 30 days			Month to date			Year to date	
	sqm	yoy	sqm 000	mom	yoy	sqm 000	mom	yoy	sqm 000	yoy
Beijing	294,662	↑ 31%	1,437	↓ -12%	↑ 23%	438	↓ -19%	↑ 23%	6,338	↓ -3%
Shenzhen	246,700	↑ 75%	947	↑ 5%	↑ 66%	368	↑ 13%	↑ 74%	4,107	↑ 48%
Hangzhou	145,606	↑ 30%	644	↓ -3%	↑ 24%	215	↑ 4%	↑ 40%	2,713	↑ 3%
Nanjing	263,811	↑ 90%	1,002	↓ -6%	↑ 64%	418	↑ 26%	↑ 103%	4,491	↑ 39%
Chengdu	117,795	↓ -36%	506	↓ -12%	↓ -50%	189	↓ -7%	↓ -34%	2,655	↓ -55%
Qingdao	138,134	↑ 30%	596	↓ -1%	↑ 32%	208	↓ -3%	↑ 33%	2,511	↑ 10%
Wuxi	150,640	↑ 1%	642	↓ -12%	↓ -5%	242	↓ -1%	↑ 7%	3,069	↑ 5%
Suzhou	138,951	↓ -53%	589	↑ 2%	↓ -52%	221	↑ 4%	↓ -50%	2,822	↓ -51%
Xiamen	94,969	↑ 34%	385	↑ 14%	↑ 7%	140	↑ 13%	↑ 36%	1,592	↓ -28%
Yangzhou	18,565	↓ -24%	102	↓ -17%	↓ -7%	32	↓ -25%	↓ -18%	506	↓ -9%
Yueyang	12,604	↓ -33%	71	↓ -7%	↓ -4%	22	↓ -18%	↓ -25%	301	↓ -20%
Nanning	2,125	↓ -98%	223	↓ -34%	↓ -39%	41	↓ -76%	↓ -83%	1,184	↓ -10%
Foshan	157,904	↑ 33%	621	↓ -3%	↑ 19%	237	↑ 13%	↑ 27%	2,543	↓ -23%
Jinhua	45,805	↑ 20%	203	↓ -53%	↑ 42%	85	↓ -46%	↑ 47%	1,259	↑ 67%
Jiangmen	14,460	↓ -24%	80	↓ -13%	↓ -25%	27	↓ -10%	↓ -18%	367	↓ -27%
<b>Total</b>	<b>1,842,732</b>	<b>↑ 3%</b>	<b>8,049</b>	<b>↓ -8%</b>	<b>↑ 2%</b>	<b>2,884</b>	<b>↓ -5%</b>	<b>↑ 6%</b>	<b>36,458</b>	<b>↓ -11%</b>

Source: Local governments, CWSI Research; Note: Till 2020/7/10



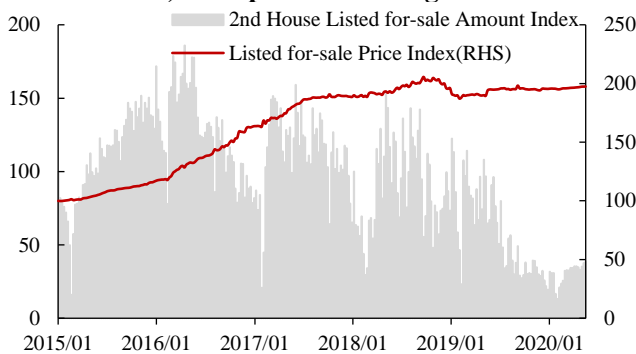


**Figure 17: 2nd house listed for-sale price index rose slightly recently**



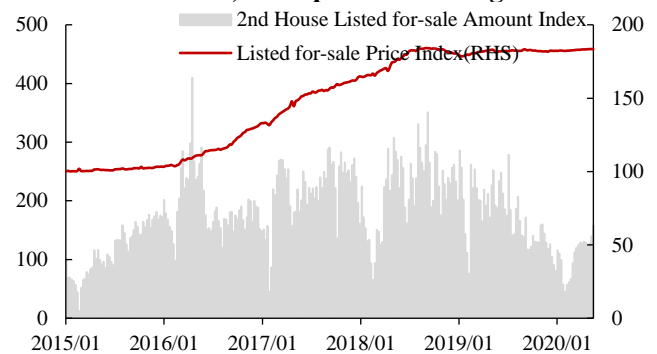
Source: Local Government, CWSI Research; Note: Till 2020/7/5

**Figure 18: 2nd house listed for-sale amount index rose in tier-1 cities, with price remaining stable**



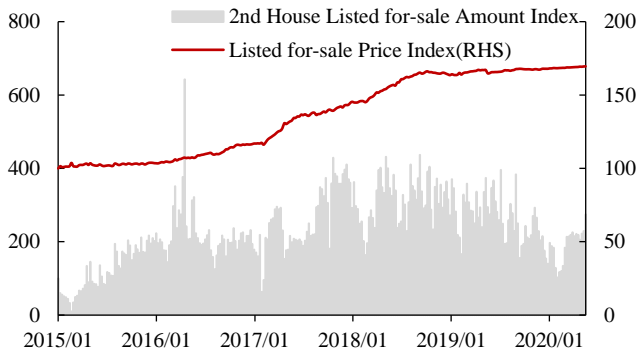
Source: Local Government, CWSI Research; Note: Till 2020/7/5

**Figure 19: 2nd house listed for sale amount index rose in tier-2 cities, with price remaining stable**



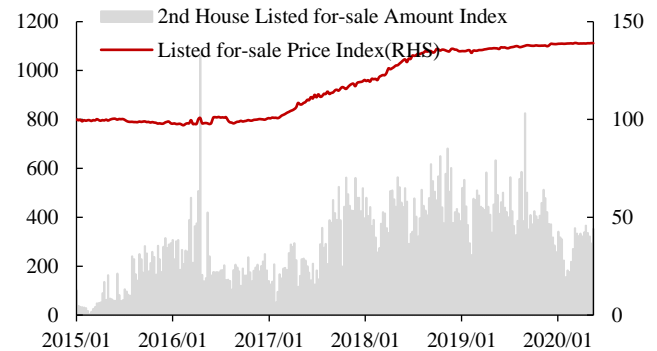
Source: Local Government, CWSI Research; Note: Till 2020/7/5

**Figure 20: 2nd house listed for-sale amount index rose in tier-3 cities, with price rising slightly**



Source: Local Government, CWSI Research; Note: Till 2020/7/5

**Figure 21: 2nd house listed for-sale amount index rose in tier-4 cities, with price slightly upwards**



Source: Local Government, CWSI Research; Note: Till 2020/7/5



## 4. Important Policies and News

### 4.1 Important Industry Policies News This Week

**Figure 22: Recently, the Human Resources and Social Security Bureau of Zhuhai issued the "Notice on Further Relaxing the Conditions of Talent Introduction and Household Registration in Our City (Draft for Comment)", which is intended to be implemented within the city within 5 years after graduation and first employment; partial conditions that meet the conditions The college degree or above can be settled; Zhuhai enterprises can recruit new students from technical (vocational) colleges within two years of graduation.**

Date	Region / Institution	Summary
2020-07-06	Beijing	Recently, Beijing issued 25 local standards. Among them, the "Residential Design Code" stipulates that new residential buildings with four floors or more, or new residential buildings with a floor height of more than 9 meters from the outdoor design floor of the resident entrance floor must be equipped with elevators.
2020-07-06	Zhuhai	Recently, the Human Resources and Social Security Bureau of Zhuhai City issued the "Notice on Further Relaxing the Conditions of Talent Introduction and Household Registration in Our City (Draft for Comment)", which is intended to be implemented within the city within 5 years after graduation and first employment; partial conditions that meet the conditions The college degree or above can be settled; Zhuhai enterprises can recruit new students from technical (vocational) colleges within two years of graduation.
2020-07-06	Ningbo	Recently, the Ningbo Municipal Housing and Urban-Rural Development Bureau issued the "Notice on Perfecting the Complete Decoration Work of Newly Built Houses", which stipulates that the basic decoration fee for fully furnished houses shall not exceed RMB 2,000 per square meter from August.
2020-07-07	Ministry of Finance	The Ministry of Finance plans to reissue 50 billion yuan of 5-year anti-epidemic special government bonds on July 14.
2020-07-07	Beijing	Affected by the epidemic, only two office buildings were completed in the first half of 2020. At present, the city's total office building area is 12.478 million square meters, the average rent price is 360.5 yuan/square meter/day, and the vacancy rate is 13.6%, a year-on-year increase of 4.9 percentage points, a record high of nearly ten years.
2020-07-07	Dongguan	In the first half of 2020, Dongguan will provide a total of 25 commercial and residential land, with a corresponding area of approximately 1.378 million square meters. There were 23 transactions, with a corresponding area of about 1.269 million square meters and a corresponding amount of about 40.17 billion yuan.
2020-07-08	Shenzhen	Recently, the largest shed reform project in Shenzhen during the year has been officially opened. The shed reform in Nanhua Village has been officially demolished. First, 8 buildings and 18 buildings will be demolished, and the qualified buildings will be demolished in an orderly manner.
2020-07-08	Nanjing	Today, the Nanjing Real Estate Bureau announced that it will start the investigation and rectification of the prominent issues of "property management" and "real estate transactions" reported by the masses from mid-July, and simultaneously carry out investigation and rectification of other related livelihood issues that the masses are concerned about, such as housing Security, housing safety and historical issues.
2020-07-08	Hainan	Recently, Haikou, Sanya, Danzhou, Qionghai, Chengmai, Lingshui and other cities and counties have investigated and dealt with 7 real estate companies and intermediaries that illegally sold commercial housing, and 4 individuals who fraudulently purchased housing through false means, and were given separate



		cancellations. Penalties such as qualifications, blacklisting, fines, and suspension of online signing qualifications.
2020-07-09	National Bureau of Statistics	Today, the latest statistics released by the National Bureau of Statistics show that the June CPI rose 2.5% year-on-year, expected to rise 2.6%, and the previous value rose 2.4%; residential prices fell 0.6% year-on-year, and the previous value fell 0.5%.
2020-07-09	Beijing	Recently, the Beijing Housing Provident Fund Management Center issued the "Notice on Issues Concerning the Payment of Housing Provident Fund Annual Housing in 2020", which includes the continued implementation of the 5% to 12% payment ratio, and the monthly payment base limit is the same as the 2019 monthly payment base. The upper limit standard is 27786 yuan.
2020-07-09	Shenzhen	1) Recently, the Shenzhen Housing and Urban-rural Construction Bureau revised and issued the "Shenzhen Property Management Area Management Regulations (Model Text)" and the "Shenzhen Property Management Area Provisional Management Regulations (Model Text)", which clearly pointed out that owners and property use in the property management area. If a person rents a house, the original design function and layout of the house may not be changed without authorization; the house originally designed as a living space may not be divided and separated for rent; the original design may not be used as a non-residential space such as a kitchen, bathroom, balcony, and underground storage room. After remodeling and building, it is rented out for living. 2) Recently, the Shenzhen Real Estate Intermediary Association issued a "Serious Reminder about Do Not Disseminate and Credulize the Unreliable News of the Real Estate Market", saying that last week's false rumors about the upcoming new policy of real estate regulation and control in Shenzhen were spread consciously, requiring the real estate market to all. All parties should resolutely resist speculation, speculation on housing prices and other behaviors that disrupt the order of the real estate market. 3) Recently, Deputy Minister Ni Hong of the Ministry of Housing and Urban-Rural Development, Zhang Xuefan, Director of the Housing and Urban-rural Construction Bureau of Shenzhen, and several heads of housing companies held a real estate research meeting in Shenzhen to discuss how real estate should develop in the next decade after the outbreak, and proposed relevant suggestions about the current development of the real estate industry.
2020-07-10	Central Bank	1) At the end of June, the broad currency balance was 213.5 trillion yuan, an increase of 11.1% year-on-year, and the growth rate was the same as that at the end of last month, which was 2.6 percentage points higher than the same period of the previous year; the narrow currency balance was 60.4 trillion yuan, an increase of 6.5% year-on-year, and the growth rate was. At the end of last month, it was 0.3 percentage points lower, 2.1 percentage points higher than the same period last year; the balance of currency in circulation was 8.0 trillion yuan, an increase of 9.5% year-on-year. In the first half of the year, net cash investment was 227 billion yuan. 2) In the first half of 2020, household sector loans increased by 3.56 trillion yuan, of which short-term loans increased by 755.2 billion yuan, and medium and long-term loans increased by 2.8 trillion yuan. 3) In the first half of 2020, the cumulative increase in social financing scale was 20.8 trillion yuan, 6.2 trillion yuan more than the same period of the previous year; the stock of social financing scale was 271.8 trillion yuan, an increase of 12.8% year-on-year.
2020-07-10	Ministry of Finance	Today, the Ministry of Finance continued the bidding for the fourth tranche of book-entry treasury bonds. The bidding weighted yield was 3.75%, the total bid multiple was 3.68 times, and the marginal bid multiple was 2.97 times. The bidding of the current bond was terminated until July 13 for distribution, and from July 15 onwards, it was merged with the previously issued treasury bonds and listed for trading.



2020-07-10

Hainan

The Provincial Development and Reform Commission learned that from this year to July 5, Hainan's key projects have completed a total investment of 30.8 billion yuan, with a completion rate of 45%. A total of 15 projects have been started, with a starting rate of 75%, which exceeds the schedule. Accumulatively completed 2 projects.

---

Source: Wind, Government website, CWSI Research



## 4.2 Company news and announcements

**Figure 23: Sunac issued US\$600 million 6.5% senior notes due 2023 and US\$400 million 7.0% senior notes due 2025.**

Date	Company	Summary
2020-07-06	Jinmao	The company placed approximately 600 million shares at HK\$5.7 per share; the company's controlling shareholder Sinochem Hong Kong (Group) Co., Ltd. subscribed for approximately 350 million shares at HK\$5.7 per share.
2020-07-06	Modern Land	The company plans to issue green priority notes in US dollars.
2020-07-06	Powerlong	Shanghai Yulong Property Management Co., Ltd., a wholly-owned subsidiary of the company, acquired 60% equity of Zhejiang Xinghui Commercial Management Co., Ltd., with a total transaction price of 40.55 million yuan.
2020-07-07	Sunac	The company issued US\$600 million 6.5% senior notes due 2023 and US\$400 million 7.0% senior notes due 2025.
2020-07-07	Modern Land	The company issued US\$250 million of 11.5% green priority notes due in 2022.
2020-07-07	Times Neighborhood	The company placed approximately 77 million shares at HK\$10.22 per share; Fengya Enterprise Co., Ltd. held by the company's controlling shareholder plans to subscribe for approximately 77 million shares at HK\$10.22 per share.
2020-07-08	GreenTown	The company issued US\$300 million in 5.65% senior notes due in 2025.
2020-07-08	Country Garden	Country Garden Real Estate Group Co., Ltd., a wholly-owned subsidiary of the company, completed the issuance of 1.36 billion yuan of 5-year 4.19% corporate bonds.
2020-07-08	Longguang	In June 2020, the equity contract sales amount was 9.10 billion yuan, and the equity contract sales area was 626,000 square meters; in 2020, the cumulative equity contract sales amount was 46.35 billion yuan (+12.1%), and the cumulative equity contract sales area was 3.043 million square meters.
2020-07-09	CMSK	In June 2020, the contracted sales amount was 32.57 billion yuan (+15.1%), the contracted sales area was 1.615 million square meters (+8.9%); the cumulative contracted sales amount in 2020 was 110.71 billion yuan (+9.4%), and the cumulative contracted sales area was 4.973 million Square meters (-3.5%). In June 2020, the company obtained 10 real estate projects in Jiaying, Wuhan, Xi'an, Changzhou, Ningbo, Hangzhou, Shanghai and Dongguan.
2020-07-09	Grandjoy	The company provided a total guarantee of 408 million yuan to the joint venture Beijing Yueheng Real Estate Co., Ltd.
2020-07-09	Zhongnanconstruction	The company provided a total guarantee of 482 million yuan to its subsidiaries Ningbo Zhongqi Real Estate Co., Ltd., Jiangsu Zhongnan Construction Industry Group Co., Ltd., and Hangzhou Dajiang East Zhongnan Chenjin Construction Development Co., Ltd.



---

2020-07-10	CFLD	1) The company provides guarantee for the indirect wholly-owned subsidiary CFLD (CAYMAN) INVESTMENT LTD. to issue overseas bonds not exceeding US\$2.05 billion. 2) The company intends to carry out financing of no more than 6 billion perpetual bonds to Ping An Asset Management for the development and construction of PPP projects in its subsidiary's industrial new city.
2020-07-10	Vanke	The company's 5-year 3 billion yuan 1.9% 170,000 Vanke 01 corporate bonds pay interest on July 20, 2020.
2020-07-10	Sunshine City	The company provided a guarantee of RMB 40 million for the joint-stock subsidiary Ji'an Rongcheng Real Estate Development Co., Ltd.

---

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.***



### **Analyst Certification**

I, Sicong Shen (申思聰), being the person primarily responsible for the content of this research report, in whole or in part, hereby certify that:

- (1) all of the views expressed in this report accurately reflect my personal view about the subject company(ies) and its (or their) securities;
- (2) no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report, or our Investment Banking Department;
- (3) I am not, directly or indirectly, supervised by or reporting to our Investment Banking Department;
- (4) the subject company (ies) do(es) not fall into the restriction of the quiet period as defined in paragraph 16.5(g) of SFC Code of Conduct;
- (5) I do not serve as officer(s) of the listed company (ies) covered in this report; and
- (6) I and/or my associates have no financial interests in relation to the listed company (ies) covered in this report.

### **Meanings of Central Wealth Securities Ratings**

The ratings in the report are based on the market performance within 12 months after the report is released. The A-share market is based on the CSI 300 Index and the Hong Kong stock market is based on the Hang Seng Index.

#### 1) Stock Ratings:

Buy – Describes stocks that we expect to provide a relative return of >20%.

Accumulate – Describes stocks that we expect to provide a relative return of between 5% and 20%.

Hold – Describes stocks that we expect to provide a relative return of between -10% and +5%.

Sell – Describes stocks that we expect to provide a relative return of <-10%.

#### 2) Sector Ratings:

Overweight – Describes sectors that we expect to provide a relative return of >10%.

Neutral – Describes sectors that we expect to provide a relative return of between -10% and +10%.

Underweight – Describes sectors that we expect to provide a relative return of <-10%.

### **Disclaimer**

Central Wealth Securities Investment Limited (CWSI) does and seeks to do business with the company or companies covered in this report. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Any information provided in this research report is for information purpose only and have no regards to the investment objectives, financial situation or risk tolerance level of any specific recipient and does not constitute any solicitation or any offer to buy or sell any securities or any other financial instruments. This report has not been reviewed by the Hong Kong Securities and Futures Commission. Investment is risky, before enter into any investment contract, individual should exercise judgment or seek for professional advice when necessary.

Although the information in this report is obtained or compiled from sources that Central Wealth Securities Investment Limited (CWSI) believes to be reliable, no representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the materials contained in this report. All price related information is indicative only, and value of the investment(s) referred to in this report and the income from them may fluctuate. Information contained in this report may change at any time and Central Wealth Securities Investment Limited (CWSI) gives no undertaking to provide notice of any such change.

Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Central Wealth Securities Investment Limited (CWSI) and its affiliates, officers, directors, and





employees may from time to time have long or short positions in securities, warrants, futures, options, derivatives or other financial instruments referred to in this report.

In no event will the information or the opinions expressed in this report constitute investment advice for any person. In no event will Central Wealth Securities Investment Limited (CWSI) or any other member of Central Wealth Securities Investment Limited (CWSI) be liable or responsible for loss of any kind, whether direct, indirect, consequential or incidental, resulting from the act or omission of any third party occurring in reliance upon the contents of this report.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to any law, regulation, rule or other registration or licensing requirement.

This report may not be reproduced, distributed or published by any person for any purpose without the prior written consent of Central Wealth Securities Investment Limited (CWSI). All rights are reserved.