

## This Week in China

### Two Centralizations: intensifies regional differentiation, increases industry concentration

#### Topic of the week:

For developers, centralized land transfer will place higher demands on various capabilities. 1) **Operational capacity:** The centralized land transfer puts forward higher requirements on the short-term fund-raising ability and operational, marketing and control capabilities of developers. In the future, developers may become more holistic and refined in the above aspects. 2) **Investment model:** Some developers may further adopt cooperative methods to participate in land auctions to reduce financial pressure; at the same time, in cities where land market is hard to cool down in the short term, the advantages of some developers in the resource endowment of urban renewal, the collaborative expansion of commercial and residential buildings, and the urban operation model will be further highlighted. On the other hand, some developers may expand their exploration of the existing land market and increase their efforts in M&As.

In terms of industry, in the short term, the centralized sale of residential land will have an impact on urban differentiation and industry concentration. 1) **Regional differentiation is expected to increase:** The current land supply in major cities is mostly distributed in each month of the year. The centralized supply of residential land will increase the capital requirements of developers at the land transfer node, in the short term, regions that are more in line with the investment logic of developers may get more resources and thus face greater transaction congestion. 2) **Industry concentration may further increase:** As the centralized transfer of land puts forward higher requirements for short-term funds and developers' operating capabilities, leading developers with significant capital advantages and more mature operations may be relatively calmer under the new transfer regulations, which will further increase the industry concentration.

The demand of economic transformation may lead the industry to maintain a relatively reasonable long-term profit rate. The centralized transfer of residential land actually continued the tone of "housing for living, not for speculation", whose core is to guide the land and commercial housing market to return to rationality through more concentrated, transparent, and sufficient land supply, and to promote the "healthy development of housing consumption" while satisfies the demands of stabilizing the economic environment and guiding the flow of resources to key development fields in the process of industrial transformation and upgrading in China. Under the current policy framework, the long-term profit rate of the industry may maintain a relatively reasonable level under the guidance of the policy.

#### Data points:

As of Feb 26<sup>th</sup>, new house transaction area in 42 major cities this week increased 377% WoW, and cumulative transaction area in 2021 increased 130% YoY.

As of Feb 26<sup>th</sup>, saleable area (inventory) in 13 major cities this week decreased 2% WoW; average inventory period was 15.8 months, average WoW change was -1%.

As of Feb 26<sup>th</sup>, second-hand housing transactions in 15 major cities this week increased 513% WoW, and cumulative transaction area in 2020 increased 105% YoY.

#### Suggestion:

Many cities issued policies for the centralized release of residential land information and centralized transfer this week, which is the continuation of the previous "housing for living, not for speculation" direction and the continuation of the land market regulation, may guide the real estate market to return to rationality and promote the healthy development of the industry. Maintain "Overweight" rating.

**Overweight**  
(Maintain)

Public WeChat account



**Hongfei Cai**

Analyst

+852 3958 4629

caihongfei@cwghl.com

SFC CE Ref: BPK 909

**Lianxin Zhuge**

Analyst

+852 3958 4600

zhugelianxin@cwghl.com

SFC CE Ref: BPK 789

# 1. Two Centralizations: intensifies regional differentiation, increases industry concentration

Recently, Tianjin, Zhengzhou, Qingdao, etc. have introduced policies related to the centralized transfer of residential land. For example, Tianjin will publish residential land transfer announcements in three batches in March, June, and mid-September, and except for the above-mentioned dates, no more announcements on the assignment of residential land may be issued. Why did the land transfer policy change? What is the impact of the centralized transfer of residential land?

**Table 1: Recently, some cities have introduced policies related to the centralized transfer of residential land**

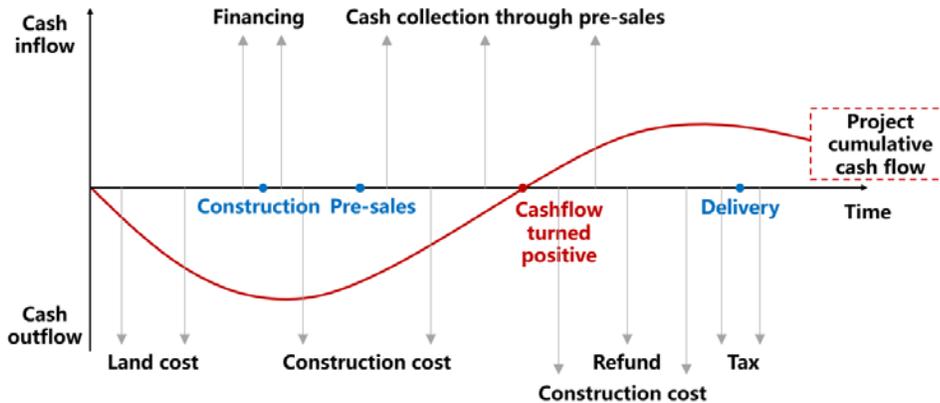
Date	City	Summary
2021-02-24	Tianjin	Tianjin has decided to publish residential land transfer announcements in three batches in March, June, and mid-September, and no residential land transfer announcements shall be issued except for the aforementioned dates.
2021-02-24	Zhengzhou	It is required that the Airport District, Zhengdong New District, Economic Development Zone, High-tech Zone, and Shangjie District prohibit the publication of residential land transfer announcements, and the Municipal Bureau shall organize and implement it.
2021-02-24	Qingdao	Throughout the year, public bidding, auction and listing announcements and the bidding, auction and listing activities for residential land will be issued in three batches.
2021-02-24	Jinan	Throughout the year, three batches of public bidding and listing announcements for residential land will be issued in a unified manner and new policy requirements for bidding, auction and listing activities will be implemented.

Source: Government websites, CWSI Research

## 1.1 What impact will the centralized transfer have on the operation of developers?

**Centralized land transfer puts forward higher requirements on the short-term fund raising ability of developers, and puts certain pressure on the efficiency of fund use.** In real estate development projects, after the developer pays the land cost through some of its own funds, it obtains cash inflows through financing, pre-sale payments, etc., and gradually pays for construction costs and other expenditures. The developer's own funds can be recovered before delivery and be invested in other projects. Centralized land transfer puts forward higher requirements on the short-term fund-raising ability of developers: on the one hand, developers need to obtain a larger amount of financing in the short term; on the other hand, developers need to make adjustments to the development and payment progress of each project to minimize the decline in utilization efficiency caused by idle funds.

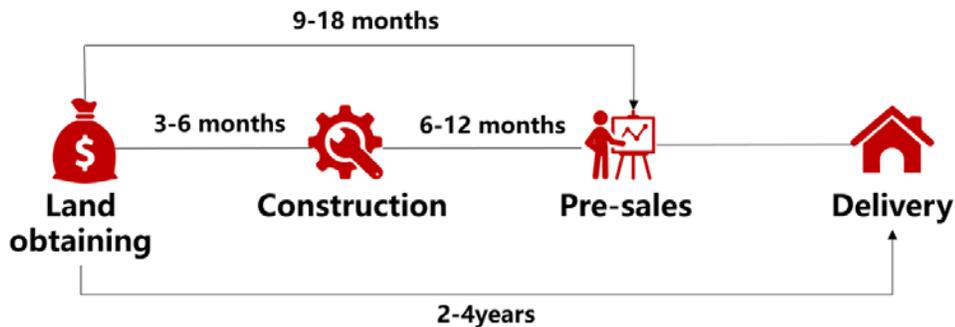
**Chart 1: Centralized land transfer puts forward higher requirements on the short-term financing ability of developers**



Source: CWSI Research

**Centralized land supply will also have a significant impact on the sales and operations of developers, and the operation and control capabilities of developers will be improved.** After acquiring the land, the real estate project will start construction, pre-sale and other processes. The concentration of land acquisition time will lead to an increase in the overlap between the project progress of each developer and the time of commercial housing entering the market, which will affect the sales and marketing tools arrangements such as discount placement of each project. Developers may make adjustments to the current operating system and project layout, and may face certain operating pressures in the short term; in the long run, the aforementioned pressures will drive real estate companies to become more holistic and refined in terms of operational management and control.

**Chart 2: Centralized land transfer may increase the coincidence of commercial housing entering the market**



Source: CWSI Research

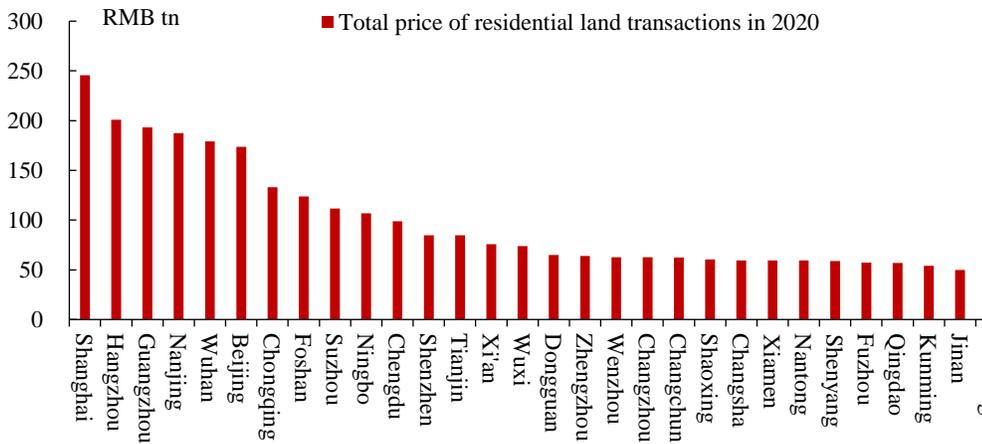
**Cooperation, M&As may increase, and the advantages of the characteristic land acquisition model will be more prominent.** Due to the consideration of land acquisition and land cost, some developers may further adopt cooperative methods to participate in land auctions to reduce financial pressure; at the same time, in cities where land market is hard to cool down in the short term, the advantages of some developers in the resource endowment of the urban renewal, the collaborative expansion of commercial and residential buildings, and the urban operation model will be further highlighted. On the other hand, some developers may expand their exploration of the existing land market and increase their efforts in M&As.

## **1.2 What impact does the centralized transfer have on the real estate industry?**

In the short term, the centralized supply of residential land may increase the differentiation between cities and further increase industry concentration.

**Developers will be more cautious in city research and judgment, and regional differentiation is expected to increase in the short term.** At present, the total transaction volume of residential land in some cities is relatively large and distributed in each month of the year. Take Shanghai, which has the highest total residential land transaction amount in 2020, as an example. In 2020, Shanghai's residential GFA transacted reached 18.92 mn sqm. The three months with the highest residential GFA transacted during the year were June, February, and July, respectively, transacted only about 4.6 mn sqm, 3.65 mn sqm, and 1.81 mn sqm, all significantly less than 1/3 of the year of approximately 6.31 mn sqm; the total transaction amount reached RMB 245.72 bn. The three months with the highest total transaction price of residential land during the year were February, In July and December, the amount involved was only about RMB 42.45 bn, RMB 42.40 bn, and RMB 35.40 bn, which was significantly lower than 1/3 of the year of about 81.91 bn. Concentrated land investment will increase the capital requirements of developers at the land transfer node. Under the limitation of available funds, developers may need to further strengthen the research and judgment of the city coverage, and invest limited funds in regions more in line with the company's land investment logic. In the short term, due to the differences in the supply and demand conditions of various cities and the limitation of the total short-term funds of developers, some regions may receive more resources from developers and face greater transaction congestion. The differentiation between cities is expected to increase.

**Chart 3: In 2020, Shanghai, Hangzhou and Guangzhou ranked top in total price of residential land transactions**



Source: Wind, CWSI Research

**Chart 4: In 2020, Chongqing, Wuhan and Urumqi ranked top in total GFA of residential land transactions**



Source: Wind, CWSI Research



**Table 2: The supply of residential land in T1/T2 cities has increased in recent years, and the supply and demand of cities show differentiations**

Planned GFA of land sold / Residential housing sales GFA						
City	2015	2016	2017	2018	2019	2020
Beijing	0.88	0.23	1.77	1.26	0.90	0.73
Shanghai	0.56	0.31	0.86	0.86	1.07	1.10
Guangzhou	0.76	0.39	0.85	1.16	1.32	1.16
Shenzhen	0.08	0.21	0.09	0.22	0.36	1.17
Tianjin	0.44	0.47	0.69	1.08	1.28	1.04
Shijiazhuang	1.59	1.88	1.04	1.53	1.39	-
Taiyuan	1.56	1.71	1.57	1.61	2.51	-
Hohhot	0.30	0.75	0.80	1.08	1.39	-
Shenyang	0.45	0.51	0.39	0.58	0.80	-
Dalian	0.18	0.55	0.32	0.24	0.87	-
Changchun	0.50	0.68	0.75	0.68	1.31	-
Harbin	0.59	0.55	0.38	0.59	0.70	-
Nanjing	0.86	0.77	1.52	1.24	1.55	1.78
Hangzhou	0.68	0.71	1.21	1.33	2.07	1.93
Ningbo	0.71	1.40	0.72	1.13	0.84	0.98
Hefei	0.84	0.50	0.74	0.51	0.48	0.50
Fuzhou	1.46	0.71	1.72	1.66	2.52	1.45
Xiamen	0.49	0.72	1.44	2.06	1.09	1.20
Nanchang	0.95	1.12	1.20	4.34	0.97	2.95
Jinan	1.65	1.12	1.17	2.02	1.17	0.80
Qingdao	0.42	0.30	0.42	0.68	1.14	0.95
Zhengzhou	1.21	1.00	0.72	0.87	1.84	0.62
Wuhan	0.71	0.65	1.61	1.50	1.08	1.40
Changsha	0.12	0.22	0.24	0.44	0.68	-
Nanning	1.18	0.58	0.77	1.00	0.66	0.90
Haikou	0.86	0.96	0.35	0.51	0.88	-
Chongqing	0.97	0.56	0.62	0.55	0.45	0.63
Chengdu	1.44	1.52	3.26	0.94	0.70	0.57
Guiyang	0.46	0.72	1.25	0.72	1.12	1.28
Kunming	0.37	0.73	1.07	0.98	1.51	-
Xi'an	0.75	0.72	0.70	0.61	0.49	0.68
Lanzhou	0.89	0.43	0.27	0.49	0.66	-
Xining	0.33	0.29	0.97	0.65	0.68	-
Yinchuan	0.18	0.73	0.41	0.30	0.49	0.26
Urumqi	1.53	0.68	1.22	2.16	1.95	-
<b>Number of cities less than 1</b>	<b>27</b>	<b>28</b>	<b>21</b>	<b>20</b>	<b>17</b>	<b>-</b>

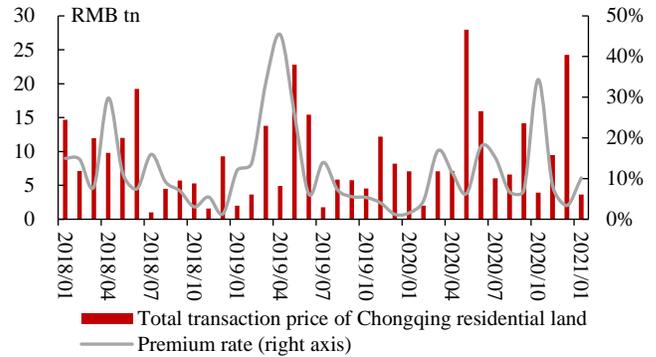
Source: Wind, CWSI Research; Note: The full-year sales area data of some cities in 2020 is temporarily missing; use data from NBS here for cities with missing data from local governments

**Chart 5: Amount of residential land transactions in Shanghai was scattered throughout the year**



Source: Wind, CWSI Research

**Chart 6: The current Chongqing residential land transaction involves relatively scattered funds**

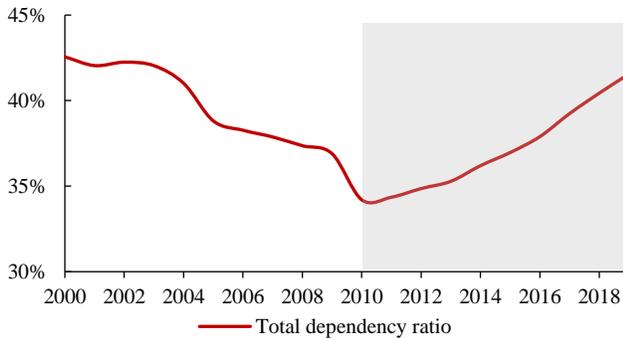


Source: Wind, CWSI Research

**The requirements on capital and operating capabilities by centralized transfer of residential land may further increase industry concentration.** Since the centralized transfer of residential land puts forward higher requirements on the transfer node funds and the management capabilities of the real estate companies, leading developers with significant capital advantages and more mature operations may be more calm under the new transfer regulations, which will further increase the concentration of the industry.

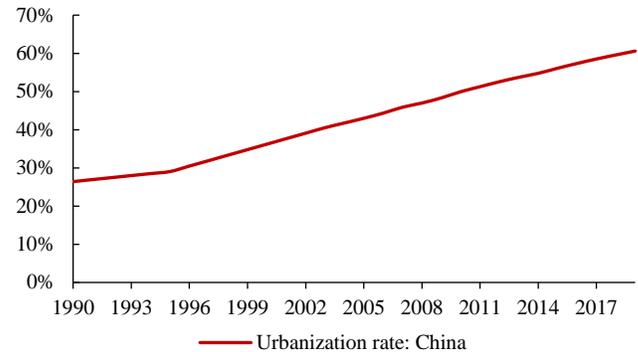
**In the long run, the conversion of economic growth momentum has shifted the real estate industry's regulatory focus from housing prices to land enthusiasm.** At present, China's economic development pays more attention to industrial transformation and upgrading and the quality of economic development. In this context, the real estate industry can maintain stability in order to create a stable cost factor and internal environment for industrial upgrading. On the other hand, China's savings rate has declined in recent years, which has put pressure on credit expansion and investment demand; the demographic advantages has gradually faded, and the total dependency ratio has gradually recovered since 2010. The urbanization rate has been increasing sharply in the past two decades, reaching 60.6% at the end of 2019, and the future growth rate may also slow down. Under the influence of the above factors, the past development model of investment and economic growth driven by the "housing-land price spiral" is under pressure. The upside risk of real estate industry regulation is gradually shifted from "containing the excessive rise of housing prices" to preventing the land market from overheating.

**Chart 7: The total dependency ratio has risen since 2010**



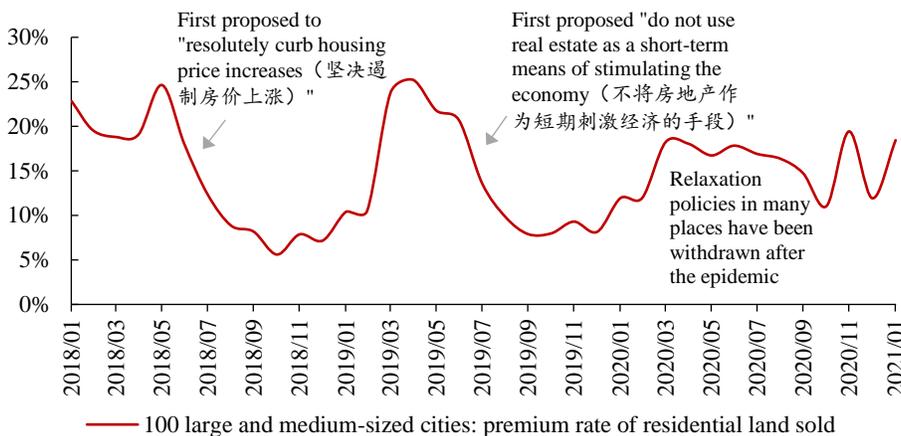
Source: Wind, CWSI Research

**Chart 8: China's urbanization rate has increased rapidly, reaching 60.6% at the end of 2019**



Source: Wind, CWSI Research

**Chart 9: In recent years, the tightening of regulation and control has mostly occurred after the boom in local auctions, and the relaxation policies in many places after the epidemic has been withdrawn**



Source: Wind, HKEX, CWSI Research

**The policy of centralized land supply is actually an innovative exploration under the framework of "housing for living, not for speculation", and the demand of economic transformation may lead the industry to maintain a relatively reasonable long-term profit rate.** The centralized transfer of residential land actually continued the tone of "housing for living, not for speculation". Its core is to guide the land and commercial housing market to return to rationality through more concentrated, transparent, and sufficient land supply, and to promote the "healthy development of housing consumption" while satisfies the demands of stabilizing the economic environment and guiding the flow of resources to key development fields in the process of industrial transformation and upgrading in China. Under the current policy

framework, the long-term profit rate of the industry may maintain a relatively reasonable level under the guidance of the policy.

### **1.3 Summary: Policy framework changes and the land regulation continues**

**The development model transformation and adjustment policy framework has evolved, and the "two-centralization" policy continues the direction of land market regulation.** In the past, the "housing-land price spiral" effectively spurred investment and promoted overall economic growth. The expansion of local "balance sheets" has become an important path for China's rapid growth in the past two decades. Under the combined effects of economic growth demands, urbanization and the release of demographic dividends, and an environment of high savings and low leverage, the real estate industry has sufficient room for development, and the focus of regulation is to "containing the excessive rise of housing prices." As the aforementioned dividends recede and residents' leverage ratios increase, China has gradually entered a period of economic growth momentum switching. Industrial transformation and upgrading have become the core demands of current development. A stable internal environment and factor costs have become important factors in China's current development. In this context, the upside risk of regulation has changed from rising housing prices to overheating of the land market, and land market regulation has become a policy focus. The current "two-centralization" policy is an active exploration of current land regulation.

**In terms of real estate business operations, requirements for capital management and control capabilities, operational capabilities, and marketing capabilities have been improved, and the advantages of the characteristic land acquisition model have been highlighted.** The centralized supply of residential land will have an impact on the short-term fund-raising ability and capital utilization efficiency of developers. Developers will face certain pressures on matching the payment nodes of the repayment and acquisition of land. The centralized transfer will have an impact on marketing, and developers may also need to reform the management and control of each region to maximize the overall group resources. On the other hand, in order to reduce the capital cost of centralized land supply, the cooperation between developers may be further improved. Commercial and residential coordination, urban operation, etc. are also expected to help developers continue to avoid fierce land auction competition; M&A activities targeting at existing land market may also continue to increase.

**In terms of industry, in the short term, urban differentiation is expected to increase and industry concentration may increase. In the long term, industry profit margins may remain at a reasonable level.** Due to differences in the supply and demand situation of various cities in recent years and the total short-term capital



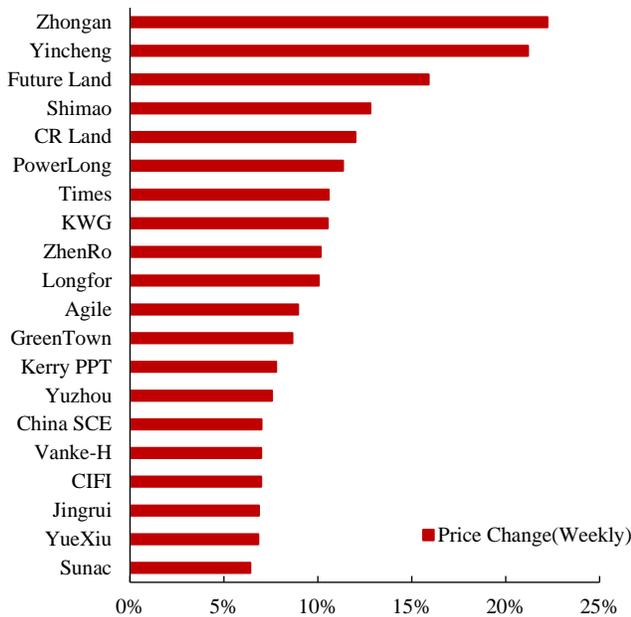
constraints, some cities may receive more resource tilt, and the differentiation between cities is expected to increase in the short term. In terms of concentration, leading developers with significant capital advantages and more mature operations may be more comfortable under the new transfer regulations, which will further increase the industry concentration. In the long run, the proposal of this centralized residential land transfer system is actually a continuation of the current "housing for living, not for speculation" framework, and the combined effect of the internal cycle on the "healthy development of housing consumption" and the requirements for stabilizing elements and guiding the flow of resources to encouraged fields. Under the new policy framework, the long-term profit rate of the industry may maintain a relatively reasonable level.

## 2. Sector Performance

### 2.1 Performance of developer sector

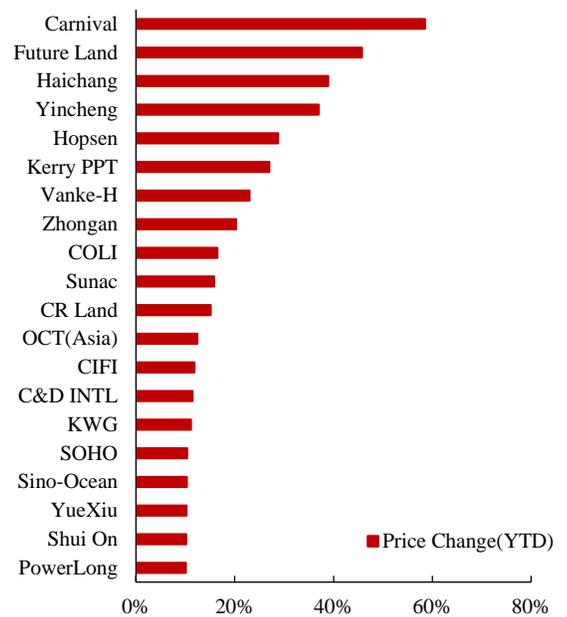
This week, Zhongan, Yincheng and Future Land had larger price increase than peers. Carnival, Future Land and Haichang had better share price performance, YTD.

**Chart 10: This week, Zhongan, Yincheng and Future Land had larger price increase than peers**



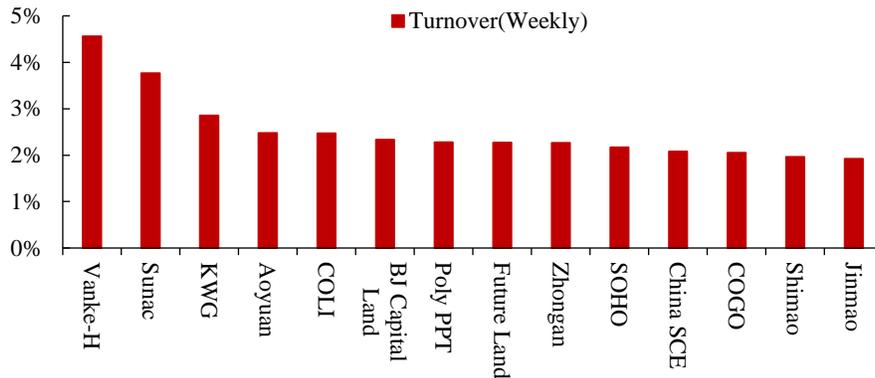
Source: Wind, CWSI Research

**Chart 11: Carnival, Future Land and Haichang had better share price performance, YTD**



Source: Wind, CWSI Research

**Chart 12: Vanke-H, Sunac and KWG were most actively traded this week**

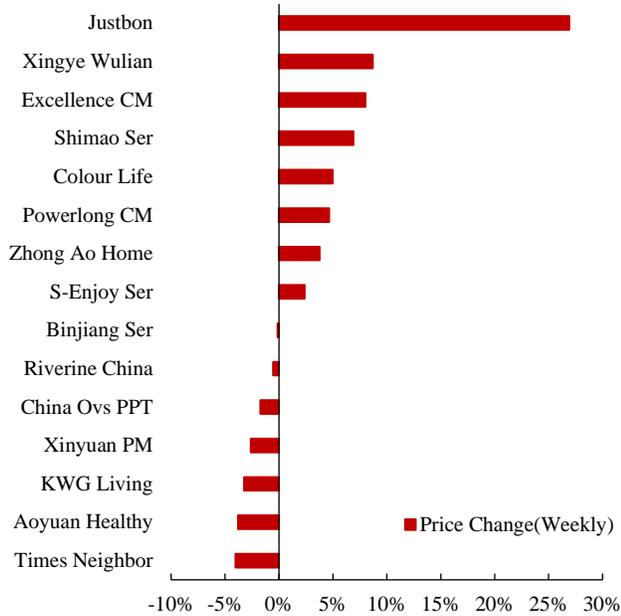


Source: Wind, CWSI Research

## 2.2 Performance of property management sector

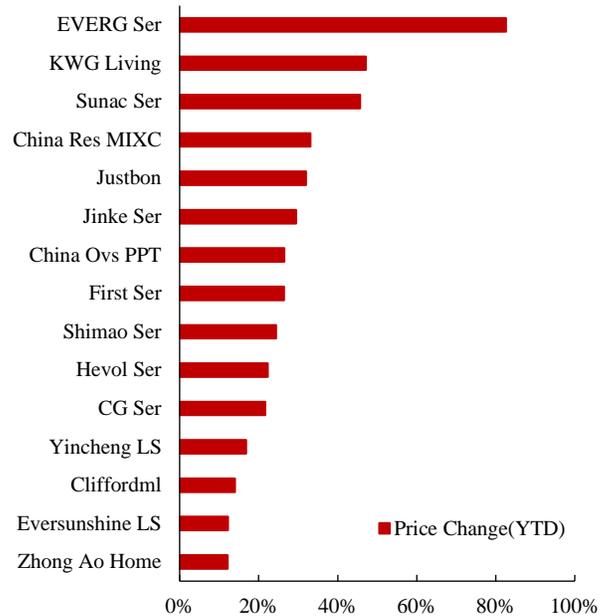
This week, Justbon, Xingye Wulian and Excellence CM had larger price increase than peers. EVERG Ser, KWG Living and Sunac Ser had better share price performance YTD.

**Chart 13: This week, Justbon, Xingye Wulian and Excellence CM had larger price increase than peers**



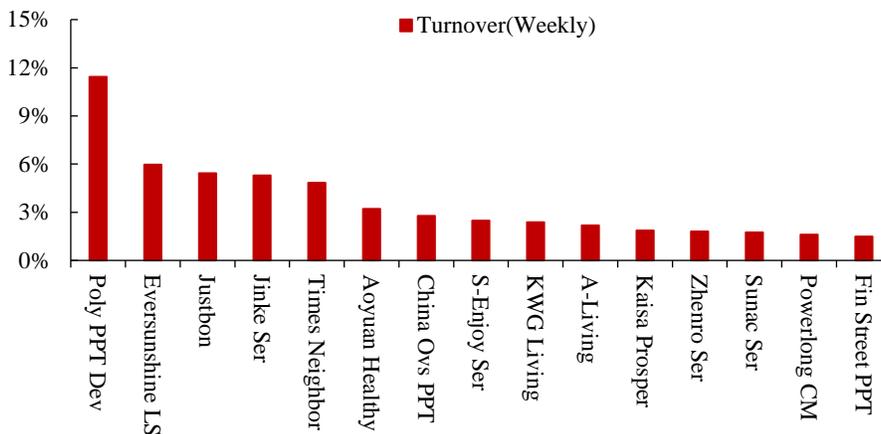
Source: Wind, CWSI Research

**Chart 14: EVERG Ser, KWG Living and Sunac Ser had better share price performance YTD**



Source: Wind, CWSI Research

**Chart 15: Poly PPT Dev, Eversunshine LS and Justbon 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	209,950	680%	194%	653	-28%	389%	467	-28%	251%	1,302	92%
Shanghai	277,100	527%	276%	1,154	-22%	602%	702	-42%	333%	2,415	160%
Guangzhou	236,814	640%	339%	927	-34%	722%	641	-43%	479%	2,094	314%
Shenzhen	153,808	-	289%	374	-50%	425%	275	-59%	286%	1,090	210%
<b>Tier 1</b>	<b>877,671</b>	<b>751%</b>	<b>268%</b>	<b>3,108</b>	<b>-31%</b>	<b>545%</b>	<b>2,086</b>	<b>-43%</b>	<b>337%</b>	<b>6,900</b>	<b>180%</b>
<b>Tier 2</b>	<b>2,500,018</b>	<b>552%</b>	<b>144%</b>	<b>8,119</b>	<b>-30%</b>	<b>420%</b>	<b>6,750</b>	<b>-32%</b>	<b>336%</b>	<b>18,268</b>	<b>94%</b>
<b>Tier 3</b>	<b>2,755,614</b>	<b>244%</b>	<b>311%</b>	<b>8,468</b>	<b>-26%</b>	<b>709%</b>	<b>7,009</b>	<b>-23%</b>	<b>613%</b>	<b>17,835</b>	<b>161%</b>
Beijing	209,950	↑680%	↑194%	653	↓-28%	↑389%	467	↓-28%	↑251%	1,302	↑92%
Qingdao	259,761	↑679%	↑163%	784	↓-39%	↑349%	589	↓-41%	↑239%	1,809	↑107%
Jinan	221,528	↑328%	↑226%	627	↓-35%	↑384%	541	↓-31%	↑342%	1,434	↑115%
Dongying	36,615	↑168%	↑222%	136	↓-68%	↑883%	96	↓-73%	↑595%	493	↑324%
<b>PBR</b>	<b>727,853</b>	<b>↑479%</b>	<b>↑192%</b>	<b>2,201</b>	<b>↓-39%</b>	<b>↑387%</b>	<b>1,694</b>	<b>↓-39%</b>	<b>↑282%</b>	<b>5,037</b>	<b>↑116%</b>
Shanghai	277,100	↑527%	↑276%	1,154	↓-22%	↑602%	702	↓-42%	↑333%	2,415	↑160%
Nanjing	343,736	↑846%	↑135%	793	↓-20%	↑202%	662	↓-27%	↑152%	1,716	↑117%
Hangzhou	397,029	↑4436%	↑378%	894	↑4%	↑902%	878	↑4%	↑885%	1,741	↑174%
Suzhou	184,177	↑231%	↑13%	621	↓-36%	↑132%	537	↓-34%	↑109%	1,445	↑65%
Wuxi	35,900	↑46%	↓-23%	318	↓-32%	↑233%	201	↓-57%	↑111%	787	↑89%
Yangzhou	66,280	-	↑2616%	178	↓-39%	↑2149%	178	↓-36%	↑2149%	470	↑133%
Jiangyin	87,764	↑607%	↑446%	230	↓-25%	↑1318%	185	↓-29%	↑1043%	495	↑106%
Wenzhou	332,570	↑257%	↑538%	1,030	↓-34%	↑1529%	875	↑10%	↑1415%	1,831	↑94%
Jinhua	42,443	↑128%	↑276%	215	↓-44%	↑1483%	169	↓-51%	↑1178%	568	↑456%
Changzhou	55,641	↑1196%	↑147%	177	↓-27%	↑565%	140	↓-20%	↑447%	351	↑32%
Huaian	164,279	↑87%	↑296%	620	↓-15%	↑729%	519	↓-20%	↑628%	1,283	↑193%
Lianyungang	362,268	↑125%	↑961%	979	↑6%	↑1196%	846	↑1%	↑1088%	1,839	↑283%
Shaoxing	59,712	↑486%	↑127%	177	↑29%	↑372%	146	↑24%	↑294%	295	↑100%
Zhenjiang	115,697	↑329%	↑512%	385	↓-36%	↑1250%	315	↓-27%	↑1032%	824	↑119%
Jiaxing	49,957	↑558%	↑527%	162	↑60%	↑1524%	162	↑60%	↑1524%	263	↑126%
Wuhu	262,608	↑273%	↑1966%	665	↑53%	↑5133%	576	↑66%	↑431%	1,018	↑973%
Yancheng	92,636	-	↑71%	319	↓-12%	↑300%	203	↓-44%	↑275%	683	↑230%
Zhoushan	23,264	↑471%	↑127%	67	↓-28%	↑308%	53	↓-25%	↑249%	140	↑70%
Chizhou	45,373	-	↑188%	93	↑16%	↑252%	81	↑20%	↑206%	161	↑101%
Ningbo	241,275	↑1713%	↑1330%	648	↓-22%	↑3693%	558	↓-24%	↑3171%	1,400	↑171%
<b>YRD</b>	<b>3,239,709</b>	<b>↑377%</b>	<b>↑279%</b>	<b>9,724</b>	<b>↓-18%</b>	<b>↑602%</b>	<b>7,987</b>	<b>↓-19%</b>	<b>↑501%</b>	<b>19,726</b>	<b>↑148%</b>
Guangzhou	236,814	↑640%	↑339%	927	↓-34%	↑722%	641	↓-43%	↑479%	2,094	↑314%
Shenzhen	153,808	-	↑289%	374	↓-50%	↑425%	275	↓-59%	↑286%	1,090	↑210%
Fuzhou	106,205	↑450%	↑64%	276	↓20%	↑125%	232	↓27%	↑91%	464	↑92%
Dongguan	80,855	↑1443%	↑304%	379	↓-59%	↑1111%	223	↓-69%	↑612%	1,123	↑251%
Quanzhou	27,812	↑10%	↑100%	99	↓-53%	↑318%	91	↓-52%	↑288%	297	↑48%
Putian	51,284	↑116%	↑89%	165	↑18%	↑223%	145	↑34%	↑206%	275	↑108%
Huizhou	54,481	↑424%	↑187%	169	↓-55%	↑497%	122	↓-64%	↑332%	515	↑176%
Shaoguan	33,820	↑115%	↑97%	105	↓-18%	↑217%	88	↓-13%	↑188%	208	↑98%
Foshan	210,702	↑967%	↑146%	696	↓-41%	↑452%	526	↓-44%	↑320%	1,682	↑143%
Zhaoqing	49,373	↑273%	↑288%	164	↓-42%	↑1109%	121	↓-45%	↑802%	387	↑129%
Jiangmen	31,346	↑306%	↑598%	107	↓-33%	↑1216%	75	↓-51%	↑841%	266	↑318%
<b>PRD &amp; Southern China</b>	<b>1,036,501</b>	<b>↑501%</b>	<b>↑189%</b>	<b>3,461</b>	<b>↓-40%</b>	<b>↑457%</b>	<b>2,540</b>	<b>↓-46%</b>	<b>↑316%</b>	<b>8,401</b>	<b>↑183%</b>
Taian	51,770	↑211%	↑822%	155	↓-34%	↑915%	132	↓-35%	↑772%	362	↑155%
<b>Northern China</b>	<b>51,770</b>	<b>↑211%</b>	<b>↑822%</b>	<b>155</b>	<b>↓-34%</b>	<b>↑915%</b>	<b>132</b>	<b>↓-35%</b>	<b>↑772%</b>	<b>362</b>	<b>↑155%</b>
Wuhan	334,510	↑522%	-	1,192	↓-43%	-	920	↓-46%	-	2,956	↑119%
Yueyang	41,110	↑41%	↑266%	150	↑6%	↑828%	130	↑14%	↑738%	267	↑71%
Baoji	64,877	↑213%	-	195	↓-62%	-	157	↓-66%	-	655	-
<b>Central China</b>	<b>440,497</b>	<b>↑325%</b>	<b>↑3823%</b>	<b>1,537</b>	<b>↓-44%</b>	<b>↑9376%</b>	<b>1,208</b>	<b>↓-47%</b>	<b>↑661%</b>	<b>3,878</b>	<b>↑158%</b>
Chengdu	356,670	↑424%	↑18%	1,565	↓-16%	↑276%	1,395	↓-13%	↑236%	3,173	↑45%
Liuzhou	120,404	↑114%	↑77%	403	↓-22%	↑310%	336	↓-7%	↑260%	771	↑86%
Nanning	159,899	↑147%	↑99%	650	↓-39%	↑658%	553	↓-45%	↑546%	1,655	↑34%
<b>Western China</b>	<b>636,973</b>	<b>↑237%</b>	<b>↑41%</b>	<b>2,618</b>	<b>↓-24%</b>	<b>↑336%</b>	<b>2,284</b>	<b>↓-23%</b>	<b>↑284%</b>	<b>5,599</b>	<b>↑46%</b>
<b>Total</b>	<b>6,133,303</b>	<b>↑377%</b>	<b>↑218%</b>	<b>19,695</b>	<b>↓-29%</b>	<b>↑537%</b>	<b>15,845</b>	<b>↓-30%</b>	<b>↑427%</b>	<b>43,003</b>	<b>↑130%</b>
Num. of cities Up		38	39		9	40		10	40		41
Num. of cities Down		0	1		33	0		32	0		0

Source: Local governments, CWSI Research; Note: Till 2021/2/26

**Table 4: Major cities inventory period was 15.8months this week**

City	Inventory (sqm 000)	wow	yoy	Inventory period	Last week	wow	yoy
Beijing	12,037	-1%	11%	18.4	18.2	1%	-77%
Shanghai	5,838	-3%	-22%	5.1	4.6	11%	-89%
Guangzhou	8,692	-2%	17%	9.4	8.2	14%	-86%
Shenzhen	2,737	-2%	4%	7.3	6.9	7%	-80%
<b>Tier 1 Average</b>		<b>-2%</b>	<b>3%</b>	<b>10.0</b>	<b>9.5</b>	<b>8%</b>	<b>-83%</b>
Hangzhou	5,501	-5%	76%	6.2	9.8	-37%	-82%
Nanjing	7,177	-2%	28%	9.0	9.7	-7%	-57%
Suzhou	8,329	-2%	48%	13.4	13.9	-4%	-36%
Fuzhou	7,288	0%	74%	26.4	33.3	-21%	-23%
Nanning	8,605	-1%	3%	13.2	12.3	8%	-86%
Wenzhou	11,422	-2%	8%	11.1	11.7	-5%	-93%
Quanzhou	6,906	-1%	-2%	69.5	84.9	-18%	-77%
Ningbo	3,128	-6%	6%	4.8	6.1	-21%	-97%
Dongying	1,503	-1%	-7%	11.0	6.9	60%	-91%
<b>Overall Average</b>		<b>-2%</b>	<b>19%</b>	<b>15.8</b>	<b>17.4</b>	<b>-1%</b>	<b>-75%</b>

Source: Local governments, CWSI Research; Note: Till 2021/2/26; Average WoW and average YoY are defined as average change of each city

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

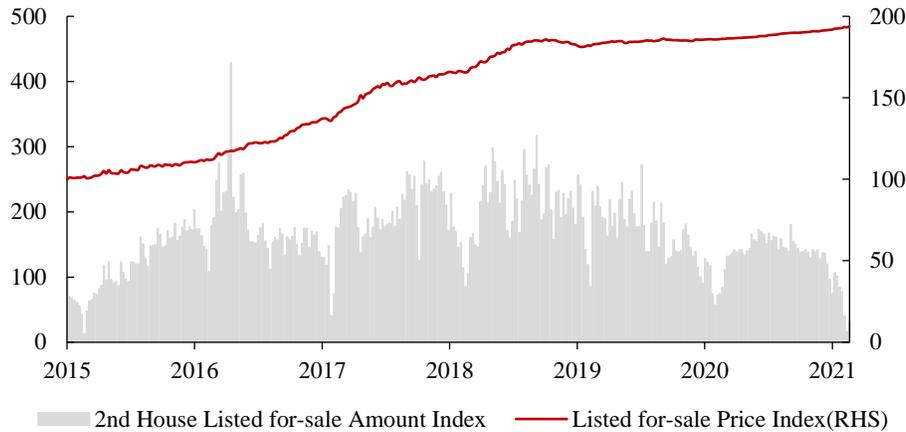
**Table 5: Major cities Second-hand house transaction volume, Jiangmen and Jinhua rose significantly YTD**

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	414,085	↑668%	↑243%	1,340	↓-16%	↑360%	1,082	↓-14%	↑274%	2,606	↑153%
Shenzhen	112,181	↑545%	↑58%	389	↓-34%	↑209%	313	↓-39%	↑149%	903	↑20%
Hangzhou	83,371	-	↑334%	292	↓-55%	↑1361%	202	↓-64%	↑912%	857	↑207%
Nanjing	242,843	↑407%	↑599%	786	↓-15%	↑1305%	673	↓-21%	↑1103%	1,635	↑167%
Chengdu	98,560	↑249%	↑229%	283	↑1%	↑538%	250	↑2%	↑463%	527	↓-16%
Qingdao	107,661	↑296%	↑184%	346	↓-32%	↑393%	285	↓-38%	↑306%	805	↑108%
Wuxi	90,184	↑549%	↑479%	258	↓-34%	↑1006%	210	↓-40%	↑800%	607	↑76%
Suzhou	140,233	↑428%	↑100%	518	↓-16%	↑512%	464	↓-20%	↑448%	1,101	↑98%
Xiamen	73,174	↑334%	↑145%	273	↓-39%	↑410%	218	↓-44%	↑307%	665	↑125%
Yangzhou	21,356	↑307%	↑3653%	62	↓-26%	↑7498%	54	↓-26%	↑496%	135	↑117%
Dongguan	32,759	↑669%	↑68%	122	↓-41%	↑338%	98	↓-45%	↑250%	298	↑33%
Nanning	35,689	↑352%	-	121	↓-17%	↑2567%	98	↓-27%	↑2055%	255	↑38%
Foshan	141,269	↑1024%	↑205%	432	↓-37%	↑483%	343	↓-44%	↑377%	1,058	↑149%
Jinhua	43,810	↑812%	↑147%	240	↓-38%	↑1251%	211	↓-41%	↑1090%	597	↑308%
Jiangmen	12,263	↑410%	↓-25%	59	↓-33%	↑168%	50	↓-34%	↑126%	134	↑321%
<b>Total</b>	<b>1,649,437</b>	<b>513%</b>	<b>211%</b>	<b>5,521</b>	<b>-27%</b>	<b>503%</b>	<b>4,550</b>	<b>-31%</b>	<b>399%</b>	<b>12,183</b>	<b>105%</b>
<b>Num. of cities Up</b>		<b>14</b>	<b>13</b>		<b>1</b>	<b>15</b>		<b>1</b>	<b>15</b>		<b>14</b>
<b>Num. of cities Down</b>		<b>0</b>	<b>1</b>		<b>14</b>	<b>0</b>		<b>14</b>	<b>0</b>		<b>1</b>

Source: Local governments, CWSI Research; Note: Till 2021/2/26

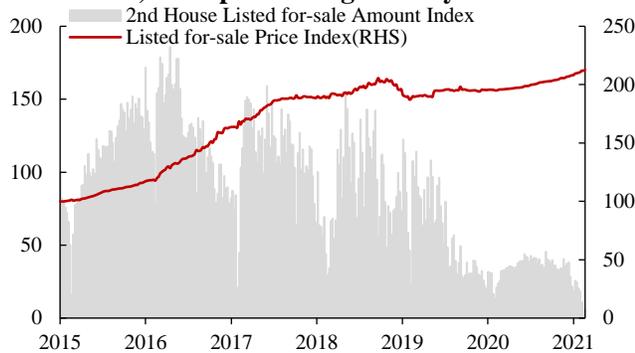


**Chart 16: 2nd house listed for-sale price index rose slightly recently**



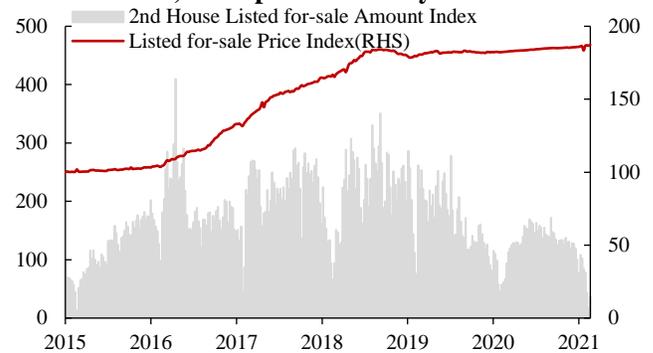
Source: Local Government, CWSI Research; Note: Till 2021/2/21

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



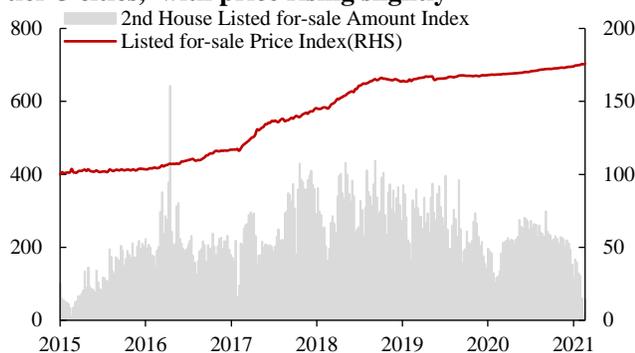
Source: Local Government, CWSI Research; Note: Till 2021/2/21

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



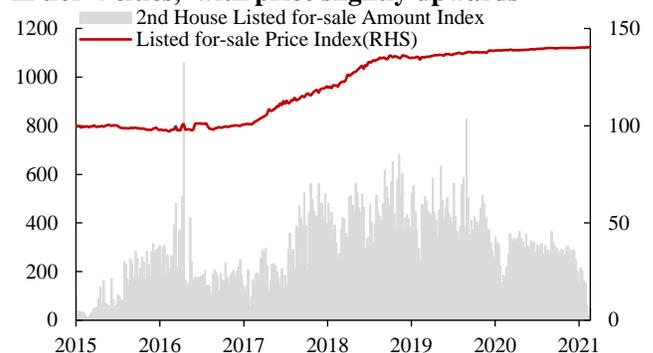
Source: Local Government, CWSI Research; Note: Till 2021/2/21

**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 2021/2/21

**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 2021/2/21

## 4. Important Policies and News

### 4.1 Important Industry Policies News This Week

**Table 6: Important Industry Policies News This Week: Hainan, Shanghai, etc. raised the upper limit of the proportion of housing-related loans for some banks; Some cities issued policies related to the centralized transfer of residential land**

Date	Region / Institution	Summary
2021-02-22	Wuhan	According to the decision of the proprietors meeting, the proprietors committee entrusts property service companies or other institutions to use the income generated by the proprietor's common part, and after deducting reasonable costs, it belongs to the proprietors. The proprietors committee shall publish the income and expenditure of public income every six months, accept the supervision of the proprietor.
2021-02-22	Qingdao	The publicly-sold talent housing in each district shall provide no less than 2.5% of the available units for sale as the city-level talent housing. The property right type talent housing can be listed and traded after signing the purchase contract for 5 years. Those less than 10 years need to pay the land income at 50% of the difference between the transaction price and the limited price at the time of purchase for the part of the area purchased at a limited price.
2021-02-22	Hainan	Raise the upper limit of the third-tier real estate loan share by 2.5 percentage points to 25%.
2021-02-23	Beijing	The total building area of residential buildings below 18 floors in the central city should not exceed 95 square meters, and the total building area of residential buildings above 18 floors should not exceed 100 square meters. In principle, the total building area of residential buildings in other districts should not exceed 120 square meters.
2021-02-23	Shanghai	For the third-tier, fourth-tier, and fifth-tier banks, the upper limit of the proportion of real estate loans and the upper limit of the proportion of personal housing loans are 22.5%, 17.5%, 17.5%, 12.5%, 12.5%, 7.5%, respectively.
2021-02-23	Zhejiang	The third-tier ceiling for real estate loans of banking financial institutions remains unchanged, the fourth-tier ceiling is increased by 1%, and the fifth-tier ceiling is increased by 2%.
2021-02-23	Liaoning	The upper limit of the proportion of mortgages for third-tier to fifth-tier banks remains unchanged, and the upper limit of the proportion of personal mortgages will be increased by 1%, 2%, and 1% respectively.
2021-02-23	Guangdong	For the third, fourth, and fifth-tier banks under the jurisdiction of Guangdong (excluding Shenzhen), the upper limit of the proportion of real estate loans and the upper limit of the proportion of personal housing loans are 24.5%, 19.5%; 20.0%, 15.0%; 12.5%, 7.5% respectively.
2021-02-24	Jiangxi	Fully liberalize the province's urban settlement conditions, completely abolish urban settlement restrictions, take legal and stable residence or legal and stable employment as the basic conditions for household register transfer, and abolish restrictions on participation in social security, length of residence, and length of employment.
2021-02-24	Zhengzhou	It is forbidden to issue residential land transfer announcements in the Air Harbor District, Zhengzhou East New District, Economic Development District, High-tech District, and Shangjie District, and the Municipal Bureau shall organize and implement it in a unified manner.



---

2021-02-24	Qingdao	Throughout the year, public bidding, auction and listing announcements for residential land will be issued in three batches and the bidding, auction and listing activities will be implemented.
2021-02-24	Tianjin	It is determined that the residential land transfer announcement will be issued in three batches in March, June and mid-September. No more residential land transfer announcements shall be issued except for the above-mentioned dates.
2021-02-25	Xiamen	The two state-owned construction land use rights transfer activities of H2021P01 and J2020P03 in the announcement issued on February 10, 2021 were terminated.
2021-02-26	Jinan	It is planned to build and rebuild 20,000 sets of rental housing throughout the year, revitalize 30,000 sets, complete the task of adding 124,000 new housing sets to the three-year housing leasing pilot, and cultivate and develop 10 specialized and large-scale housing leasing companies and 2 state-owned housing leasing companies, raise 60,000 sets of affordable rental housing, 50,000 sets of talent housing, and grant no less than 7,800 rental housing subsidies.

---

Source: Wind, Government website, CWSI Research

## 4.2 Company news and announcements

**Table 7: Company news and announcements: CG Ser acquired approximately 64.6% of Justbon's shares for approximately RMB 4.85 bn; Aoyuan, R&F, etc. launched debt financing**

Date	Company	Summary
2021-02-23	Aoyuan	Issued USD 350 mn 5.88% senior notes due 2027.
2021-02-23	Modern Land	Purchased the outstanding 12.85% senior notes due 2021.
2021-02-23	CMSK	In 2020, the company achieved a total revenue of RMB 129.62 bn (+32.7%), net profit attributable to parent of RMB 12.25 bn(-23.6%), and basic EPS of RMB 1.5(-26.6%).
2021-02-24	Yuzhou	A USD 240 mn and a HKD 230 mn term loan facility have been granted to the Company for a term of 42 months.
2021-02-25	R&F	Issued USD 325 mn 11.625% Senior Notes due 2024 by Easy Tactic Limited.
2021-02-25	BRC	Sichuan Languang Hejun Industrial Co., Ltd., a wholly-owned subsidiary of the company, intends to transfer approximately 64.6% of Sichuan Languang Jiabao Service Group Co., Ltd. shares it holds to Country Garden Property HK Holdings Company Limited, a wholly-owned subsidiary of Country Garden Service Holdings Co., Ltd. for approximately RMB 4.85 bn.
2021-02-26	LJZ	Issued 3+2 year RMB 1.0 bn 3.80% medium-term notes.
2021-02-26	CG Ser	The unaudited consolidated revenue, the unaudited consolidated profit before tax, the unaudited consolidated net profit, the unaudited consolidated profit attributable to the shareholders of the Company are expected to record an increase by more than 50% YoY.
2021-02-26	Ronshine	It is expected that the Group's profit attributable to owners of the Company in 2020 will decrease by approximately 20% to 30% YOY.
2021-02-26	Vanke	The company will repurchase "17 Vanke 01", "18 Vanke 01" and "18 Vanke 02" corporate bonds for approximately RMB 10.842 mn, RMB 850 mn and RMB 1.14 bn respectively.

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**

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.