

This Week in China

Insufficient mortgage loans: causes and influences

Topic of the week:

The introduction of the loan concentration management system and seasonal factors are the direct causes of the current shortage of mortgage loans. 1) **Impact of the "System":** As of the end of 2020, the growth rates of personal housing loans, real estate loans, and total loans were 11.7%, 12.8% and 14.6% respectively. In order to maintain or reduce the proportion of personal housing loans, banks will strictly control the incremental personal housing loans, and the above restrictions will become more obvious in the early stage of the new policy. 2) **Seasonal factors:** Generally, the booming sales of commercial housing appears at year end, and part of the loans at the year end will be postponed to the beginning of next year, further driving the current demand for mortgage loans.

The incremental limit on mortgage loans is expected to continue, but the tightness of quota may not last in the medium to long term. 1) The incremental limitation of mortgage loans comes from the demand for credit structure adjustment and cost factor stability due to the switching of economic development paths. At present, China's economic development is more dependent on key fields such as manufacturing and technology, and industrial development requires credit support. Housing prices and rents as cost factors, also need to remain stable, restricting incremental mortgage loans is an important means to stabilize cost factors. 2) Insufficient mortgage limit will affect residents' expectations of smoothly obtaining low-interest loans, which will affect the subsequent release pace of demand for housing and housing loans, and make the supply and demand of personal housing loans relatively balanced in the medium and long term.

Rising housing costs will affect short-term sales, and the differentiation between regions and developers is expected to intensify. The tightening of mortgage loans often corresponds to the increase in mortgage interest rates. According to calculations, if the down payment ratio is 30%, the loan period is 30 years, and the repayment method is fixed payment, then when the loan interest rate is changed from the current LPR (4.65%) to LPR+50bp, the monthly payment will increase by 5.9%, and the total purchase expenditure will increase by 4.8%, which will have an impact on residents' willingness to buy houses and industry sales. In the process of reaching the aforementioned balance, the loaning speed and mortgage interest rates in some T1/T2 cities may be more affected. Insufficient mortgage loans may make banks more inclined to larger and more financially sound developers and their projects when planning loans, and the financing costs and financial performance of developers may be further differentiated.

Data points:

As of Jan 29th, new house transaction area in 42 major cities this week increased 14% WoW, and cumulative transaction area in 2021 increased 57% YoY.

As of Jan 29th, saleable area (inventory) in 13 major cities this week increased 1% WoW; average inventory period was 11.6 months, average WoW change was 5%.

As of Jan 29th, second-hand housing transactions in 15 major cities this week increased 12% WoW, and cumulative transaction area in 2020 increased 44% YoY.

Suggestion:

This week, Shanghai, Shenzhen and other T1/T2 cities have further tightened regulations on housing purchase restrictions, home buyers' qualifications and solvency, etc, and some T1/T2 cities have experienced the suspension of mortgage loans and rising mortgage interest rates, which will bring a certain short-term impact on industry funds. Leading developers with stricter fund management and control disciplines and smoother financing channels will be relatively less affected. Maintain "Overweight" rating.

Overweight

(Maintain)

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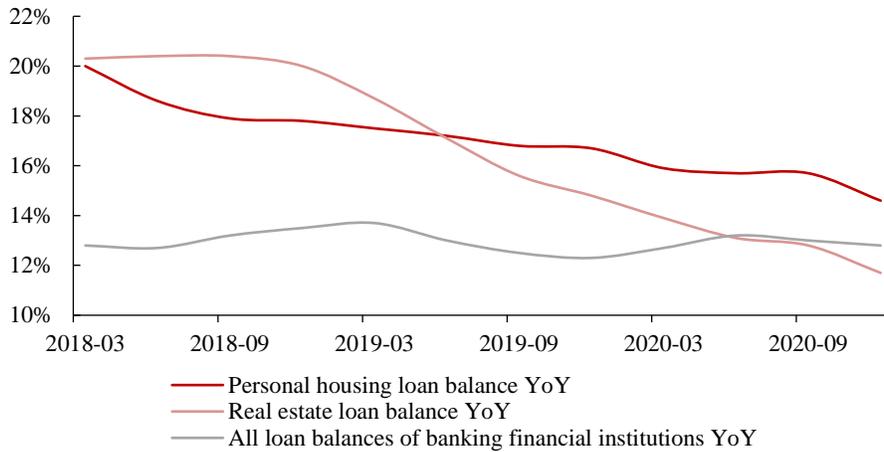
1. Insufficient mortgage loans: causes and influences

Recently, mortgage lending in some T1/T2 cities has slowed down and mortgage interest rates have increased. Why is the current mortgage loan insufficient? Will the tightness continue? What is the impact of the current tight mortgage?

1.1 Why is the current mortgage loan insufficient?

Direct reason one: The introduction of the “Banking Financial Institutions Real Estate Loan Concentration Management System” has caused short-term pressure on personal housing loans. In recent years, the regulation of the real estate industry and the gradual decrease of shed reform scales have combined to reduce the growth rate of real estate loans in the banking industry. By the end of 2020, it has dropped by 8.3 pct from the end of 2018. Since the end of the 2Q2020, it has fallen below the growth rate of total loans. The growth of personal housing loans has been relatively flat in the past three years, and has been consistently higher than the growth rate of real estate loans and total loans since the end of 3Q2019. The "System" introduced at the end of 2020 restricted the proportion of real estate loan balance and the proportion of personal housing loan balance. Although Central Bank and CBIRC pointed out that “at present, most banking financial institutions meet the requirements”, but in order to maintain or reduce the proportion of personal housing loan balances, banks may restrict the placement of personal housing loans; due to the consideration of uncertainty and the need to adjust the lending plan due to the introduction of the "System", the above restrictions will have a more obvious impact on mortgage lending in the early stage of the implementation of the new policy.

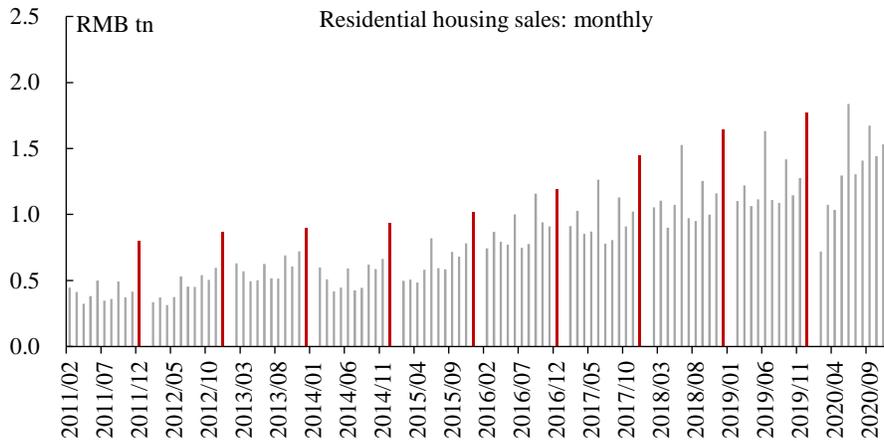
Chart 1: In order to maintain or reduce the proportion of personal housing loan balance, the growth of mortgage loan is under pressure



Source: Wind, Central Bank, CWSI Research

Direct reason two: seasonal factors. 1) Booming residential housing sales at the end of the year led to an increase in demand for mortgage loans at the end of the year and the beginning of next year. In the past ten years, major developers have made efforts to hit their annual sales targets at the end of the year, resulting in the highest monthly sales amount of residential housing in December, which in turn increased the demand for personal housing loans in December and January. The sales of the top 100 developers can better reflect the current housing market enthusiasm in popular cities with tighter mortgage loan quotas. According to the data of CRIC, in December 2020, the monthly sales amount of the top 100 developers increased by 29.2%, hitting a new high in monthly YoY growth within the year. 2) Generally, the funds of banking industry is relatively tight at the end of the year, and some mortgage loans at the end of the year will be released at the beginning of the next year when the quota is relatively sufficient, which further drives up the demand for mortgage loans at the beginning of the year. The pressure on the supply of personal housing loans under the "System" and seasonal growth in demand have combined to make the current mortgage even tighter.

Chart 2: In the past ten years, the highest monthly sales amount of residential housing within the year appeared in December



Source: Wind, NBS, CWSI Research

1.2 Will the lack of mortgage limit continue?

The persistency of the lack of mortgage limit can be broken down as:

- 1) Whether the personal housing loan quota will continue to be tightened:** It depends on whether the background of the introduction of the "System" will change. The "System" restricts the increase in personal housing loans, and the introduction of the "System" actually reflects the needs of China's economic development path switching.
- 2) Whether the sales of residential housing and the demand for mortgage loans will continue to increase:** While the sales of residential housing are affected by policies such as the purchase restriction, they are also greatly affected by financial factors.

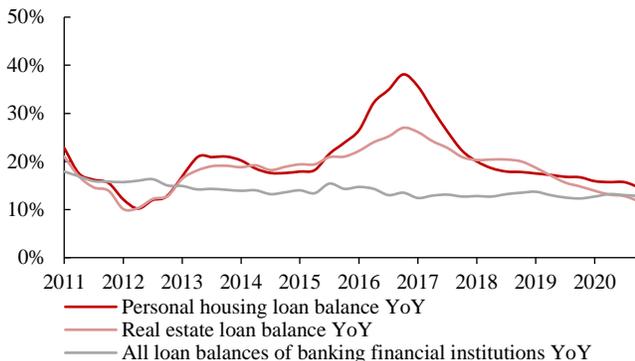
1.2.1 Will the personal housing loan limit continue to be tightened?

The background of the introduction of the "System" is that the switch of economic development path requires the adjustment of credit structure and the stability of cost factors. In recent years, China's economic development momentum has gradually shifted. During this process, the regulatory authorities' guidance on banking credit has continued to focus on key development areas such as manufacturing and technology, as well as weak fields such as small and micro businesses, agriculture, rural areas and farmers. Actually, the growth rate of the balance of real estate loans has continued to decline since the end of 3Q2018. Economic development during the "14th Five-Year Plan" period will pay more attention to the quality of development and the role of technological innovation, and the direction of the flow of credit funds has not changed. On the other hand, in the process of switching development paths, housing prices and rents as cost factors need to remain stable, so the increase in real estate loans also needs to be strictly controlled. Under the combined effect of credit structure adjustment and

asset price changes in popular cities, the restrictions on incremental personal housing loans are expected to continue.

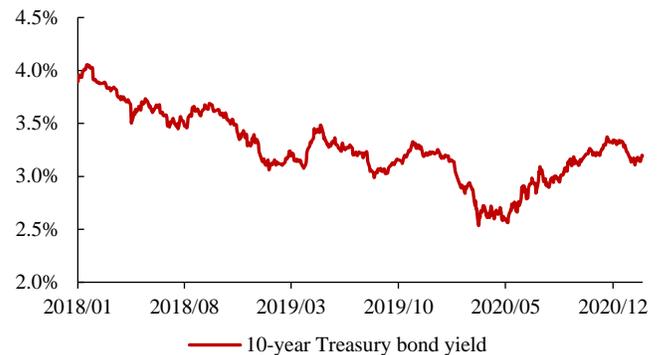
In terms of credit structure, the high-quality characteristics of personal housing loans have allowed them to maintain a higher growth rate than total loans in the changing liquidity environment. Since 2013, regardless of changes in the liquidity environment, the growth rate of personal housing loans has continued to be faster than that of total loans: as personal housing loans have houses as collateral and the loan period is relatively long, they are of higher quality compared to some small and medium-sized industrial loans; this makes the banking industry more inclined to make housing loans rather than small and micro enterprises loans especially in an environment where overall liquidity is tightened. The current liquidity environment tends to normalize, the interest rate of the 10-year Treasury bond has steadily rebounded since May 2020, and the transaction of residential housing has also performed well. In this environment, the introduction of the "System" actually continued the previous guidance of credit structure adjustment, enabling credit funds to effectively provide support to key industries and support weak fields.

Chart 3: Since 2013, the growth rate of personal housing loans has continued to be higher than the overall loan



Source: Wind, Central Bank, CWSI Research

Chart 4: The 10-year Treasury bond yield has rebounded since May 2020

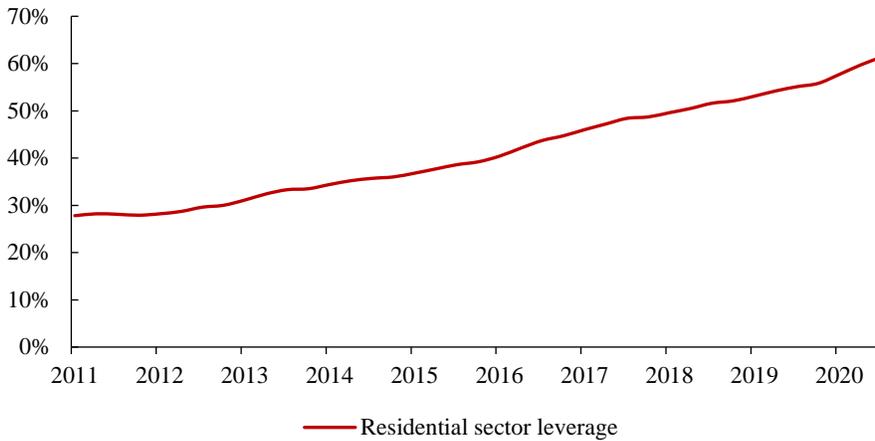


Source: Wind, CWSI Research

The rapidly rising residential sector leverage requires that the total amount of personal housing loans be limited. In recent years, China's residential sector leverage has continued to rise, reaching 61.4% by the end of 3Q2020. Housing loans are an important part of the debt of the resident sector, and due to the consideration of financial risks, their total growth must also be restricted.



Chart 5: At the end of 3Q2020, China's residential sector leverage of has reached 61.4%



Source: Wind, CWSI Research

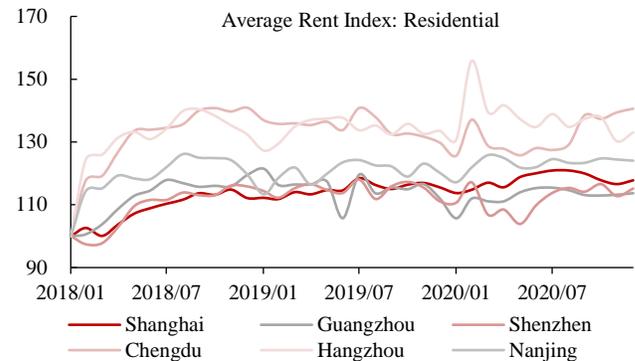
In terms of asset prices, the listed prices of second-hand houses in some popular cities has risen sharply in 2020, and restricting incremental real estate loan is an important means to stabilize asset prices. In 2020, although the rental prices in popular cities represented by Shenzhen, Shanghai, and Hangzhou are relatively stable, the listed prices of second-hand houses have risen sharply. Although some cities have introduced policies such as purchase restrictions in 2020, the strong housing demand and limited supply of residential housing have made the housing market in these cities continued to be in fever. For example, although Shenzhen raised the threshold for buying houses in July, the index of second-hand housing listed prices still rose from 128 in mid-July 2020 to 141 at the end of January 2020. Housing prices and rents are important cost factors for industrial development, and their stability plays an important role in industrial transformation and upgrading; in the current environment, incremental real estate loan in T1/T2 cities also need to be controlled.

Chart 6: In 2020, the listed price of second-hand housing in some T1/T2 cities increased significantly



Source: Wind, CWSI Research

Chart 7: Rents in some T1/T2 cities remained relatively stable in 2020



Source: Wind, CWSI Research

1.2.2 Will the demand for residential housing sales and mortgage loans continue to increase?

The overall sales amount is not expected to increase significantly. Although many popular cities have prioritized the increase in land supply in their regulation policies, the increase in land supply may not be able to significantly increase the sales amount due to the rapid increase in the residential sector leverage. On the other hand, with the gradual slowdown in the growth of population and urbanization rate, it is difficult to see a significant increase in demand for residential housing. Therefore, it is also difficult to see a substantial increase in the overall demand for mortgage loan.

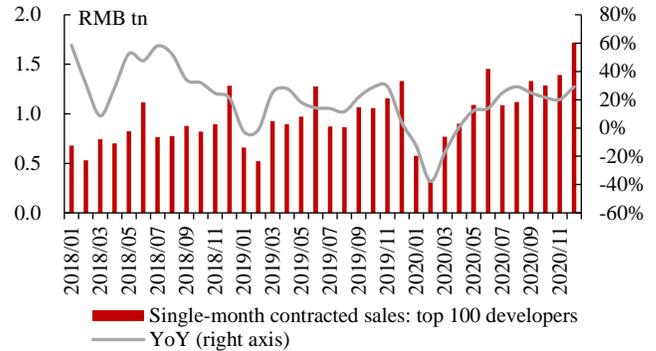
Mortgage loans can affect housing sales through home buyers' expectations. The tightening of mortgage launching will bring home buyers the expectation that it is difficult to obtain loans and the cost of loans will increase, which will affect the subsequent housing sales. However, the "system" introduced at the end of December 2020 has not affected buyers' expectations of mortgage loan and interest rates in early 2021, and the sales at the end of 2020, resulting in a relatively short supply of current mortgage loans. According to the data of CRIC, the sales growth rate of the top 100 developers in each month of the second half of 2020 was higher than 20%, and the monthly sales growth rate in December 2020 reached the highest 29.2% of the year.

Chart 8: The cumulative sales growth rate of the top 100 developers in 2020 rebounds rapidly



Source: CRIC, CWSI Research

Chart 9: The monthly sales growth rate of each month in 2H20 is higher than 20%



Source: CRIC, CWSI Research

In the medium and long term, the "System" is expected to reasonably adjust the pace of release of housing demand and housing loan demand. The "System" will affect residents' expectations of smoothly obtaining low-interest loans, thereby affecting the subsequent release of housing demand and housing loan demand, and ultimately make the supply and demand of personal housing loans reach a relatively balanced state. The amount of personal housing loans and the interest rate on house purchases will be affected in the short term. In the medium to long term, the tightness of the quota may not last.

1.3 What is the impact of the current tight mortgage?

Residents' home purchase costs will rise, and the current tight mortgage quota will have limited impact on the industry's mid- to long-term sales. The tightening of mortgage loans often corresponds to the increase in mortgage interest rates. Recently, mortgage interest rates in some popular cities have also increased. Taking a residential housing with a total price of RMB 5 mn as an example, assuming that the down payment ratio is 30%, the loan interest rate is January 2021, the 5-year and above LPR (4.65%), the loan period is 30 years, and the repayment method is fixed-payment, then the monthly payment is RMB 18,047, and the total expenditure on house purchases is RMB 8 mn; when the loan interest rate is raised by 20bp, the monthly payment will increase by 2.3% to RMB 18,469, and the total expenditure on house purchase will rise by 1.9% to RMB 8.15 mn; when the loan interest rate is raised by 50bp, the monthly payment will increase by 5.9% to RMB 19,111, and the total purchase expenditure will increase by 4.8% to RMB 8.38 mn yuan. The increase in mortgage interest rates will increase the cost of buying a house, which in turn will have an impact on purchase intentions and industry sales. However, as mentioned above, insufficient mortgage loans can adjust the pace of release of housing demand. Therefore, the phenomenon of

a wide range of mortgage loans being delayed and interest rates rising may not continue in the medium to long term.

Table 1:

Interest rate Housing price (RMB 000)	LPR	LPR+20bp	LPR+50bp	LPR+80bp	LPR+110bp	LPR+140bp
	4.65%	4.85%	5.15%	5.45%	5.75%	6.05%
1,000	3,609	3,694	3,822	3,953	4,085	4,219
3,000	10,828	11,082	11,467	11,858	12,255	12,658
5,000	18,047	18,469	19,111	19,763	20,425	21,097
8,000	28,876	29,551	30,577	31,621	32,680	33,755
10,000	36,095	36,938	38,222	39,526	40,850	42,194
15,000	54,142	55,408	57,333	59,289	61,275	63,291
20,000	72,189	73,877	76,444	79,052	81,700	84,388
Monthly payment change	0	2.3%	5.9%	9.5%	13.2%	16.9%

Source: CWSI Research; Note: the change is compared to the case where the interest rate is LPR

Table 2:

Interest rate Housing price (RMB 000)	LPR	LPR+20bp	LPR+50bp	LPR+80bp	LPR+110bp	LPR+140bp
	4.65%	4.85%	5.15%	5.45%	5.75%	6.05%
10,000	15,994	16,298	16,760	17,229	17,706	18,190
30,000	47,982	48,894	50,280	51,688	53,118	54,569
50,000	79,970	81,489	83,799	86,147	88,530	90,949
80,000	127,952	130,383	134,079	137,835	141,648	145,518
100,000	159,940	162,978	167,599	172,293	177,060	181,898
150,000	239,911	244,468	251,398	258,440	265,591	272,847
200,000	319,881	325,957	335,197	344,587	354,121	363,796
Home purchase expenditure change	0	1.9%	4.8%	7.7%	10.7%	13.7%

Source: CWSI Research; Note: the change is compared to the case where the interest rate is LPR

The differentiation at the city and regional levels is expected to intensify. The current shortage of mortgage quotas mainly occurs in T1/T2 cities where quota demand is more vigorous. As the banking institutions improve the pace of credit launching and regional distribution, a balance of the quota allocation and loan demand between cities will also be formed. In the process of reaching a state of equilibrium, the lending speed and mortgage interest rates of some popular city may be more affected. In fact, in recent regulatory policies issued by some cities, the verifying of home buyers' funds has been increased. For example, Shanghai will strictly review the source of funds and solvency



of the down payment of home buyers, strengthen the qualification review and credit management of borrowers, and strictly approve personal housing loans, etc.

The importance of capital management and control is prominent, and financing costs and financial performance among developers may be further differentiated.

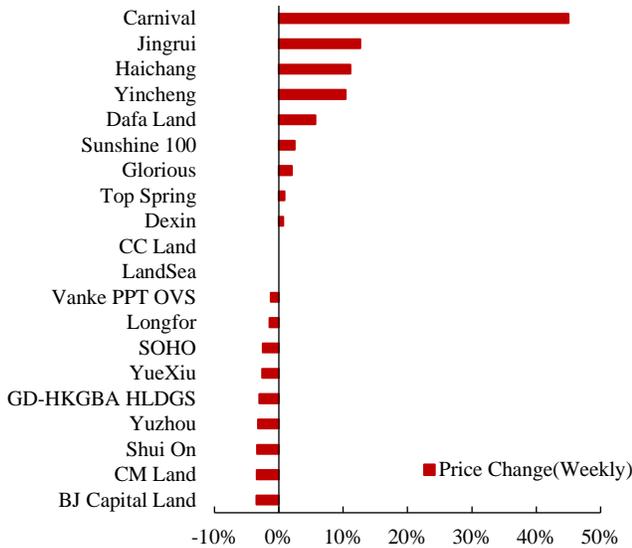
Due to the rise in mortgage loan interest rates, the sales of commercial housing will be affected; the slowdown in mortgage loans will further affect the cash collection of developers. At the level of developers, the tightness of mortgage loans may make banks more inclined to larger and more financially sound developers and their projects when planning the loans. Funds from the banking industry may be more concentrated on leading developers, and the financing costs and financial performance among developers may be further differentiated.

2. Sector Performance

2.1 Performance of developer sector

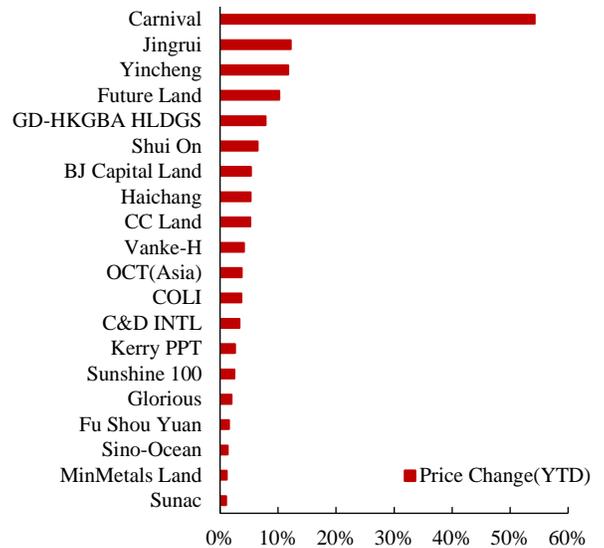
This week, Carnival, Jingrui and Haichang had larger price increase than peers. Carnival, Jingrui and Yincheng had better share price performance, YTD.

Chart 10: This week, Carnival, Jingrui and Haichang had larger price increase than peers



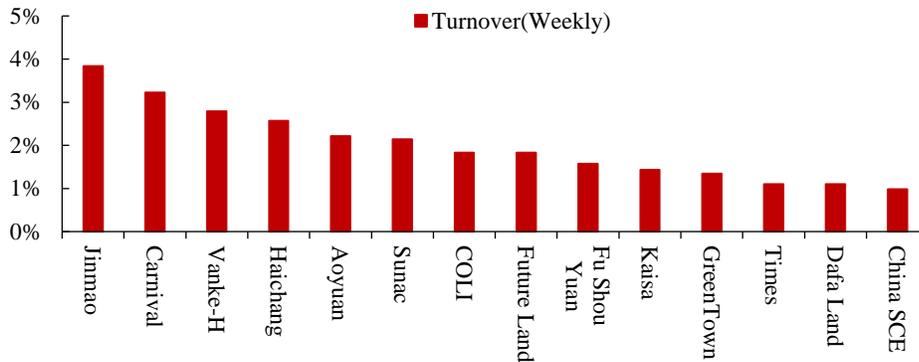
Source: Wind, CWSI Research

Chart 11: Carnival, Jingrui and Yincheng had better share price performance, YTD



Source: Wind, CWSI Research

Chart 12: Jinmao, Carnival and Vanke-H were most actively traded this week

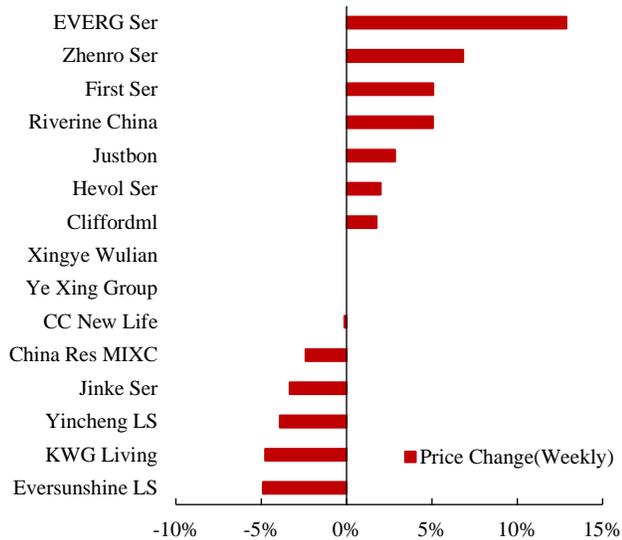


Source: Wind, CWSI Research

2.2 Performance of property management sector

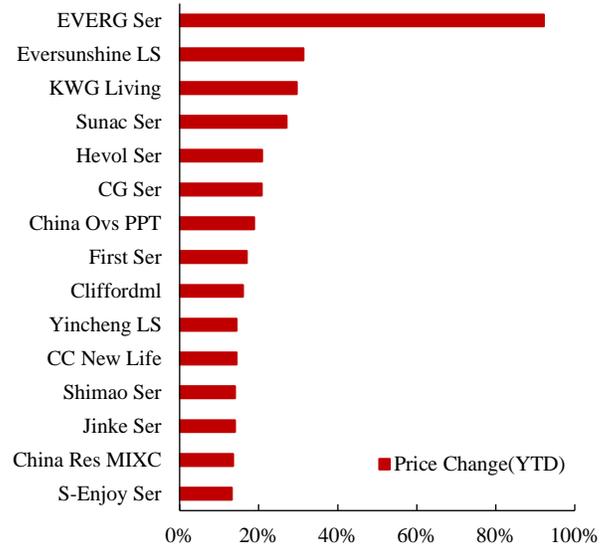
This week, EVERG Ser, Zhenro Ser and First Ser had larger price increase than peers. EVERG Ser, Eversunshine LS and KWG Living had better share price performance YTD.

Chart 13: This week, EVERG Ser, Zhenro Ser and First Ser had larger price increase than peers



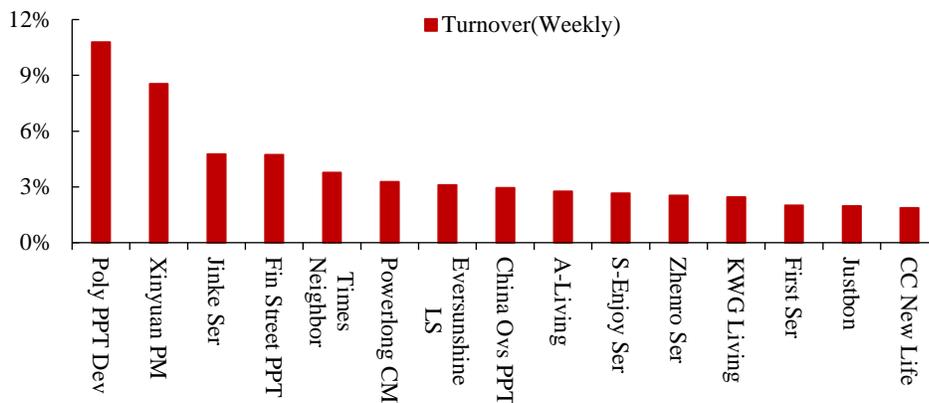
Source: Wind, CWSI Research

Chart 14: EVERG Ser, Eversunshine LS and KWG Living had better share price performance YTD



Source: Wind, CWSI Research

Chart 15: Poly PPT Dev, Xinyuan PM and Jinke Ser were most actively traded this week



Source: Wind, CWSI Research



3. Major cities transaction performance

3.1 New house transaction data

Table 3: Major cities new house transactions volume increased WoW this week

City & Region	Last 7 days			Last 30 days			Month to date			Year to date	
	sqm	wow	yoy	sqm 000	mom	yoy	sqm 000	mom	yoy	sqm 000	yoy
Beijing	294,712	32%	-	891	-12%	61%	770	-21%	45%	770	39%
Shanghai	507,400	79%	56278%	1,465	-10%	89%	1,391	-13%	82%	1,391	79%
Guangzhou	438,543	52%	23851%	1,372	-22%	240%	1,301	-25%	231%	1,301	223%
Shenzhen	178,057	-4%	-	782	57%	173%	772	61%	186%	772	170%
Tier 1	1,418,712	45%	51848%	4,511	-8%	123%	4,234	-11%	116%	4,234	110%
Tier 2	2,559,471	16%	4295%	11,435	-8%	42%	10,959	-9%	39%	10,959	36%
Tier 3	2,314,981	-1%	2946%	10,964	-3%	83%	10,019	-9%	73%	10,019	68%
Beijing	294,712	↑32%	-	891	↓-12%	↑61%	770	↓-21%	↑45%	770	↑39%
Qingdao	303,617	↑4%	-	1,242	↓-27%	↑73%	1,146	↓-31%	↑65%	1,146	↑60%
Jinan	85,720	↓-55%	↑965%	965	↑49%	↑72%	893	↑38%	↑64%	893	↑60%
Dongying	83,672	↓-28%	-	393	↓-3%	↑276%	372	↓-5%	↑259%	372	↑255%
PBR	767,721	↓-7%	↑9437%	3,491	↓-7%	↑81%	3,180	↓-13%	↑70%	3,180	↑65%
Shanghai	507,400	↑79%	↑56278%	1,465	↓-10%	↑89%	1,391	↓-13%	↑82%	1,391	↑79%
Nanjing	307,698	↑11%	-	1,011	↓-15%	↑84%	988	↓-13%	↑89%	988	↑80%
Hangzhou	67,735	↓-50%	-	862	↑22%	↑54%	860	↑23%	↑53%	860	↑53%
Suzhou	168,528	↓-13%	↑1388%	922	↓-22%	↑43%	886	↓-23%	↑43%	886	↑38%
Wuxi	148,800	↑35%	↑254%	469	↑13%	↑46%	469	↑13%	↑46%	469	↑46%
Yangzhou	21,138	↓-79%	↑6135%	292	↓-7%	↑51%	292	↓-4%	↑57%	292	↑51%
Jiangyin	68,294	↓-1%	-	306	↑10%	↑33%	292	↑6%	↑35%	292	↑27%
Wenzhou	316,689	↑34%	↑1589%	1,283	↓-9%	↑43%	886	↓-36%	↑2%	886	↓-1%
Jinhua	87,201	↑53%	↑68562%	369	↑58%	↑305%	359	↑58%	↑304%	359	↑295%
Changzhou	79,692	↑73%	↑2372%	244	↑38%	↓-4%	210	↑21%	↓-16%	210	↓-17%
Huaian	155,124	↓-7%	↑1138%	708	↑50%	↑88%	692	↑52%	↑90%	692	↑84%
Lianyungang	294,652	↑71%	↑2396%	967	↓-2%	↑135%	946	↓-1%	↑134%	946	↑130%
Shaoxing	40,171	↓-4%	↑9253%	137	↓-16%	↑19%	131	↓-14%	↑15%	131	↑14%
Zhenjiang	101,729	↓-16%	↑3016%	552	↓-5%	↑56%	460	↓-19%	↑31%	460	↑30%
Jiaxing	0	-	-	101	↓-2%	↓-6%	101	↑50%	↓-6%	101	↓-6%
Wuhu	122,050	↑34%	-	447	↑30%	↑429%	401	↑21%	↑384%	401	↑374%
Yancheng	97,161	↓-5%	-	364	↓-23%	↑137%	364	↓-23%	↑154%	364	↑137%
Zhoushan	16,191	↓-23%	↑2030%	81	↓-28%	↑19%	76	↓-29%	↑18%	76	↑12%
Chizhou	25,603	↑46%	-	82	↑3%	↑44%	78	↑3%	↑38%	78	↑37%
Ningbo	134,831	↓-13%	-	831	↑53%	↑65%	800	↑51%	↑65%	800	↑59%
YRD	2,760,688	↑15%	↑2518%	11,492	↑1%	↑70%	10,681	↓-3%	↑62%	10,681	↑58%
Guangzhou	438,543	↑52%	↑23851%	1,372	↓-22%	↑240%	1,301	↓-25%	↑231%	1,301	↑223%
Shenzhen	178,057	↓-4%	-	782	↑57%	↑173%	772	↑61%	↑186%	772	↑170%
Fuzhou	59,972	↑12%	↑1457%	230	↓-15%	↑67%	214	↓-19%	↑62%	214	↑56%
Dongguan	274,772	↑128%	↑25889%	925	↓-1%	↑214%	850	↓-7%	↑194%	850	↑188%
Quanzhou	11,704	↓-33%	↑2069%	205	↓-4%	↑16%	203	↓-2%	↑20%	203	↑14%
Putian	33,195	↑19%	↑676%	125	↓-49%	↑41%	116	↓-52%	↑30%	116	↑33%
Huizhou	72,869	↓-1%	↑24353%	376	↓-11%	↑131%	376	↓-2%	↑134%	376	↑131%
Shaoguan	29,467	↑10%	↑745%	113	↓-12%	↑48%	106	↓-16%	↑43%	106	↑40%
Foshan	246,599	↑5%	↑11587%	1,136	↓-19%	↑93%	1,063	↓-21%	↑95%	1,063	↑81%
Zhaoqing	47,949	↓-20%	↑5874%	253	↓-35%	↑60%	233	↓-39%	↑53%	233	↑47%
Jiangmen	36,737	↑3%	↑15520%	166	↓-1%	↑198%	166	↑1%	↑206%	166	↑198%
PRD & Southern China	1,429,865	↑27%	↑7632%	5,684	↓-12%	↑134%	5,400	↓-13%	↑132%	5,400	↑123%
Taian	40,362	↓-28%	-	226	↓-9%	↑77%	217	↓-8%	↑74%	217	↑70%
Northern China	40,362	↓-28%	-	226	↓-9%	↑77%	217	↓-8%	↑74%	217	↑70%
Wuhan	383,008	↓-13%	-	2,024	↓-29%	↑50%	1,910	↓-31%	↑48%	1,910	↑42%
Yueyang	30,146	↑4%	↑5001%	128	↓-31%	↓-10%	122	↓-33%	↓-14%	122	↓-15%
Baoji	83,223	↓-39%	-	493	↑13%	-	477	↑12%	-	477	-
Central China	496,377	↓-18%	↑83889%	2,646	↓-24%	↑77%	2,508	↓-26%	↑76%	2,508	↑68%
Chengdu	492,614	↑144%	-	1,851	↑8%	↑2%	1,768	↑9%	↓-2%	1,768	↓-3%
Liuzhou	87,643	↓-12%	↑1907%	452	↓-38%	↑32%	388	↓-45%	↑15%	388	↑13%
Nanning	217,894	↓-8%	-	1,069	↑15%	↓-9%	1,069	↑20%	↓-7%	1,069	↓-9%
Western China	798,151	↑48%	↑18176%	3,371	↓0%	↑1%	3,225	↓0%	↓-2%	3,225	↓-3%
Total	6,293,164	14%	4495%	26,910	-6%	68%	25,212	-9%	61%	25,212	57%
Num. of cities Up		20	25		14	37		16	36		35
Num. of cities Down		21	0		28	4		26	5		6

Source: Local governments, CWSI Research; Note: Till 2021/1/29

Table 4: Major cities inventory period was 11.6 months this week

City	Inventory (sqm 000)	wow	yoy	Inventory period	Last week	wow	yoy
Beijing	12,558	-1%	-	14.1	13.6	4%	-
Shanghai	6,391	-7%	-15%	4.4	4.5	-4%	-55%
Guangzhou	8,992	-2%	19%	6.6	6.2	5%	-65%
Shenzhen	2,894	6%	9%	3.7	4.0	-7%	-60%
Tier 1 Average		-1%	4%	7.2	7.1	-1%	-60%
Hangzhou	5,970	15%	88%	6.9	5.7	21%	22%
Nanjing	7,558	0%	-	7.5	7.9	-5%	-
Suzhou	8,700	0%	48%	9.4	8.4	13%	4%
Fuzhou	7,276	1%	75%	31.7	28.1	13%	5%
Jiangyin	4,694	0%	-	15.4	15.3	0%	-
Wenzhou	12,043	0%	14%	9.4	7.8	20%	-20%
Quanzhou	6,900	0%	-3%	33.6	31.4	7%	-16%
Ningbo	3,604	3%	23%	4.3	4.2	4%	-25%
Dongying	1,547	-2%	-	3.9	4.0	-1%	-
Overall Average		1%	29%	11.6	10.8	5%	-23%

Source: Local governments, CWSI Research; Note: Till 2021/1/29; Average WoW and average YoY are defined as average change of each city

3.2 Second-hand house transaction and price data

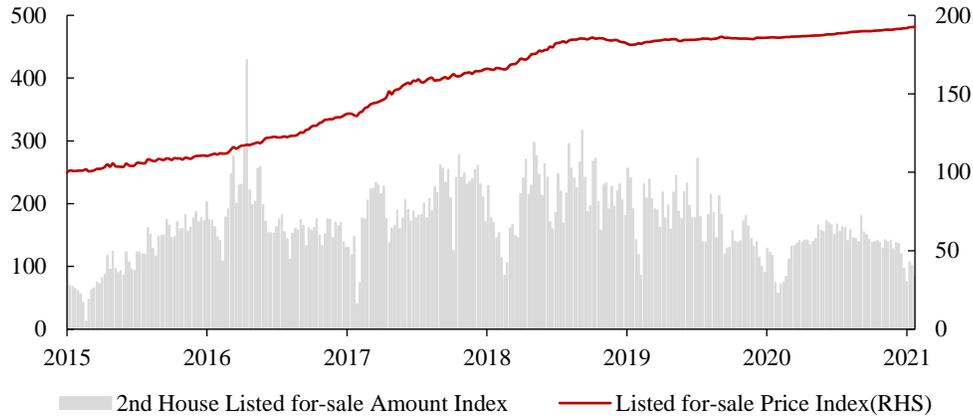
Table 5: Major cities Second-hand house transaction volume, Jiangmen and Jinhua rose significantly YTD

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	482,570	↑ 19%	-	1,603	↓ -8%	↑ 110%	1,466	↓ -14%	↑ 93%	1,466	↑ 92%
Shenzhen	175,415	↑ 7%	-	615	↑ 7%	↓ -4%	590	↑ 6%	↓ -8%	590	↓ -8%
Hangzhou	180,165	↑ 7%	-	658	↑ 9%	↑ 148%	624	↑ 7%	↑ 135%	624	↑ 135%
Nanjing	249,973	↑ 3%	-	953	↑ 0%	↑ 67%	953	↑ 4%	↑ 67%	953	↑ 67%
Chengdu	83,305	↑ 164%	-	284	↓ -17%	↓ -52%	274	↓ -18%	↓ -54%	274	↓ -54%
Qingdao	135,735	↑ 5%	-	528	↑ 0%	↑ 63%	513	↑ 2%	↑ 58%	513	↑ 58%
Wuxi	111,603	↑ 5%	-	405	↓ -17%	↑ 24%	394	↓ -16%	↑ 21%	394	↑ 21%
Suzhou	137,660	↓ -17%	-	639	↑ 22%	↑ 31%	636	↑ 26%	↑ 30%	636	↑ 30%
Xiamen	117,990	↑ 4%	-	453	↑ 10%	↑ 81%	438	↑ 10%	↑ 75%	438	↑ 75%
Yangzhou	19,729	↓ -9%	-	84	↓ -16%	↑ 36%	81	↓ -16%	↑ 32%	81	↑ 32%
Dongguan	53,891	↑ 16%	-	205	↓ -10%	↑ 2%	198	↓ -9%	↑ 0%	198	↓ -1%
Nanning	31,121	↓ -5%	-	155	↓ -27%	↓ -14%	155	↓ -23%	↓ -14%	155	↓ -14%
Foshan	170,820	↓ -3%	↑ 14806%	704	↓ -9%	↑ 96%	687	↓ -7%	↑ 95%	687	↑ 91%
Jinhua	141,819	↑ 141%	-	367	↑ 34%	↑ 180%	357	↑ 36%	↑ 172%	357	↑ 172%
Jiangmen	20,224	↑ 11%	-	84	↓ -14%	↑ 554%	81	↓ -14%	↑ 530%	81	↑ 530%
Total	2,112,021	12%	184195%	7,736	-2%	50%	7,446	-2%	45%	7,446	44%
Num. of cities Up		11	1		7	12		7	12		11
Num. of cities Down		4	0		8	3		8	3		4

Source: Local governments, CWSI Research; Note: Till 2021/1/29

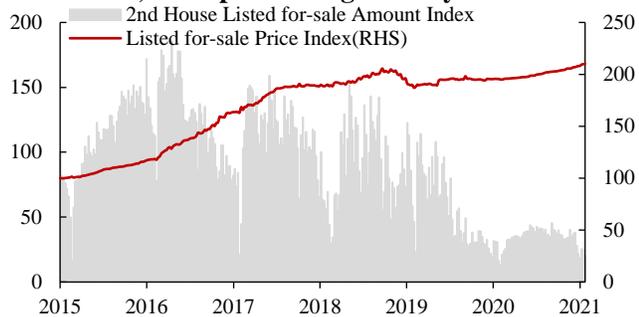


Chart 16: 2nd house listed for-sale price index rose slightly recently



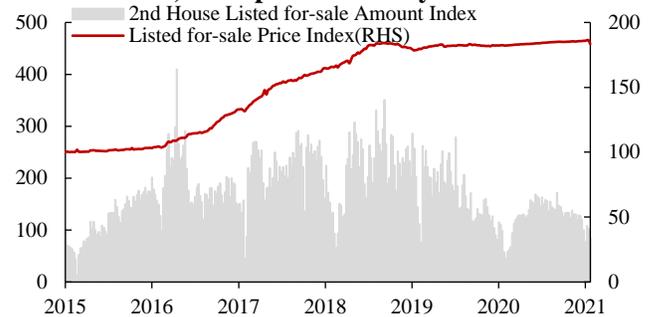
Source: Local Government, CWSI Research; Note: Till 2021/1/24

Chart 17: 2nd house listed for-sale amount index rose in tier-1 cities, with price rising recently



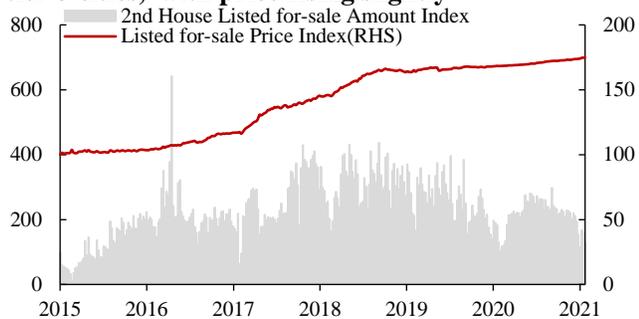
Source: Local Government, CWSI Research; Note: Till 2021/1/24

Chart 18: 2nd house listed for sale amount index rose in tier-2 cities, with price relatively stable



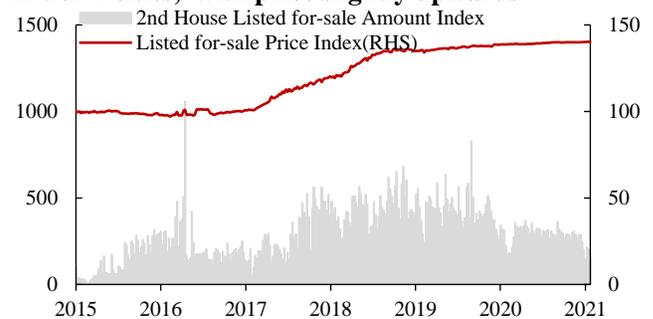
Source: Local Government, CWSI Research; Note: Till 2021/1/24

Chart 19: 2nd house listed for-sale amount index rose in tier-3 cities, with price rising slightly



Source: Local Government, CWSI Research; Note: Till 2021/1/24

Chart 20: 2nd house listed for-sale amount index rose in tier-4 cities, with price slightly upwards



Source: Local Government, CWSI Research; Note: Till 2021/1/24

4. Important Policies and News

4.1 Important Industry Policies News This Week

Table 6: Important Industry Policies News This Week: Foreclosure homes will be included in the scope of housing purchase restrictions in Shanghai; Hangzhou further strengthened the housing purchase restriction

Date	Region / Institution	Summary
2021-01-25	Shenzhen	Buyers who use fraudulent methods to purchase commercial housing will be prohibited from using the "home purchase intention registration system" and the contract online signing system for 3 years, including new homes and all second-hand housing transactions.
2021-01-25	Shanghai	Foreclosure homes will be included in the scope of housing purchase restrictions.
2021-01-27	Wuhan	The land supply will be strictly controlled and will be reduced year by year, decreasing by 20% compared with the "13th Five-Year Plan" period by 2025. and the development of existing land will be vigorously promoted.
2021-01-27	Hangzhou	Further strengthened the housing purchase restriction, stipulating that those settled in this city for less than 5 years can purchase one house within the purchase restriction scope of the city, and that if a house within the scope of the city's purchase restriction is given to others, the donor cannot purchase a house within the scope of purchase restriction in 3 years, and except for bequests, the recipient's family must comply with this city's housing purchase restriction policy.
2021-01-27	Chengdu	Violations such as price bidding will be severely cracked down.
2021-01-28	Ningbo	Five major measures will be taken to increase housing supply, including providing land for rental housing, allowing idle commercial, office, and industrial housing to be converted into rental housing, intensively building rental housing, revitalizing the stock of idle housing, and building high-end rental housing.

Source: Wind, Government website, CWSI Research

4.2 Company news and announcements

Table 7: Company news and announcements: R&F, Zhenro, etc. carried out debt financing; A-Living, Powerlong CM, etc. released positive profit alerts

Date	Company	Summary
2021-01-25	Sunac	The company will redeem in advance on 21 February 2021 all of the outstanding HKD 0.8 bn 7.875% convertible bonds due 2022 with a redemption price equal to 102.0% of the principal amount and pay the related accrued and unpaid interest.
2021-01-25	A-Living	In 2020, the unaudited consolidated net profit of the Group and the unaudited consolidated net profit attributable to the Shareholders are expected to record a significant increase of not less than 50% and 40% YoY, respectively.
2021-01-25	BRC	In 2020, the company achieved cumulative contracted sales amount of RMB 103.5 bn (+1.9%), and the cumulative contracted sales GFA of 12.05 mn sqm (+10.0%).
2021-01-26	Jinmao	In 2020, the Group will record a decrease between approximately 40% and 50% in the profit attributable to owners of the parent (excluding fair value gains on investment properties) and a significant increase between approximately 40% and 50% in the revenue from properties delivered and settled YoY. The aggregated contracted sales amounted to RMB 231.1 bn (+43.7%).
2021-01-26	Zhongliang	Issued USD 250 mn 7.50% senior notes due 2022.
2021-01-26	R&F	Issued USD 500 mn 11.75% senior notes due 2023.
2021-01-26	Modern Land	Issued additional USD 71 mn 9.8% green senior notes due 2023 and additional USD 77 mn 11.95% green senior notes due 2024.
2021-01-27	ZhenRo	Issued USD 300 mn 6.7% senior notes due 2026.
2021-01-27	China SCE	Issued USD 350 mn 6% senior notes due 2026.
2021-01-27	Seazen	Issued USD 404 mn 4.5% senior notes due 2026.
2021-01-27	CC New Life	In 2020, the unaudited consolidated net profit attributable to the Shareholders are expected to record a significant increase of not less than 80% YoY.
2021-01-28	Kaisa	Issued additional USD 200 mn 9.95% senior notes due 2025 (to be consolidated and form a single series with the USD 300 mn 9.95% senior notes due 2025).
2021-01-28	Powerlong CM	In 2020, the Group expects to record a substantial increase in profit attributable to the owners of the Company of not less than 50% YoY.
2021-01-28	KWG Living	In 2020, the Group is expected to record a significant increase in the unaudited total profits of not less than 70% YoY.

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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- (3) I am not, directly or indirectly, supervised by or reporting to our Investment Banking Department;
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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%.

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