This Week in China
Online real estate reform from Alibaba's entry

Overweight
(Maintain)

Public WeChat account

Sicong Shen
Analyst
+852 3958 4699
shensicong@cwghl.com
SFC CE Ref: BNF 348

Hongfei Cai
Analyst
+852 3958 4629
caihongfei@cwghl.com
SFC CE Ref: BPK 909

Lianxin Zhuge
Analyst
+852 3700 7094
zhugelianxin@cwghl.com
SFC CE Ref: BPK 789

Topic of the week:

What does the cooperation mean for the industry? Why are they cooperating at the current time? What marginal improvement will Alibaba bring to E-House?

Tmall Haofang is expected to help developers increase profits, boost short-term sales, and bring about changes in the business model and industry structure of the agency industry. For developers, Tmall Haofang may improve the marketing efficiency while reducing marketing costs, thereby increasing the profit margins; improved convenience and subsidies may enable potential home buyers to accelerate their purchase decisions and boost sales in the short term. **For agencies, the core resources are developers and brokers who can freely choose the platform for listing houses,** the fierce competition for the core resources may usher in changes in real estate marketing models; **the core difference between focusing on online and offline marketing lies in the acquisition of potential buyers.** Online platforms can integrate the needs of buyers across the country, while offline expansion can obtain clues such as house purchase emotions that are difficult to quantify. The difference may lead to the transformation of industry marketing models.

Alibaba will bring marginal improvements to E-House through housing resource introduction, demand integration and supply-demand matching. In terms of housing resource introduction, if the ETC mechanism can have a significant positive effect on promoting transactions, it will attract more developers with new home resource and brokers with existing home resource. **In terms of demand integration,** although Alibaba's mature online platform is difficult to create new demand for home purchases, it can expand the range of people who participate in house purchases through E-House, which will boost the demand side of E-House. **In terms of supply and demand matching,** Alibaba can achieve more effective information matching and more precise marketing through its huge transaction data and excellent data processing capabilities.

E-House has closer ties with developers, and Beike is larger in transaction and housing resources scale. In terms of new home transactions, many developers as shareholders and CRIC services have given E-House an advantage in new house resources; Beike has increased its efforts in the new house market since 2019, with its new house transaction revenue increased by 171.3% YoY in 2019, becoming the largest new house trading platform in China with a GTV of RMB 747.6 bn. **In terms of existing home transactions**, E-House connects small, medium and micro agencies through Fangyou brand, management system construction and new home resources, in 2018, it completed the layout of 10,000 offline stores; Beike, besides the larger number of stores such as Lianjia and Deyou, its ACN model has promoted the willingness of brokers to share housing and realized the access to large-scale existing home resources.

Data points:

As of Sep 18th, new house transaction area in 42 major cities this week decreased 16% WoW, and cumulative transaction area in 2020 fell by 3% YoY.

As of Sep 18th, saleable area (inventory) in 13 major cities this week increased 2% WoW; average inventory period was 9.4 months, average change was 3%.

As of Sep 18th, second-hand housing transactions in 15 major cities this week decreased 4% WoW, and cumulative transaction area in 2020 fell 2% YoY.

Suggestion:

This week, the recovery of real estate investment and sales in Aug still continued, industry fundamentals remained sound. Chengdu proposed to increase the supply of residential land to guide market stability from supply side; Dalian' tightening of the provident fund loan policy may stabilize the market from demand side. In this environment, the industry is expected to continue to maintain steady development. Maintain "Overweight" rating.

1. Online real estate reform from Alibaba's entry

A few days ago, Alibaba and E-House jointly announced that they would launch a Estate Transaction Cooperation (ETC) mechanism. On this basis, E-House will also launch a digital real estate-driven core business strategy upgrade, Alibaba will launch Tmall Haofang and will start the real estate carnival on Nov 11 this year. What does the cooperation mean for the industry? Why are they cooperating at the current time?What marginal improvement will Alibaba bring to E-House?

1.1 What is the significance of the cooperation between E-House and Alibaba?

1.1.1 For developers: boost short-term sales and increase profit margins

Convenience enhancements and subsidies may boost sales in the short term, but in the medium to long term it depends more on housing demand. Tmall Haofang can improve convenience through the optimization of the house purchase process, and may increase residents' home purchase willingness. Tmall Haofang promises not to make money for at least 3 years in the future, and all the income it obtains will be used to subsidize home buyers. The above commitments may be attractive to home buyers in the short term, allowing some potential home buyers to participate in home purchases in considerations of subsidies. However, commercial housing is different from other retail products. Its low frequency and high price prevent buyers from buying behavior only due to subsidies that account for a small proportion of the total price. **In the short term, increased convenience and subsidies may accelerate the home purchase decisions of potential buyers who have a demand for home purchase but have not yet decided when to purchase a home through which platform, thereby improving the current sales of developers; but in the mid to long term, the sales performance of commercial housing does not depend on any model of any platform, but depends on the actual housing needs of residents, and the degree of matching between developers' products and residents' housing needs.**

Increased marketing efficiency and reduced marketing costs may help developers increase their profits. With the increase in land costs in all tiers of cities and the restriction of housing prices, the profitability of developers has been under pressure, and the importance of operational control is increasing day by day. Tmall Haofang may improve the marketing efficiency while reducing marketing costs, thereby increasing the profit margins of developers.

1.1.2 For real estate agency industry: change the business model and reconstruct the industry structure

Fierce competition may usher in changes in the business model of the real estate agency industry and the marketing model of homes. The core resource of real estate development is land. After obtaining the land, developers can construct the project and sell the property, the possibility of core resource loss is extremely low; the core resource of real estate agency lies in developers with new home resources and brokers with existing home resources. Different from land plots, **in the real estate agency industry, developers and brokers with home resources have strong liquidity and can relatively freely choose the platform that can obtain the most benefits.** The fierce competition for the above-mentioned core resources tests the feasibility of the business model. Beike's ACN and Tmall's ETC may both bring huge changes to the real estate marketing model.

The combination of the Internet and traditional agencies may lead the transformation of real estate marketing models. Relatively speaking, Tmall Haofang is dominated by online marketing, while Beike is more dependent on its extensive offline stores. In response to buyers' experience requirements for the surrounding environment and actual details, both E-House and Beike can realize through a wide range of offline stores. In contrast, **the core difference between focusing on online and offline marketing lies in the acquisition of potential buyers.** Online platforms can ignore the restrictions on the layout of offline stores and integrate the needs of buyers across the country, while offline expansion can obtain clues such as house purchase emotions that are difficult to quantify from contact with customers. The difference between the two types of marketing models may lead to the transformation of industry marketing models.

The cooperation between real estate agencies and Internet giants may have a huge impact on the real estate agency industry. Unlike Beike's own deployment of online and offline businesses, the cooperation between E-House and Alibaba makes it possible for Internet companies that rarely engage in real estate business to directly cooperate with real estate agencies that lack online layout, and more Internet + real estate agency combination may appear in the future, bringing huge impact on the current competitive landscape of real estate agencies.

1.2 Time of cooperation: Infrastructure is gradually improved, and the three major catalysts jointly promote

1.2.1 Infrastructure development provides feasibility

Based on home buyers' requirements on the supply side of online home purchase platforms, both online and offline infrastructure are prerequisites for online home purchases. With the steady expansion of offline stores in the real estate agency industry and the development of technology, the infrastructure to meet the above requirements is gradually improving.

E-House offline stores have developed rapidly in recent years. Fangyou brand stores have expanded rapidly in recent years. In 2018, the number of stores has exceeded 10,000. On the other hand, thanks to the iteration and development of the Fangyou system, E-House's links to many small, medium and micro agencies have gradually formed. Under the above conditions, E-House can only meet the needs of scattered customers for offline house at the current time.

Technological advancement has enabled marketing channels such as VR house viewing and live house selling, and the development of various online businesses has strengthened the feasibility of online house transactions. In recent years, with the development of technology, VR viewings have become more common. In 2019, Beike realized about 420 mn VR viewings throughout the year, and the total time customers spent in the VR viewing business reached 23 mn hours. The development of the live broadcast industry has also brought new opportunities to online marketing. The range of items sold through live broadcasts has gradually expanded. In the first half of 2020, a number of developers have cooperated with professional anchors and celebrities to carry out online house selling activities. The development of various online businesses also provides guarantees for the feasibility of selling houses online. For example, in the real estate transaction service of Alibaba Auctions, it provides services such as due diligence of lawyers, commissioning of samples, transfer of certificates, tax calculations, etc, providing some support for the complex real estate transaction process.

Chart 1: VR viewings are now becoming more common

Source: Beike website, CWSI Research

Chart 2: Ali Auctions provides a series of online real estate transaction services

Source: Alibaba Auction website , CWSI Research

1.2.2 Direct catalysts: changing consumption habits, marketing pressure of developers, competition from Beike

COVID-19 has accelerated changes in residents' consumption habits. In 2020H1, under the influence of COVID-19, residents' online consumption has increased, which is also reflected in real estate. According to data from Beike, in 2020Q2, it facilitated on average c. 159,000 VR property showings in VR home tour mode per day, compared to only 11,000 in 2019Q2. At present, residents' enthusiasm for online consumption is in a relatively high position. Promoting related businesses at a time when habits have formed and consumers are still paying attention may achieve better results.

Financing pressure of developers brings further pressure on contracted sales. Although real estate sales rebounded rapidly in 2020Q2, there are still many developers that will arrange intensively promotion in the second half of the year, and some developers may have certain pressure on sales. In addition to completing the set sales target, more importantly, with the current liquidity environment returning to normalization and industry financing may tend to be tightened, the importance of cash collection is becoming more and more prominent. Although developers have repeatedly innovated their marketing models during the year, they are mostly limited to mini programs that only display their own projects. The number of customers that can be accessed is relatively limited. Tmall Haofang may become a platform to get through the projects of various developers and bring huge flow to the projects of various developers.

Direct competition brought by the listing of Beike. Beike was listed in the US in Jul 2020 and was affirmed by the capital market. As of Sep 18, 2020, its market value has reached USD 65.81 bn (c. RMB 444.82 bn). After receiving the attention of the capital market and obtaining sufficient equity financing, Beike may further seize the market share of the new home and existing home market, which intensifies the real estate competition between Alibaba and Tencent to a certain extent.

1.3 E-House + Alibaba: significant marginal improvement

1.3.1 What is the marginal improvement of Tmall Haofang to E-House?

Tmall Haofang will be a business cooperation between Alibaba and E-House, giving full play to their own advantages. The difference between "Alibaba+E-House" and "Tencent+Beike" is that Tmall Haofang enables Alibaba and E-House to form a business partnership, which constitutes complementary businesses. Beike itself is already a mature real estate transaction platform. **The key to the real estate trading platform is to facilitate more transactions, which requires sufficient supply and demand and precise matching.** Ali can bring some improvement to E-House in the above aspects.

Sufficient supply comes from developers and brokers, and the ETC mechanism may provide a siginificant breakthrough. The demand of developers with new house listings is to be able to successfully sell new houses at the lowest possible cost. The demand of brokers with existing house listings when choosing a marketing platform is to be able to earn as much commission as possible through transactions. Although E-House and the developers have a relatively close relationship through shareholding status and CRIC, and can attract brokers through new home resources and the export of Fangyou brand, they have not substantially solved the problem of increasing the transaction rate of new houses and enabling brokers to earn more commission. The Estate Transaction Cooperation (ETC) released this time will build a platform with multi-party participation and efficient collaboration based on digital and intelligent new products. If ETC has a clear positive role in facilitating transactions and helping developers and brokers to sell housing successfully, Tmall Haofang will also attract more developers and brokers, and ETC mechanism will become the most powerful support for the availability of housing sources.

Alibaba is able to provide a platform that integrates the needs of home buyers from all over the country. E-House's current commercial housing sales income mainly comes from offline, obtaining new home resources through cooperation with developers and existing home through Fangyou and small and medium-sized agencies. However, home purchases are actually restricted by region. **Although residents' consumption and house purchase needs are scattered in various regions, Alibaba is able to integrate the needs of various regions into the same platform.** Although mature online platforms are difficult to create new demand for home purchases, they can expand the range of people who participate in home purchases through E-House, thus boosting the demand side of E-House.

Huge transaction data and excellent data processing capabilities will help E-House achieve precise matching and efficient marketing. Alibaba is able to grasp customer needs through its huge transaction data and excellent data processing capabilities, and achieve more effective information matching and more precise marketing.

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Table 1: Alibaba can bring marginal improvements to E-House in many ways

Improved factor	Improving methods provided by Alibaba
Sufficient housing supply	If ETC has a clear positive effect on facilitating transactions, Tmall Haofang will attract more developers and brokers
Sufficient housing demand	Integrate house purchasing demand in various places and expand the range of people who buy houses through E-House
Accurate supply and demand matching	Huge transaction data and excellent data processing capabilities

Source: CWSI Research

1.3.2 Alibaba's real estate business: the subject of real estate transactions is mainly judicial auction targets

Invest in real estate related subjects and gradually deploy real estate business. In 2014, Alibaba worked with developers such as Vanke to sell houses, but Alibaba's current real estate transactions are mainly judicial auctions and special house sales, which can be accessed through Alibaba Auctions on the Taobao homepage. In addition to real estate transactions, Ali has repeatedly invested in real estate-related subjects: In 2006, it acquired Koubei, which focuses on rental and second-hand housing information, and integrated it into Taobao Real Estate in 2010; when E-House was listed in 2018, Alibaba subscribed E-House's new shares for HKD 390 mn and became one of E-House's four cornerstone investors; at the end of Jul 2020, E-House intended to issue 118 mn shares and convertible notes corresponding to c. 99.5 mn shares to Alibab. After share issuing and all the stock certificates are exchanged, Alibaba will become the second largest shareholder of E-House.

Table 2: Alibaba has laid out its real estate business many times over the years

Year	Event
2006	Acquisition of Koubei, a leading rental and second-hand housing information
2010	Integrate Koubei into Taobao Real Estate
2014	Cooperate with Vanke to launch a marketing campaign using Taobao online purchase amounts to offset the purchase price
2018	Become one of the four cornerstone investors of E-House
2020	Proposed to subscribe for E-House shares and convertible bonds, and will become E-House's second largest shareholder after increase in holdings and share conversion; formally establish a real estate department and launch the "Tmall Haofang" platform

Source: Company announcements, CWSI Research

Chart 3: Alibaba Auctions covers more than 1.25 mn residential houses across the country


Source: Company website, CWSI Research; note: till 2020/9/19

1.3.3 E-House: Equipped with advantages of new house resources

Real estate agency services in the primary market and real estate brokerage network services are main income sources of E-House. Real estate agency services in the primary market and real estate brokerage network services contributed 50.2% and 39.0% of E-House's revenue respectively in 2019, making them the most important sources. In 2020H1, real estate agency services in the primary market was affected to a certain extent due to the closure of sales offices, and the above-mentioned businesses contributed 44.5% and 38.7% of the company's revenue in 2020H1, respectively.

Chart 4: Real estate agency services in the primary market and real estate brokerage network services are main income sources of E-House
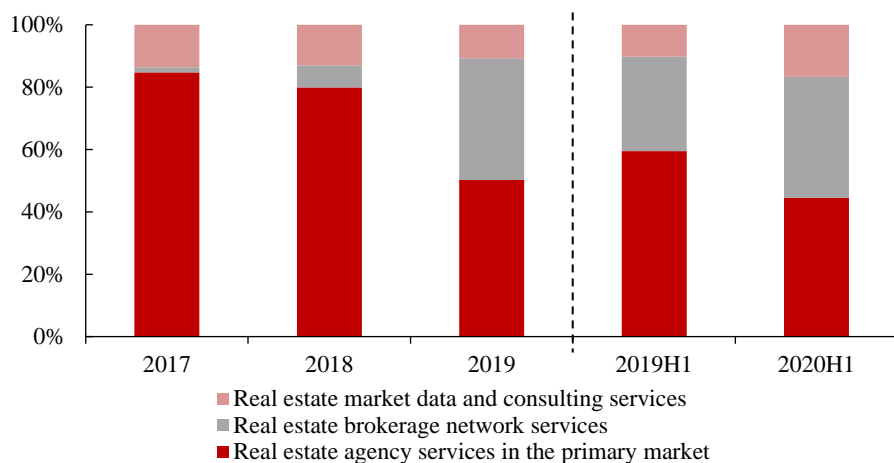
Source: Wind, CWSI Research

Real estate agency services in the primary market is the core business of E-House. E-House's real estate agency services in the primary market includes providing developers with marketing planning and field sales services, and collects commissions at a certain rate after the transaction of the new property. **Close cooperation with developers gives E-House a resource advantage in first-hand real estate agency.** E-House has business cooperation with China's top 100 developers, and its major shareholders also include many leading developers. As of Sep 20, 2020, Country Garden, Vanke and Evergrande each hold 12.4% of E-House's shares. **Sufficient signed and unsold reserve area also provides protection for the development of E-House's real estate agency services in the primary market.** In 2019, the total sales GFA of E-House's real estate agency services in the primary market reached 43.33 mn sqm (+4.9% YoY), and the total sales amount reached RMB 532.4 bn yuan (+0.2% YoY), and as of the end of Jun 2020, the GFA of E-House's signed and unsold reserve projects reached 288 mn sqm.

Chart 5: Many well-known developers are shareholders of E-House, which have provided strong support for E-House's real estate agency services in the primary market
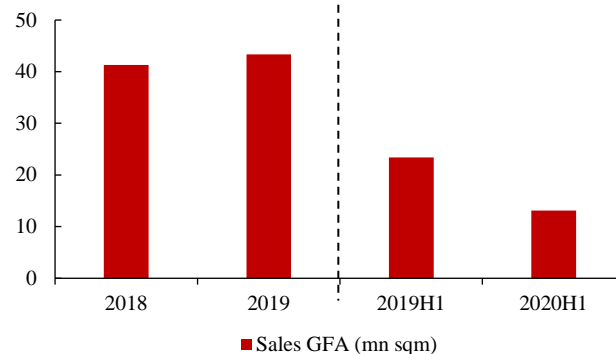

Source: Company website, CWSI Research

Chart 6: E-House's real estate agency services in the primary market achieved 0.4% increase in sales amount
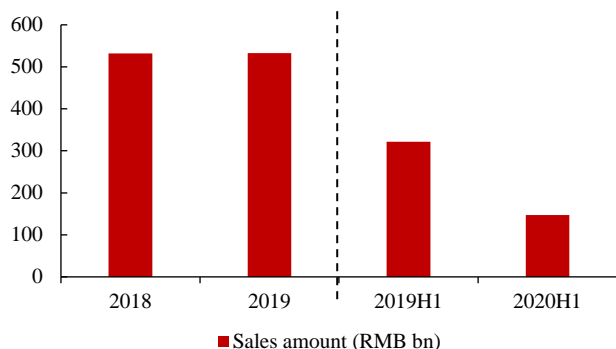
Source: Company announcements, CWSI Research

Chart 7: E-House's real estate agency services in the primary market achieved 4.9% increase in sales GFA


Source: Company announcements, CWSI Research

Beike's new home transaction business is currently on a larger scale, and its revenue contribution has increased significantly since 2019. Beike started with existing home agency business and has increased its efforts in the new home market since 2019 that its revenue from new home transaction services increased by 171.3% YoY in 2019, and the proportion of revenue contribution also increased by 18 pct to 44.1%; in 2020H1, under the influence of COVID-19, Beike's existing home transaction services revenue was the same as the same period last year, while the more resilient new home transaction services still achieved a revenue growth of 115.8%, and its revenue contribution exceeded existing home transaction services for the first time, with an increase of 18.2 pct YoY to 51.3%. According to the data of CIC Consulting, as of end-2019, Beike has become the largest new home transaction platform in China with 747.6 bn GTV.

Chart 8: Beike's new home transaction services revenue has grown rapidly since 2019
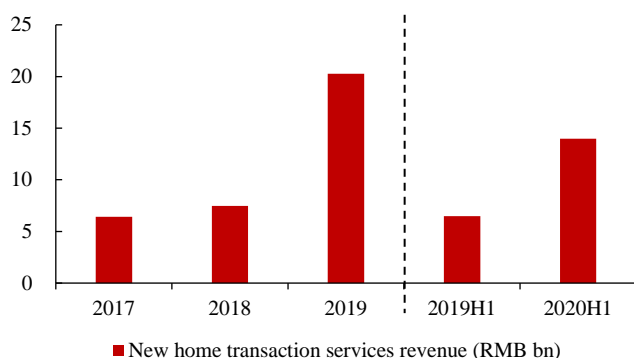
Source: KE Holdings Registration Statement, CWSI Research

Chart 9: Beike's new home transaction services revenue proportion increased significantly in 2019
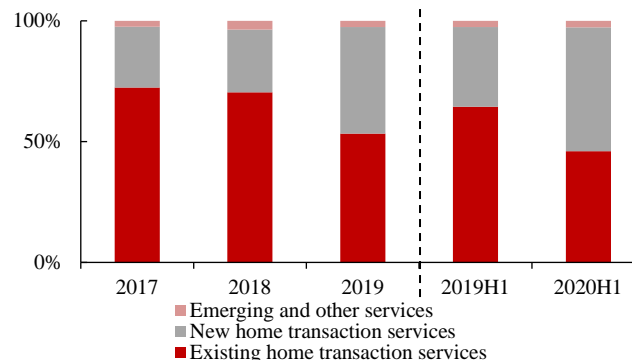
Source: KE Holdings Registration Statement, CWSI Research

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E-House's real estate brokerage network services builds a small and medium brokerage ecosystem through benefit sharing, and has developed rapidly since 2019. Since 2016, E-House has launched real estate brokerage network services under the "Fangyou" brand, and provided the export of the "Fangyou" brand to small and medium-sized brokerage companies that mainly provide second-hand real estate brokerage services, and provided them with new house distribution resources, operation service consultation and Fangyou management system, etc. In Aug 2018, Fangyou completed the layout of 10,000 stores across the country; in 2019, Fangyou vigorously developed the primary and second-hand linkage business. In 2019, the revenue of the E-House real estate brokerage network services increased by nearly 8 times, and the proportion of total revenue increased significantly and turned losses into profits in 2019; in mid-2020, E-House Fangyou launched the "RMB 10 bn, thousands of projects and 10 thousand stores" plan (using RMB 10 bn of funds to pay commission in advance, obtaining more than 3,000 property projects based on developer resources, and driving 50,000 store channels and 150,000 brokers benefit together), **further connect a large number of small, medium and micro brokerage companies with a wide distribution through system construction and access to new home resources.**

Chart 10: E-House's real estate brokerage network services income has grown rapidly in recent years

■ Real estate brokerage network services revenue (RMB bn)
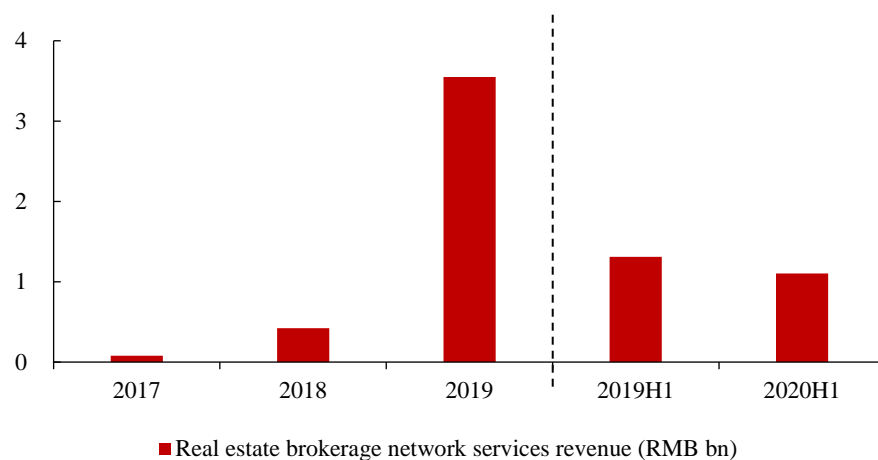
Source: Wind, CWSI Research

Beike has realized the access to large-scale existing home resources through the ACN model. Most of the existing home resources are scattered in the hands of brokers. Beike's ACN model (Agent Cooperation Network) allows a single buyer to be served by multiple brokers in different processes during the purchase process. The above-mentioned brokers can obtain income from the corresponding process under the ACN model. Brokers can obtain income not only by successfully selling the existing home resources in their hands. Under this model, the brokers who hold the existing home resource can also obtain income after other brokers successfully sell the home.

Therefore, the willingness of the broker to share their home resources is relatively high, thus providing the platform with access to a larger number of existing home resources.

Chart 11: Beike's ACN model enables brokers to obtain corresponding income in any process of selling a house

Sell Side: Posting → On-site Verification / Photo Taking → Documentation → Home Key Keeping → Relationship and Information Management

Buy Side: Signing to closing ← Contract Preparation ← Representation and Negotiation ← Property Showing ← Buyer's Recommendation

Source: KE Holdings Registration Statement, CWSI Research

Real estate market data and consulting services make E-House's relationship with developers closer. E-House's real estate data and consulting services include real estate data and research consulting services, evaluation and ranking services, etc, with its CRIC Ranking and CRIC Research having high influence in the industry. CRIC provides various data services in the real estate industry for developers, government and home buyers, etc., and provides some help for developers' investment decision-making, making the cooperation relationship between E-House and developers closer.

Table 3: E-House may be closer to developers than Beike is

| Business	E-House	Beike
New home transaction services	·Traditional advantage business ·Many developers as shareholders; CRIC List and other data businesses make E-House's relationship with developers closer	·Rapid growth since 2019, owns largest domestic scale ·Cooperate with top 100 developers, with developers including Vanke, Country Garden and Sunac as shareholders
Existing home transaction services	·Rapid growth since 2019 ·Link to small, medium and micro intermediaries through the output of Fangyou brand and housemate management system	·Traditional advantage business ·The AGN model introduces a large number of houses; owns the advantages of a housing dictionary and real housing guarantee with obvious moats

Source: CWSI Research

2. Sector Performance

## 2.1 Performance of developer sector

This week, Central China, GD-HKGBA HLDGS and PowerLong had larger price increase than peers. Hopsen, Zhongan and C&D INTL had better share price performance, YTD.

Chart 12: This week, Central China, GD-HKGBA HLDGS and PowerLong had larger price increase than peers
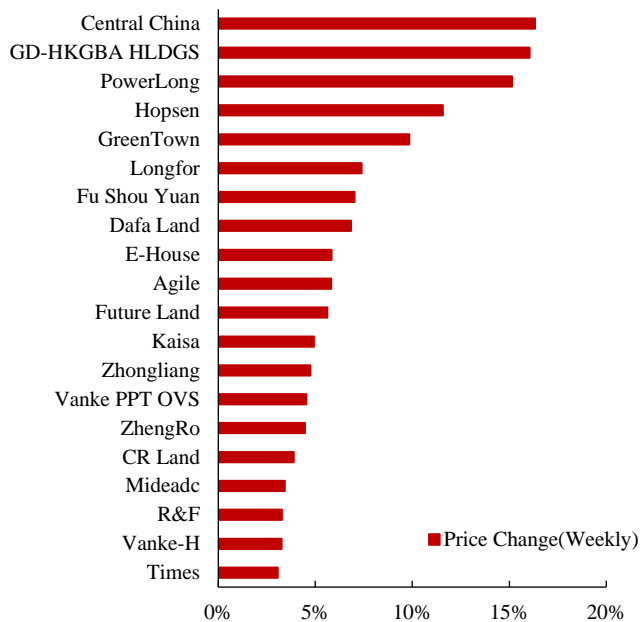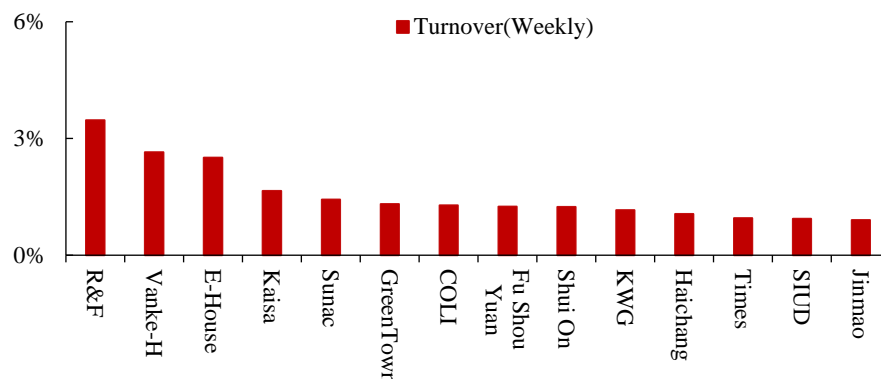

Source: Wind, CWSI Research

Chart 13: Hopsen, Zhongan and C&D INTL had better share price performance, YTD
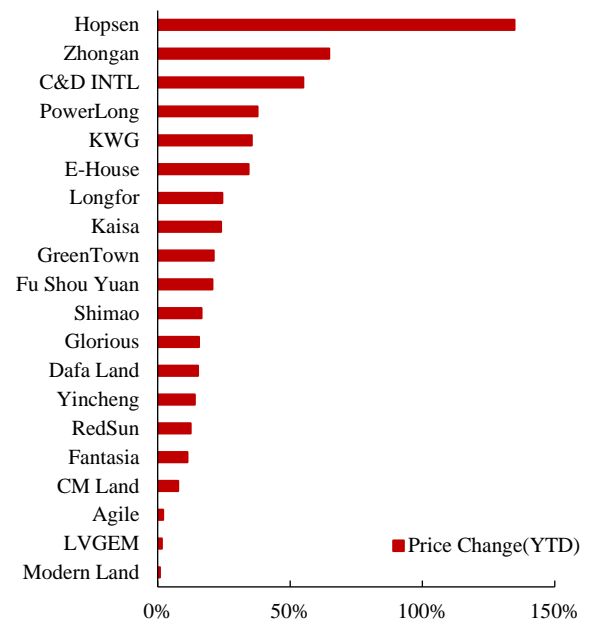
Source: Wind, CWSI Research

**Chart 14: R&F, Vanke-H and E-House were most actively traded this week**

Source: Wind, CWSI Research

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2.2 Performance of property service sector

This week, Powerlong CM, A-Living and Times Neighbor had larger price increase than peers. Yincheng LS, Powerlong CM and Eversunshine LS had better share price performance YTD.

Chart 15: This week, Powerlong CM, A-Living and Times Neighbor had larger price increase than peers
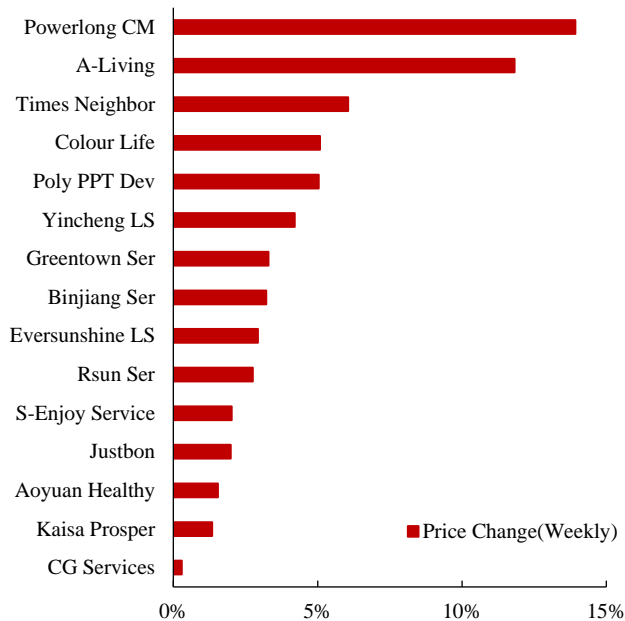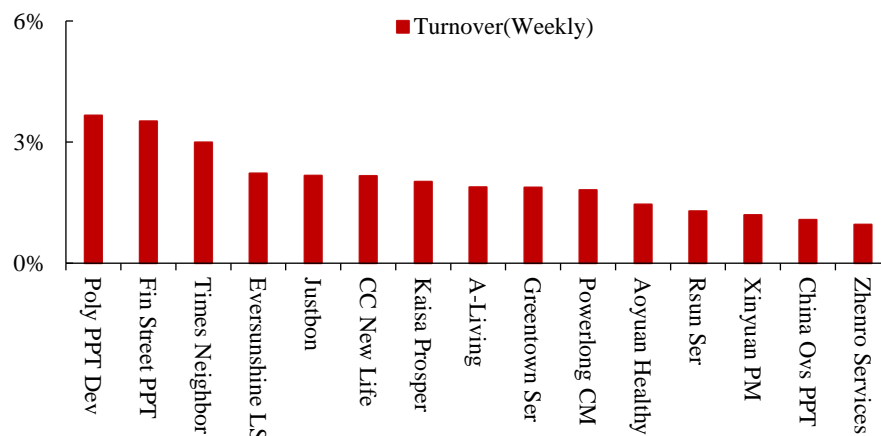

Source: Wind, CWSI Research

Chart 16: Yincheng LS, Powerlong CM and Eversunshine LS had better share price performance YTD
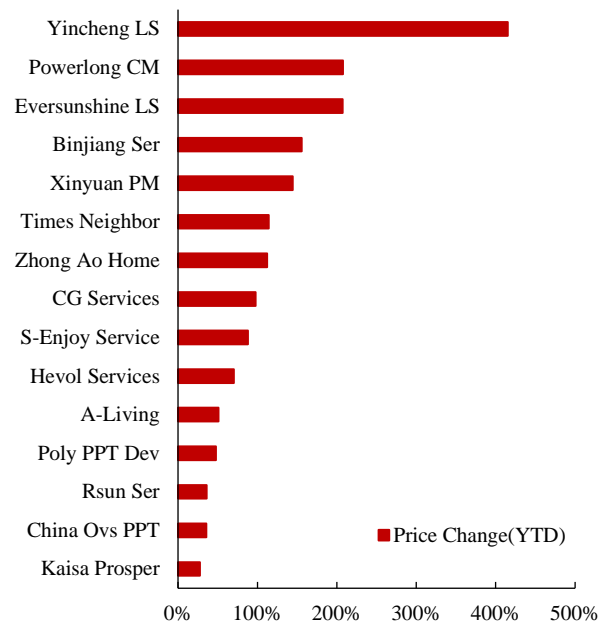
Source: Wind, CWSI Research

Chart 17: Poly PPT Dev, Fin Street PPT and Times Neighbor were most actively traded this week

Source: Wind, CWSI Research

3. Major cities transaction performance

3.1 New house transaction data

Table 4: Major cities new house transactions volume decreased 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	242,769	42%	76%	1,016	35%	60%	555	18%	49%	4,803	-7%
Shanghai	421,600	26%	82%	1,670	23%	31%	954	28%	38%	8,935	-10%
Guangzhou	394,691	78%	204%	1,236	21%	86%	733	30%	113%	6,392	1%
Shenzhen	145,660	10%	141%	466	32%	91%	328	29%	123%	2,735	9%
Tier 1	**1,204,720**	**40%**	**115%**	**4,389**	**26%**	**56%**	**2,570**	**26%**	**65%**	**22,865**	**-4%**
Tier 2	**2,566,566**	**-8%**	**8%**	**12,113**	**0%**	**16%**	**7,329**	**-2%**	**12%**	**83,301**	**0%**
Tier 3	**2,126,644**	**-15%**	**-9%**	**10,952**	**-4%**	**11%**	**6,128**	**-10%**	**3%**	**79,502**	**-4%**
Beijing	242,769	42%	76%	1,016	35%	60%	555	18%	49%	4,803	-7%
Qingdao	340,629	11%	1%	1,472	0%	6%	834	4%	-3%	10,444	8%
Jinan	163,553	-23%	-6%	881	-20%	10%	492	-19%	6%	7,598	7%
Dongying	83,794	18%	349%	372	-54%	57%	191	-65%	124%	3,209	147%
PBR	**830,744**	**9%**	**24%**	**3,741**	**-10%**	**22%**	**2,072**	**-15%**	**16%**	**26,054**	**12%**
Shanghai	421,600	26%	82%	1,670	23%	31%	954	28%	38%	8,935	-10%
Nanjing	117,134	-21%	-42%	760	-20%	-2%	485	-16%	-15%	6,587	24%
Hangzhou	99,566	-65%	-47%	690	8%	-9%	572	14%	2%	6,257	15%
Suzhou	219,912	7%	29%	892	12%	18%	562	22%	20%	8,019	12%
Wuxi	87,600	-6%	-10%	572	-11%	-18%	181	-61%	-35%	4,161	-20%
Yangzhou	58,623	-15%	31%	263	-7%	114%	193	-3%	87%	1,709	3%
Jiangyin	44,463	-35%	-20%	332	65%	35%	153	33%	0%	2,023	-5%
Wenzhou	155,967	-32%	-49%	963	4%	-11%	480	-11%	-29%	8,230	-8%
Jinhua	25,386	-14%	-12%	185	-19%	48%	92	-27%	26%	1,647	24%
Changzhou	25,508	-51%	-38%	291	-5%	18%	140	-10%	17%	2,201	-42%
Huaian	93,348	46%	-2%	349	-23%	-20%	226	-19%	-18%	3,116	-14%
Lianyungang	137,492	-21%	-38%	664	3%	-24%	417	12%	-33%	4,521	-3%
Shaoxing	41,912	-64%	61%	251	5%	94%	191	-4%	154%	1,854	13%
Zhenjiang	122,190	-42%	-27%	787	60%	10%	445	24%	9%	4,333	-22%
Jiaxing	44,746	-14%	-28%	321	-24%	59%	172	-40%	22%	2,291	16%
Wuhu	63,857	0%	12%	286	14%	40%	192	32%	38%	1,511	5%
Yancheng	85,442	-18%	10%	427	4%	44%	189	-44%	-8%	2,564	-1%
Zhoushan	15,559	-20%	-18%	112	15%	11%	46	3%	-5%	932	9%
Chizhou	12,595	134%	1398%	56	-37%	-48%	28	-43%	-66%	609	-37%
Ningbo	212,166	13%	91%	899	12%	61%	530	-9%	56%	5,720	2%
YRD	**2,085,066**	**-17%**	**-5%**	**10,768**	**5%**	**11%**	**6,246**	**-4%**	**4%**	**77,220**	**-3%**
Guangzhou	394,691	78%	204%	1,236	21%	86%	733	30%	113%	6,392	1%
Shenzhen	145,660	10%	141%	466	32%	91%	328	29%	123%	2,735	9%
Fuzhou	121,570	17%	82%	453	94%	58%	300	123%	55%	1,731	-11%
Dongguan	134,615	-5%	36%	748	-12%	51%	352	-22%	39%	4,512	24%
Quanzhou	65,686	-47%	-4%	297	-2%	-1%	209	28%	21%	1,868	-26%
Putian	19,084	0%	-74%	159	31%	-10%	50	-34%	-55%	1,120	-25%
Huizhou	69,365	84%	18%	280	-11%	15%	166	-13%	8%	1,907	-1%
Shaoguan	30,228	-9%	-5%	159	16%	1%	83	13%	1%	1,209	7%
Foshan	289,049	11%	43%	1,170	6%	18%	708	18%	42%	8,291	-16%
Jiangmen	25,320	-9%	40%	124	-8%	30%	66	1%	77%	914	17%
PRD & Southern China	**1,295,268**	**18%**	**60%**	**5,091**	**11%**	**39%**	**2,996**	**16%**	**50%**	**30,679**	**-5%**
Taian	69,037	-32%	23%	375	62%	64%	224	51%	35%	1,720	-7%

Northern China	**69,037**	**-32%**	**23%**	**375**	**62%**	**64%**	**224**	**51%**	**35%**	**1,720**	**-7%**
Wuhan	494,866	5%	5%	2,082	-2%	-4%	1,247	7%	-2%	10,780	-31%
Yueyang	35,701	5%	-26%	174	-38%	-10%	91	-32%	-24%	1,616	18%
Baoji	71,440	-6%	264%	330	-22%	43%	186	-19%	74%	2,392	10%
Ganzhou	162,782	-3%	-26%	729	-17%	-2%	430	-21%	-14%	5,745	-8%
Central China	**764,790**	**2%**	**1%**	**3,315**	**-10%**	**0%**	**1,954**	**-6%**	**-2%**	**20,534**	**-19%**
Chengdu	505,782	0%	59%	2,161	-2%	51%	1,443	-11%	66%	15,783	15%
Liuzhou	114,516	28%	-19%	616	24%	4%	270	12%	-21%	4,370	1%
Nanning	232,727	-29%	-25%	1,387	1%	18%	823	10%	-6%	9,308	-7%
Western China	**853,024**	**-8%**	**11%**	**4,163**	**2%**	**30%**	**2,536**	**-3%**	**21%**	**29,461**	**5%**
Total	**5,897,929**	**-4%**	**12%**	**27,454**	**2%**	**18%**	**16,027**	**-2%**	**14%**	**185,668**	**-2%**
Num. of cities Up		**18**	**22**		**22**	**30**		**21**	**27**		**22**
Num. of cities Down		**24**	**20**		**20**	**12**		**21**	**15**		**20**

Source: Local governments, CWSI Research; Note: Till 2020/9/18

Table 5: Major cities inventory period was 9.4 months this week

City	Inventory (sqm 000)	wow	yoy	Inventory period	Last week	wow	yoy
Beijing	11,878	1%	32%	11.7	11.8	-1%	-17%
Shanghai	7,204	-2%	-7%	4.3	4.6	-7%	-29%
Guangzhou	8,470	3%	8%	6.9	7.5	-8%	-42%
Shenzhen	2,415	-1%	11%	5.2	5.9	-12%	-42%
Tier 1 Average		**0%**	**11%**	**7.0**	**7.4**	**-7%**	**-33%**
Hangzhou	4,278	16%	65%	6.2	5.0	23%	81%
Nanjing	5,988	0%	17%	7.9	7.5	5%	19%
Suzhou	7,222	5%	46%	8.1	8.2	-1%	23%
Fuzhou	6,436	-1%	83%	14.2	16.5	-14%	16%
Jiangyin	4,590	2%	20%	13.8	13.4	3%	-11%
Wenzhou	11,355	1%	26%	11.8	10.8	9%	42%
Quanzhou	7,080	0%	6%	23.9	25.8	-8%	7%
Ningbo	2,780	5%	9%	3.1	2.9	8%	-32%
Dongying	1,711	2%	18%	4.6	3.3	38%	-25%
Overall Average		**2%**	**26%**	**9.4**	**9.5**	**3%**	**-1%**

Source: Local governments, CWSI Research; Note: Till 2020/9/18; Average WoW and average YoY are defined as average change of each city

3.2 Second-hand house transaction and price data

Table 6: 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	wow	yoy	sqm 000	mom	yoy	sqm 000	mom	yoy	sqm 000	yoy
Beijing	349,411	4%	79%	1,546	5%	49%	917	**11%**	49%	9,767	9%
Shenzhen	178,120	-12%	53%	848	-16%	51%	508	-20%	44%	6,278	57%
Hangzhou	121,520	-7%	68%	508	-12%	47%	326	0%	65%	3,996	11%
Nanjing	225,662	4%	51%	1,012	-12%	19%	613	-6%	23%	7,058	40%
Chengdu	85,543	-13%	**-48%**	410	-4%	**-51%**	251	-2%	**-51%**	3,632	**-54%**
Qingdao	131,919	5%	54%	555	-4%	34%	341	0%	28%	3,820	18%
Wuxi	123,301	-1%	19%	703	**10%**	21%	317	-19%	-8%	4,626	7%
Suzhou	125,090	2%	-11%	553	-9%	-24%	337	-3%	-28%	4,153	-46%
Xiamen	78,750	**10%**	81%	322	-16%	41%	192	-15%	34%	2,411	-15%
Yangzhou	18,986	-27%	-5%	103	-9%	2%	62	-8%	-5%	759	-4%
Yueyang	13,223	-18%	14%	72	-12%	8%	43	-8%	6%	481	-11%
Nanning	55,466	-23%	11%	291	-4%	-13%	173	-5%	-7%	1,918	-13%
Foshan	177,690	5%	82%	749	2%	61%	457	3%	55%	4,250	-3%
Jinhua	13,714	**-65%**	-44%	174	**-31%**	30%	86	**-35%**	5%	1,816	**70%**
Jiangmen	14,924	-16%	**232%**	81	-15%	**294%**	46	-15%	**274%**	579	-12%
Total	**1,713,320**	**-3%**	**34%**	**7,928**	**-6%**	**18%**	**4,669**	**-5%**	**14%**	**55,546**	**-3%**
Num. of cities Up		**6**	**11**		**3**	**12**		**2**	**10**		**7**
Num. of cities Down		**9**	**4**		**12**	**3**		**13**	**5**		**8**

Source: Local governments, CWSI Research; Note: Till 2020/9/18

Chart 18: 2nd house listed for-sale price index rose slightly recently

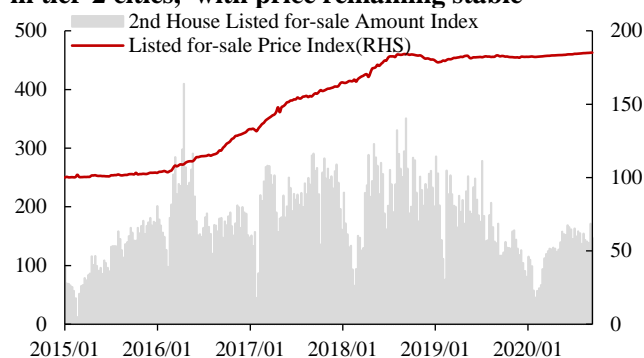Legend: 2nd House Listed for-sale Amount Index | Listed for-sale Price Index(RHS)
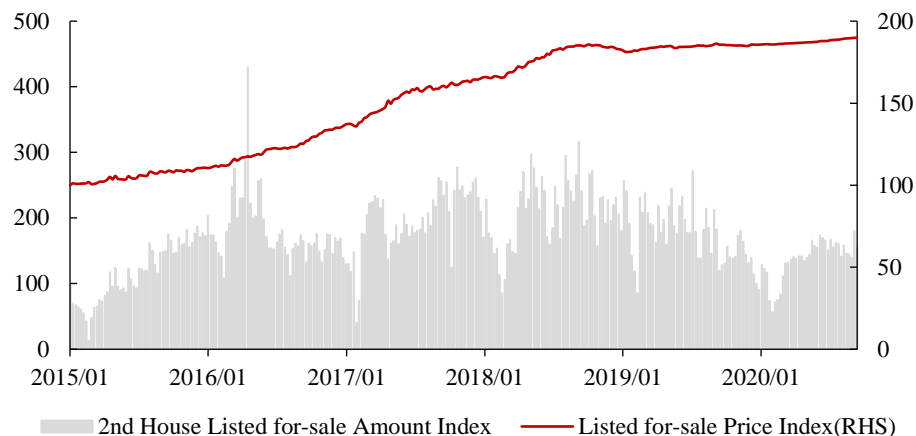
Source: Local Government, CWSI Research; Note: Till 2020/9/13

Chart 19: 2nd house listed for-sale amount index rose in tier-1 cities, with price remaining stable
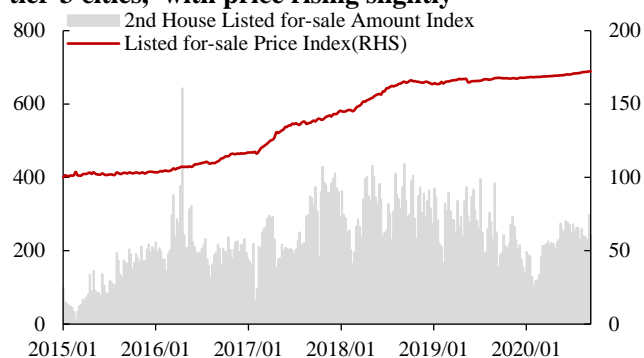

Legend: 2nd House Listed for-sale Amount Index | Listed for-sale Price Index(RHS)
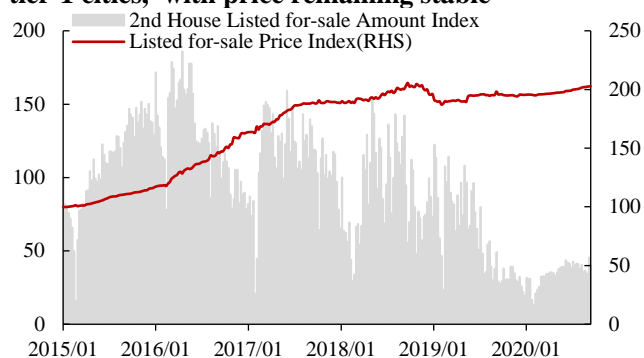
Source: Local Government, CWSI Research; Note: Till 2020/9/13

Chart 20: 2nd house listed for sale amount index rose in tier-2 cities, with price remaining stable


Legend: 2nd House Listed for-sale Amount Index | Listed for-sale Price Index(RHS)

Source: Local Government, CWSI Research; Note: Till 2020/9/13

Chart 21: 2nd house listed for-sale amount index rose in tier-3 cities, with price rising slightly

Legend: 2nd House Listed for-sale Amount Index | Listed for-sale Price Index(RHS)

Source: Local Government, CWSI Research; Note: Till 2020/9/13

Chart 22: 2nd house listed for-sale amount index rose in tier-4 cities, with price slightly upwards

Legend: 2nd House Listed for-sale Amount Index | Listed for-sale Price Index(RHS)
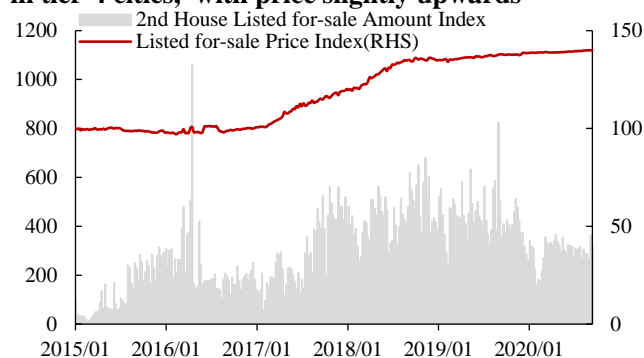
Source: Local Government, CWSI Research; Note: Till 2020/9/13

4. Important Policies and News

4.1 Important Industry Policies News This Week

Table 7: Important Industry Policies News This Week: BCIRC proposed that small loan company loans shall not be used for illegal financing in the real estate market

Date	Region / Institution	Summary
2020-09-14	Chengdu	Increase the supply of residential land, optimize the supply structure that, residential land accounts for no less than 60% of operating land, and regions with tight supply and demand are no less than 70%, and priority is given to ensuring the supply of affordable housing land; establish a housing price and land price linkage mechanism to effectively control land prices, guide market entities to acquire land rationally; comprehensively clean up the situation of undeveloped land and announce it to the public, increase the promotion of undeveloped land, strictly implement the regulations on the disposal of idle land, and resolutely crack down on land holding.
2020-09-15	Dalian	Cancelled the original "children can apply for a provident fund loan for retired parents in their own name without occupying the child's provident fund loan quota" policy.
2020-09-16	BCIRC	Small loan company loans shall not be used for illegal financing in the real estate market.
2020-09-17	Guangzhou	Encourage financial institutions in Guangzhou to rely on the Hong Kong and Macao financial markets to actively carry out pilot projects such as REITs and recognition of funds.
2020-09-17	Zhengzhou	A and B high-level talents will be given a subsidy of up to RMB 3 mn and 1.5 mn for the first housing purchase or be provided rent-free housing of no more than 200 sqm and 150 sqm.
2020-09-18	Shenzhen	Corresponding market guidance and penalties have been formulated for developers, intermediaries, leasing parties, financial institutions, and real estate regulatory authorities, focusing on second-hand housing monitoring, new house sales rules, and penalties for housing holdings.

Source：Wind, Government website, CWSI Research

4.2 Key sales data announced this week

Table 8: Key sales data announced this week

Company	RIC	Jan-Aug contracted sales		Jan-Aug contracted GFA		Aug contracted sales		Aug contracted GFA	
		(RMB bn)	YoY	(000 sqm)	YoY	(RMB bn)	YoY	(000 sqm)	YoY
Yango	000671.SZ	128.4	4.4%	9616	-2.2%	-	-	-	-
JIAYUAN INTL	2768.HK	16.9	8.3%	1568	11.1%	3.1	21.7%	287	6.1%
SZI	0604.HK	9.6	34.4%	362	29.8%	1.1	251.8%	64	146.3%

Source：Wind, company announcements, CWSI Research

4.3 Company news and announcements

Table 9: Company news and announcements: Logan issued USD 100 mn 4.25% senior notes due 2024; Aoyuan issued USD 350 mn 6.20% senior notes due 2026

Date	Company	Summary
2020-09-14	Yango	Lower the coupon rate of the RMB 1.1 bn 3-year corporate bond "18 Yangcheng 01" to 6.50%; lower the coupon rate of "18 Yango MTN003" to 5.90%; lower the coupon rate of "17 Yango MTN004" to 6.90%.
2020-09-14	Yango	In August 2020, the company won 1 real estate project in Kunming.
2020-09-14	CM Land	An indirect wholly-owned subsidiary sold a building and basement with GFA of 31,000 sqm in Panyu District, Guangzhou to China Merchants Renhe Pension Investment Co., Ltd. for RMB 530 mn.
2020-09-14	Logan	Issued USD 100 mn 4.25% senior notes due 2024.
2020-09-16	Times	Issued USD 350 mn 6.2% senior notes due 2026.
2020-09-17	EverGrande	Redeemed c. USD 1.57 bn 11% senior notes due 2020 with own funds.
2020-09-17	GD-HKGBA HLDGS	Planned to acquire an urban renewal project with a land area of c. 16,000 sqm in Yantian District, Shenzhen, for RMB 58 mn.
2020-09-17	Zensun Enterprises Limited	An indirect wholly-owned subsidiary won the bid for a land with site area of c. 45,000 sqm in Xinxiang, Henan Province at RMB 61.354 mn.
2020-09-18	Aoyuan	Issued USD 350 mn 6.20% senior notes due 2026.

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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