



This Week in China

Commercial real estate trend: messages from SOHO

Comments:

Full self-holding brings significant operation changes. SOHO China transformed in 2005 from residential development to commercial development, achieving rapid growth through reconstruction and split sales of old commercial projects in Beijing. In 2012, SOHO transformed to commercial holding, changing its operations significantly. After the transition to business self-holding, SOHO has made a big difference from developers represented by Vanke. In terms of revenue structure, the sales contribution of SOHO decreased from 99.1% in 2009 to 0.5% in 2019, while Vanke remained stable at more than 95%. In terms of profitability, turnover of SOHO has decreased, equity multiplier is low, and ROE has fallen rapidly. ROE of SOHO and Vanke in 2009 were 21.1% and 15.4%, and in 2019 they were 3.8% and 22.6%. In terms of cash flow, SOHO has greater pressure on cash flow after entering the fully self-holding stage. Since 2014, it has sold properties several times to balance cash flow.

Overseas institutions look forward to the return on asset appreciation and use their unique advantages to acquire domestic quality assets. In terms of capital cost, the financing cost of overseas institutions is relatively low. SOHO's financing cost in FY2019 is 4.8%, while the actual interest cost of Link as of 2019Q3 is only 3.2%. In terms of business models, the rental income from the acquisition of properties is not the main source of cash inflows for the aforementioned institutions. The mature development of channels such as REITs provide unique capitalization paths for overseas institutions. In terms of operational capabilities, overseas institutions have extensive experience in asset operations, making achievements in increased asset value.

Looking ahead, the medium and long-term development prospects for domestic investment properties are still broad. In the medium and long term, domestic financing costs are expected to decline reasonably, the gap with overseas financing costs may narrow, and the pressure on financing faced by investment property holders will ease. In terms of capitalization channels, with the advancement of related policies on REITs, the securitization channels for real estate assets are expected to broaden, reducing real estate investment risks. In terms of asset management capabilities, domestic commercial real estate operators have gradually become richer in operating experience, and their operating capabilities are expected to steadily improve in order to realize the growth of rental income and asset value. On the whole, domestic investment properties still have broad prospects for development with the support of many factors.

Data points:

As of March 27, new house transaction area in 44 major cities last week rose 16% WoW, and cumulative transaction area in 2020 fell by 34% YoY.

As of March 27, saleable area (inventory) in 13 major cities last week rose 0.4%; average inventory period was 18.4 months, decreasing 14% WoW.

As of March 27, second-hand housing transactions in 15 major cities last week rose 4% WoW, and cumulative transaction area in 2020 fell 27% YoY.

Suggestion:

This week, many central banks proactively introduced market rescue policies, liquidity gradually recovered. Domestically, offline property sales channels and construction sites have resumed well, meanwhile, many developers announced 2019 annual results. Improvement of liquidity, fundamentals and the developers' results have led to a rebound in sector performance. In terms of policy, the Political Bureau meeting of the CPC Central Committee proposed to guide the interest rate of the loan market downward and maintain reasonable and sufficient liquidity, which is expected to further ease the funding pressure on developers. Maintain "Overweight" rating.

Overweight

(Maintain)

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1. Commercial real estate trend: messages from SOHO China

1.1 Two transformations of SOHO China

1995 - 2005, SOHO China's main business was residential development. SOHO rose rapidly with its novel concept and prominent design, and this is the first stage of SOHO. SOHO China was founded in Beijing in 1995. In 1998-2001, Beijing developed the SOHO Modern City project with a total GFA of 480,000 sqm. The concept of "Small Office, Home Office" was first proposed, and SOHO Modern City became the champion of single project sales in Beijing for two consecutive years in 1999 and 2000. After that, the commune at the foot of the Great Wall, Jianwai SOHO, SOHO City, Chaowai SOHO in Beijing and the Blue Coast in Boao have all achieved good sales and brand reputation. SOHO China has risen rapidly.

2005 - 2012, SOHO was transformed from residential development to commercial development, and entered its second stage with its unique business model. In 2005, the company observed a huge disconnect between the supply and demand sides of commercial and office buildings, so it shifted its focus from developing residential buildings to commercial properties that are scarce in the market. SOHO acquired old commercial projects in Beijing, transformed it with superior design capabilities, and sold it after split. From 2008 to 2009, contracted sales of SOHO increased by 92% and 77% YoY, respectively, and achieved rapid growth.

In 2012, SOHO switched track again to commercial property holding, and entered its third stage. In May 2010, Beijing issued a ban on split sales, SOHO moved to Shanghai, and the number of old commercial acquisition opportunities decreased. In 2012, as office sales demand weakened due to macroeconomic effects, and Grade A office rents in Beijing and Shanghai's rose rapidly with vacancy rate continued to decline, SOHO transformed again from commercial "development-sale" to commercial "development-hold" until today.

Chart 1: SOHO China has undergone two transformations, gradually moving from residential development to commercial development and hold



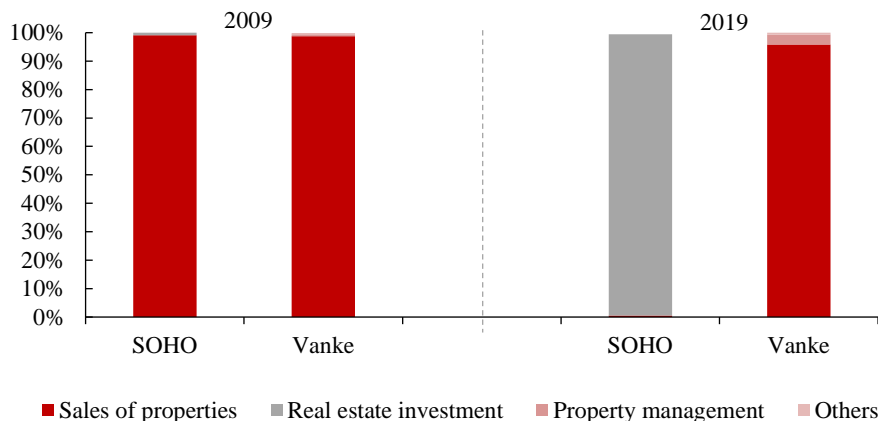
Source: Company announcement, CWSI Research

1.2 Significant changes after 2nd strategic transformation

1.2.1 Revenue structure changed drastically with the proportion of sales fallen sharply

After entering the 3rd stage, the proportion of revenue contributed by sales of properties has dropped significantly. In the first two stages of SOHO, sales of properties was the main source of revenue. Since entering the 3rd stage in 2012, the company's revenue composition has changed dramatically that the revenue almost entirely derived from property investment. At the same time, developers such as Vanke maintained a stable revenue structure.

Chart 2: Revenue structure changed significantly after SOHO entered its 3rd stage, revenue from sales of properties dropped significantly

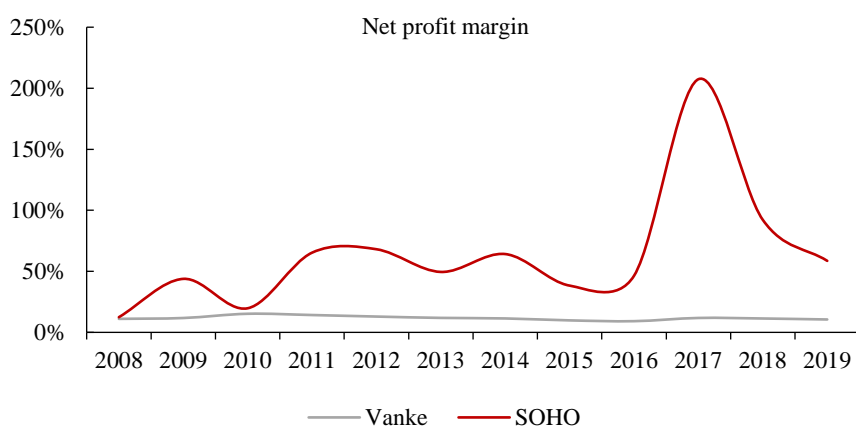


Source: Wind, CWSI Research

1.2.2 ROE and operating results continued to decline

Rental income and asset revaluation contributed into profit, and net profit margin performed well. SOHO held a relatively high proportion of investment properties. After the transition to the 3rd stage, its assets are almost completely investment properties. As GPM of the rent is much larger than GPM of residential development, and investment properties contribute to profit from the revaluation of assets every year, SOHO's net profit margin has improved significantly after the transformation, and the performance is much better than Vanke.

Chart 3: Benefiting from high GPM of rents and benefits of revaluation of investment properties, SOHO China's net profit margin is outstanding

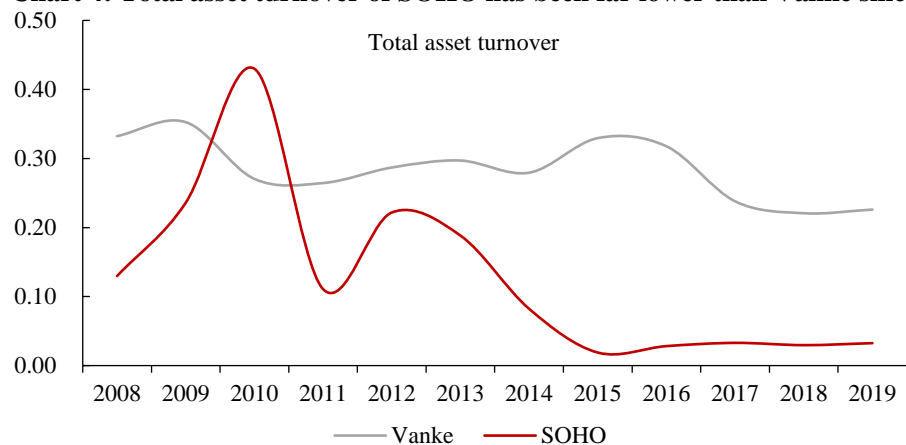


Source: Wind, CWSI Research

Fully self-holding leads to a decrease in turnover. In the past 10 years, the fast-cycle developers represented by Vanke have enjoyed the demand for commodity housing brought by urbanization, focusing on housing development, improving the efficiency of capital use, accelerating the supply of residential properties, and expanded rapidly. The completely self-holding office building model has significantly reduced the turnover of SOHO. In 2012, the total asset turnover of SOHO and Vanke was 0.29 and 0.22, respectively, and in 2019 it was 0.03 and 0.23. The decline in turnover is the first reason for the decline in SOHO profitability.



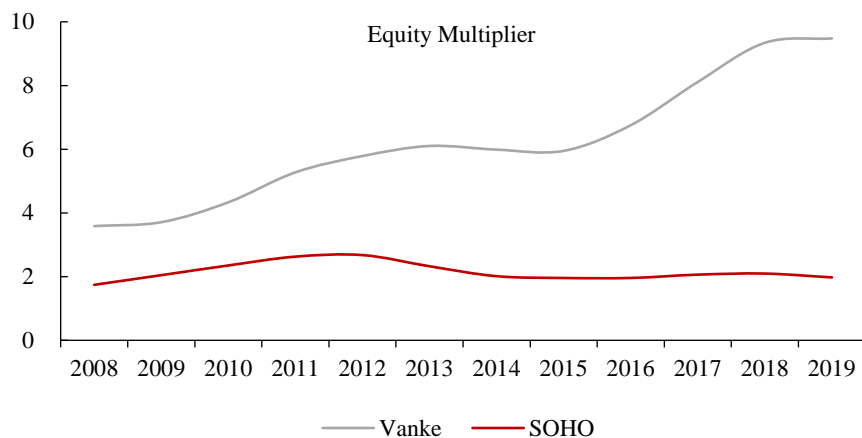
Chart 4: Total asset turnover of SOHO has been far lower than Vanke since 2014



Source: Wind, CWSI Research

Low equity multiplier, slowing scale growth. The completely self-holding business model made the company have less demand for leverage. However, proper leverage will help the company expand its scale and improve operating efficiency, thereby increasing the company's profitability. SOHO's equity multiplier has remained low while Vanke has steadily increased, and the gap between the two has continued to widen. Low equity multiplier is the second reason for SOHO's decline in profitability.

Chart 5: SOHO's equity multiplier remains low, and the gap with Vanke continues to widen

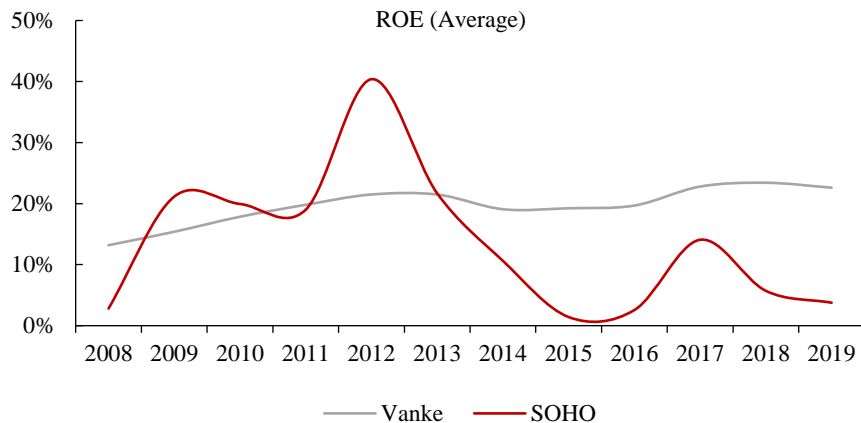


Source: Wind, CWSI Research



The rapid decline in turnover and equity multiplier has led to a continued decline in ROE and a significant decline in profitability. Although the net profit margin has improved, the business model of self-holding office buildings has led to a significant decline in the total asset turnover and equity multiplier, which eventually led to the rapid decline in SOHO's ROE, and the gap between the scale of developers represented by Vanke rapidly expanded.

Chart 6 : ROE of SOHO has been lower than Vanke since 2014

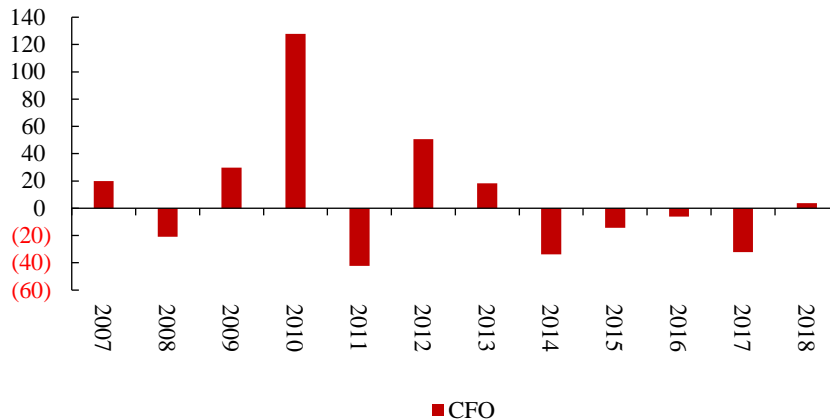


Source: Wind, CWSI Research

1.2.3 Cash inflow mainly depends on rental income, bringing a great pressure on liquidity

CFO is under pressure after entering the 3rd stage, and the sale of assets became the SOHO solution for maintaining its operation. In the first two stages of SOHO, cash inflows included sales of properties and rental income, and its CFO performance was good and remained positive in most years. In the 3rd stage where cash inflow mainly depends on rent, in 2017, SOHO's profit before tax was RMB 8.33 bn, after deducting only RMB 7.13 bn in revaluation of investment property gains and RMB 4.84 bn in interest and income tax expenses, operating cash flow has been negative. If large cash inflows other than rents cannot be generated, the company's liquidity would be under tremendous pressure. Therefore, SOHO has sold a number of projects in recent years to maintain continued operations.

Chart 7: SOHO's CFO has been under pressure in recent years



Source: Wind, CWSI Research

Table 1: SOHO has sold assets multiple times since 2014 to ease liquidity pressure

Date	Property	RMB bn	Buyer
2014/2	Shanghai SOHO Helen Plaza, Shanghai SOHO Jing'an Plaza	5.2	Financial Street Holding
2014/9	Shanghai Volley SOHO 50% Project	3.1	Trip.com Group
2016/7	Shanghai SOHO Century Plaza	3.2	Guohua Life Insurance Co.,Ltd.
2017/6	Shanghai Hongkou SOHO	2.8	Prosperity Vision (III) Pte Ltd (Singapore)
2017/7	Shanghai Volley SOHO 50% Project	3.0	Gaw Capital Partners(HK)
2019/9	Multi-project 2583 parking spaces	0.8	Huibo Parking Lot Investment (Guangzhou) Co., Ltd.

Source: Company announcement, CWSI Research

1.3 Why do overseas funds purchase domestic commercial projects?

1.3.1 Potential asset appreciation returns of investment properties are considerable, and foreign institutions have frequently entered the market in recent years

Foreign institutions have frequently purchased Chinese investment property projects in recent years, looking forward to asset appreciation returns. In 2016 and 2017, the buyers of Shanghai Hongkou SOHO and 50% projects of Shanghai Volley SOHO projects were overseas institutions. Foreign capital has frequently acquired commercial properties in China in recent years. For example, Blackstone acquired Shanghai VivoCity and its adjacent office buildings in 2018, acquired Hong Kong International Construction Investment and Shanghai Changtai Plaza in 2019,

CapitaLand acquired Shanghai Pufa Building in 2019, and Link acquired Shenzhen Center City in 2019. Most of the acquisition targets are commercial projects in high-quality locations in core cities, which have relatively strong certainty on rent stability and asset appreciation, and thus have been favored in the commercial building market.

1.3.2 Unique advantages of overseas institutions holding investment properties

Lower capital costs. In the environment of falling USD interest rates, the financing environment for overseas institutions has become more relaxed. Lower capital costs have formed important support for foreign investment in domestic commercial projects. SOHO's financing cost of FY2019 is 4.8%, while the actual interest cost of Link as of 2019Q3 is only 3.2%. The loose financial environment overseas has put relatively little pressure on the funding of overseas institutions.

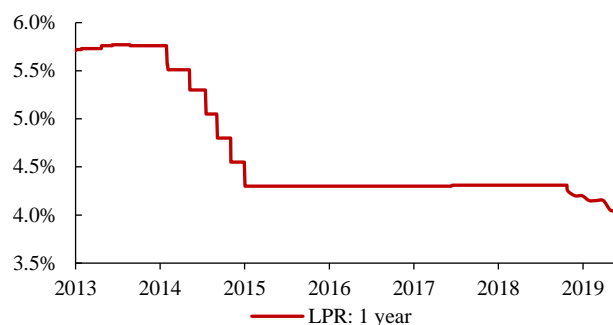
Unique business model and capitalization path for holding investment properties. The overseas business models represented by GAW Capital, CapitaLand, Link, Blackstone, etc. are different from SOHO. In terms of income structure, rental income from the acquired properties is not the main source of cash inflows from the above institutions. Financial investments, property sales, etc. can contribute a large amount of cash inflows to overseas institutions. In terms of capitalization paths, overseas institutions construct investment properties into investment portfolios and manage them through more mature overseas methods such as REITs.

Excellent asset operation efficiency. Compared with domestic institutions, overseas institutions have more experience in asset operations. In 2007, Blackstone acquired Hilton for USD 26 bn. After repairing and improving operations, Hilton was gradually sold after 2014, with a final profit of about USD 14 bn. In 2008, Blackstone acquired Shanghai Channel1 Shopping Center for RMB 1 bn. After maintenance and renovation, it was successfully sold for RMB 1.46 bn in 2011. With excellent asset operation capabilities, overseas institutions have achieved remarkable results in increasing asset value.

1.4 Looking ahead, what are the prospects for domestic investment properties?

Financing environment may improve, easing the pressure on self-holding commercial cash flow. In the context of lower global interest rates and the gradual slowdown of China's economic growth, the interest rates of loans are expected to decline in medium to long term. Recently, support policies for the operation of small and medium-sized enterprises have been proactively promulgated. The Political Bureau of the CPC Central Committee meeting on March 27 proposed that the interest rate of the loan market should be guided downward to maintain a reasonable and sufficient liquidity. If the loan interest rate goes down, financing cost of self-holding office buildings will fall and hedge with low rental returns, thereby alleviating the pressure on cash flow.

Chart 8: Domestic loan interest rates are expected to fall in the medium and long term



Source: Wind, CWSI Research

Chart 9: 10-year Treasury yields have recently fallen



Source: Wind, CWSI Research

Policies support REITs and other innovative real estate financing channels, and the capitalization path may widen. As an important means of real estate asset securitization, REITs developed relatively late domestic than overseas. In 2005, Yuexiu Real Estate Investment Trust was listed in Hong Kong as the first standardized REITs with domestic property as the underlying asset. In recent years, with the introduction of REITs-related policies, domestic REITs have gradually begun to develop. In 2014, the first private equity REITs product CITIC Kaihang special asset management plan was issued. In 2015, the first public REITs Penghua Qianhai Vanke REITs were issued. In 2018, the first single-storey long-term rental REITs Yango long-term rental apartment asset-backed special plan. With the support of policies, domestic REITs are expected to usher in further development in the medium and long term, broadening the capitalization path for commercial property holders.

Table 2: REITs related policies appear frequently and REITs are expected to progress in an orderly manner

Date	Institution	Policy summary
2008-12	State Council	Launch pilot projects for real estate trust investment funds to expand financing channels for real estate companies.
2014-9	Central Bank & CSRC	Actively and steadily carry out trials of real estate investment trust funds (REITs).
2016-10	State Council	Orderly carry out corporate asset securitization and support real estate companies to transform into asset-light business models by developing real estate trust investment funds.
2018-4	CSRC & MOHURD	Focus on supporting housing leasing companies to issue equity asset securitization products that use the real estate properties as the underlying asset, promote multiple types of asset securitization products with a debt nature, and issue pilot REITs.
2018-1	CSRC	Study and promulgate relevant business rules for public offering of REITs.
2018-2	SZSE	Fully carry out REITs product innovation.
2018-6	Shenzhen Housing and Construction Bureau	Increase housing currency subsidies and housing finance innovation, and steadily advance the pilot projects of real estate investment trust funds.
2019-11	Yan Qingmin, Vice Chairman of the CSRC	The SFC is working with relevant ministries and commissions to study and advance the pilot work of public offering of REITs in key areas supported by national policies, and support Singapore-China industrial parks and other Singapore-invested infrastructure projects to finance through public offering of REITs.

Source: Website, Government announcements, CWSI Research

Operational capabilities are valued, and asset management capabilities are expected to improve. By continuously improving the operating capacity of investment properties, holders are expected to increase rental income and realize asset appreciation. At present, domestic developers have paid more and more attention to commercial operation level. In the process of gradually accumulating experience, asset management capabilities have gradually improved.

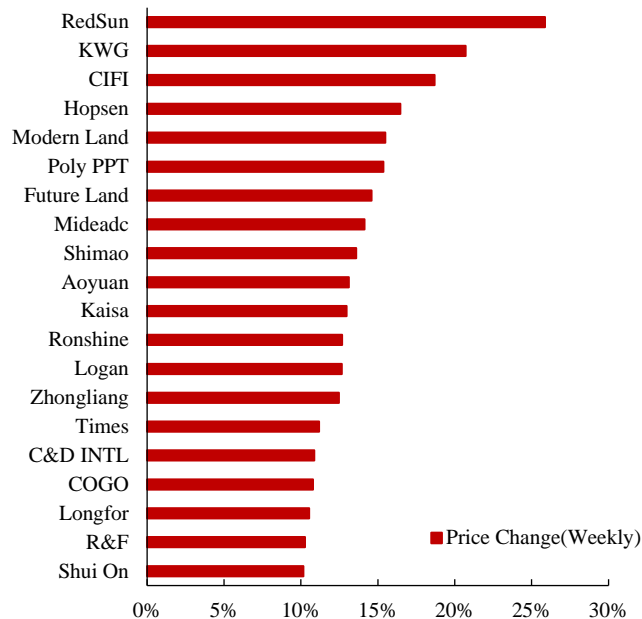
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2. Sector Performance

2.1 Performance of developer sector

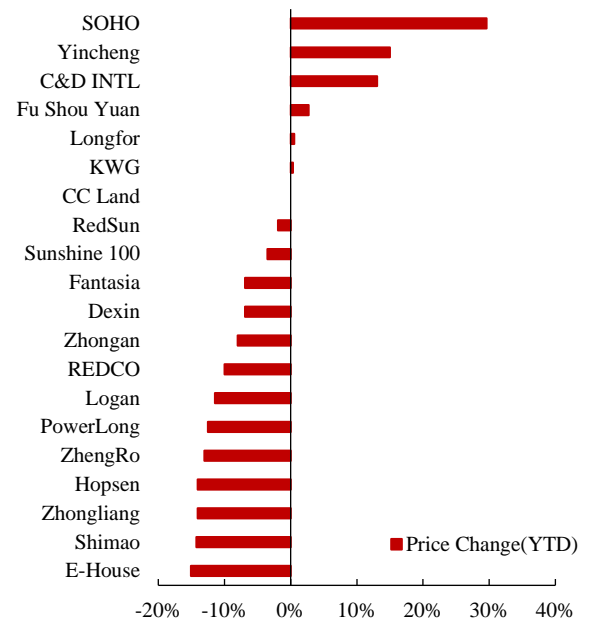
This week, RedSun, KWG and CIFI had larger price increase than peers. SOHO, Yincheng and C&D INTL had better share price performance, YTD.

Chart 10: This week, RedSun, KWG and CIFI had larger price increase than peers



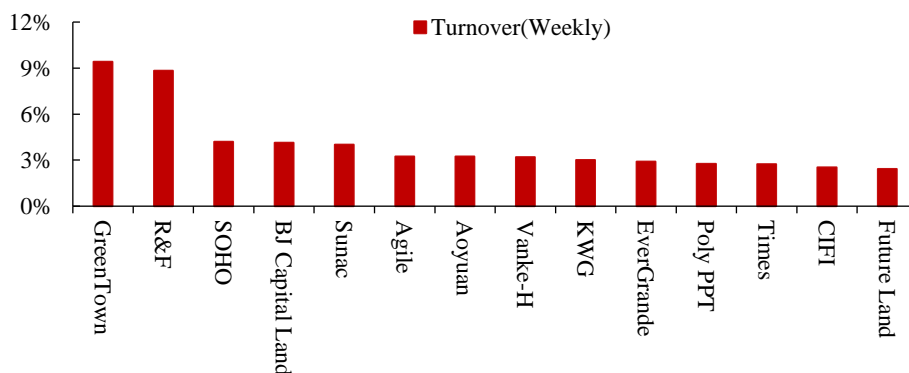
Source: Wind, CWSI Research

Chart 11: SOHO, Yincheng and C&D INTL had better share price performance, YTD



Source: Wind, CWSI Research

Chart 12: GreenTown, R&F and SOHO were most actively traded this week

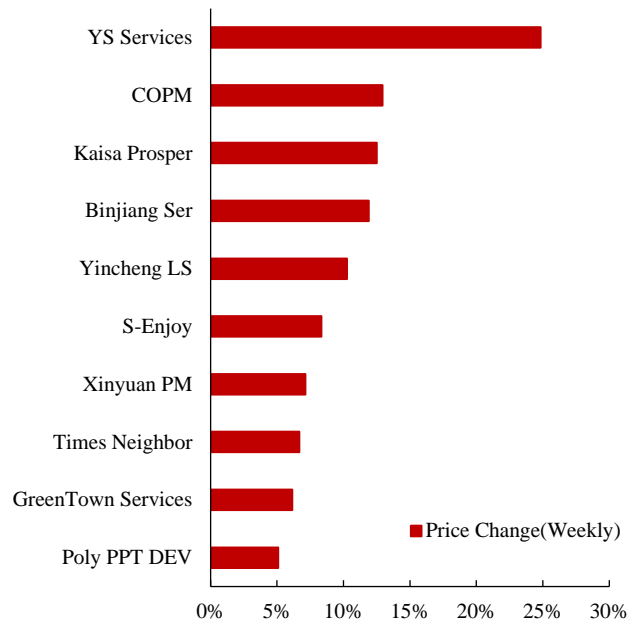


Source: Wind, CWSI Research

2.2 Performance of property service sector

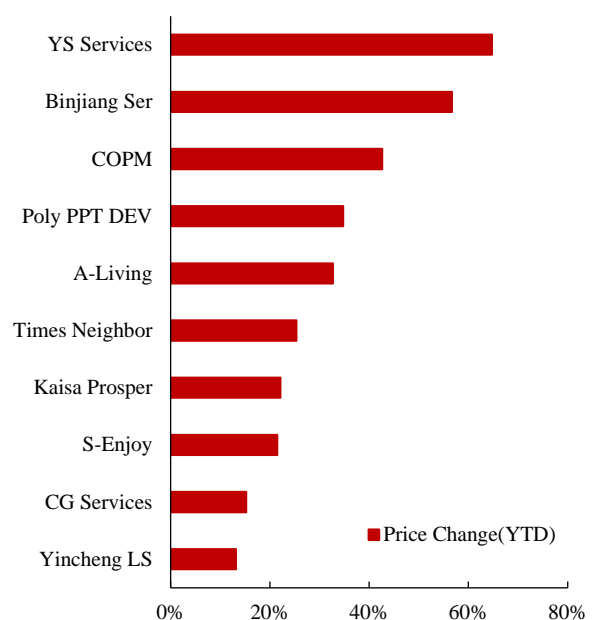
This week, YS Services, COPM and Kaisa Prosper had larger price increase than peers. YS Services, Binjiang Ser and COPM had better share price performance YTD.

Chart 13: This week, YS Services, COPM and Kaisa Prosper had larger price increase than peers



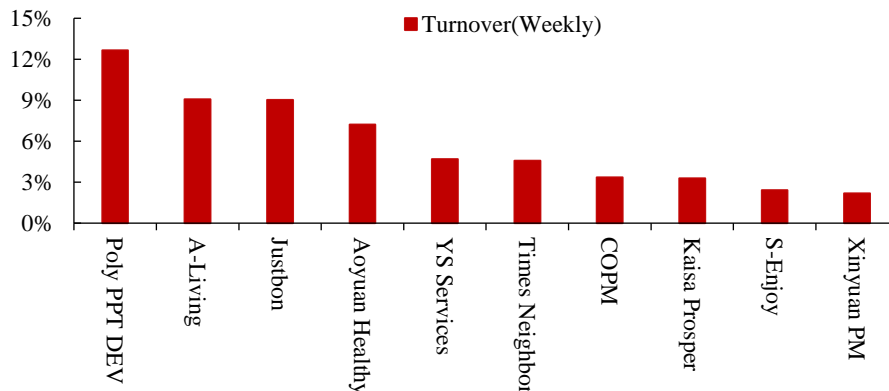
Source: Wind, CWSI Research

Chart 14: YS Services, Binjiang Ser and COPM had better share price performance YTD



Source: Wind, CWSI Research

Chart 15: Poly PPT DEV, A-Living 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	72,042	10%	-76%	250	101%	-69%	224	79%	-70%	928	-34%
Shanghai	194,300	32%	-38%	611	300%	-52%	567	272%	-50%	1,539	-47%
Guangzhou	177,191	48%	-39%	491	377%	-43%	448	340%	-41%	945	-42%
Shenzhen	61,135	-28%	18%	316	384%	4%	296	353%	6%	668	1%
Tier 1	504,669	21%	-47%	1,669	274%	-48%	1,534	245%	-48%	4,080	-38%
Tier 2	1,746,771	15%	-26%	6,317	358%	-29%	5,854	327%	-26%	15,754	-28%
Tier 3	1,843,315	15%	-24%	6,559	589%	-32%	6,117	562%	-29%	13,869	-38%
Beijing	72,042	10%	-76%	250	101%	-69%	224	79%	-70%	928	-34%
Qingdao	316,216	16%	9%	943	495%	-16%	895	465%	-10%	1,817	-23%
Dongying	166,548	128%	270%	294	2429%	154%	289	2390%	178%	410	58%
PBR	554,806	35%	-12%	1,487	404%	-27%	1,407	377%	-24%	3,155	-22%
Shanghai	194,300	32%	-38%	611	300%	-52%	567	272%	-50%	1,539	-47%
Nanjing	173,244	37%	31%	621	156%	1%	570	136%	1%	1,412	5%
Hangzhou	125,355	-20%	-37%	652	775%	21%	601	707%	24%	1,287	-2%
Suzhou	125,398	-4%	-37%	656	178%	-10%	588	155%	-8%	1,530	-12%
Wuxi	107,800	-17%	-32%	372	289%	-33%	372	289%	-33%	788	-33%
Yangzhou	39,293	-31%	95%	177	2133%	-5%	177	2133%	-1%	378	-28%
Jiangyin	35,563	1%	-21%	146	1204%	-17%	129	1058%	-16%	386	-16%
Wenzhou	111,799	35%	-62%	411	633%	-56%	377	659%	-55%	1,357	-46%
Jinhua	30,152	17%	-56%	106	846%	-51%	98	767%	-51%	209	-31%
Changzhou	41,882	-42%	-59%	275	2052%	-26%	242	1925%	-27%	541	-30%
Huaian	92,961	80%	43%	297	352%	-21%	269	338%	-14%	735	-38%
Lianyungang	104,407	-5%	-3%	417	500%	-12%	389	474%	-5%	897	-32%
Shaoxing	62,660	54%	24%	178	455%	-29%	161	406%	-27%	326	-27%
Taizhou	26,046	-2%	139%	88	-	9%	88	-	33%	143	-18%
Zhenjiang	117,659	8%	-36%	389	1505%	-47%	368	1448%	-43%	766	-52%
Huainan	34,113	10%	16%	131	693%	3%	122	652%	7%	236	-45%
Wuhu	33,622	-14%	27%	161	1467%	15%	148	1344%	21%	256	-11%
Yancheng	82,959	41%	19%	321	495%	-5%	295	447%	-2%	529	-28%
Zhoushan	25,862	40%	-6%	79	436%	-18%	71	405%	-15%	161	-17%
Chizhou	15,268	6183%	-11%	67	184%	-44%	60	155%	-29%	147	-42%
Ningbo	104,421	22%	-52%	319	2721%	-41%	290	2461%	-42%	835	-26%
YRD	1,684,764	10%	-28%	6,475	430%	-27%	5,984	398%	-25%	14,459	-31%
Guangzhou	177,191	48%	-39%	491	377%	-43%	448	340%	-41%	945	-42%
Shenzhen	61,135	-28%	18%	316	384%	4%	296	353%	6%	668	1%



Fuzhou	54,472	10%	17%	211	99%	-14%	171	64%	-19%	453	-29%
Dongguan	106,054	77%	-26%	268	966%	-37%	243	866%	-36%	588	-28%
Quanzhou	27,150	-26%	-64%	135	463%	-60%	125	429%	-59%	335	-62%
Putian	28,887	4%	20%	125	171%	15%	111	156%	18%	257	-33%
Huizhou	34,706	-3%	-53%	135	462%	-45%	124	417%	-44%	321	-37%
Shaoguan	51,811	-27%	63%	175	485%	43%	166	484%	59%	280	-8%
Foshan	254,583	65%	-40%	746	615%	-49%	673	547%	-48%	1,438	-45%
Jiangmen	23,676	12%	21%	79	879%	19%	76	858%	29%	143	6%
Zhaoqing	41,798	19%	-35%	140	1224%	36%	128	1146%	25%	309	86%
Zhanjiang	0	-	-100%	6	-86%	-95%	0	-100%	-100%	274	-5%
PRD & Southern China	861,465	24%	-32%	2,826	379%	-36%	2,560	340%	-35%	6,012	-34%
Changchun	145,891	-11%	-35%	562	616%	-42%	524	637%	-40%	1,118	-52%
Jilin	0	-	-100%	0	-	-100%	0	-	-100%	0	-100%
Taian	31,798	4%	-45%	102	604%	-53%	100	590%	-45%	244	-49%
Northern China	177,689	-9%	-48%	664	614%	-53%	624	629%	-51%	1,362	-58%
Wuhan	0	-	-100%	0	-	-100%	0	-	-100%	1,349	-60%
Yueyang	32,235	5%	-27%	111	709%	-29%	100	638%	-26%	267	-27%
Ganzhou	149,985	-6%	21%	706	431%	-15%	706	431%	0%	1,405	-29%
Central China	182,220	-4%	-65%	817	457%	-66%	806	450%	-61%	3,021	-47%
Chengdu	353,641	3%	-16%	1,585	334%	-10%	1,472	303%	-3%	3,766	-17%
Nanning	280,170	75%	34%	692	968%	-30%	652	907%	-23%	1,929	-43%
Western China	633,811	26%	1%	2,277	429%	-17%	2,124	394%	-10%	5,695	-28%
Total	4,094,754	16%	-29%	14,545	424%	-34%	13,506	393%	-31%	33,704	-34%
Num. of cities Up		27	17		40	11		40	11		5
Num. of cities Down		14	24		1	31		0	30		38

Source: Local governments, CWSI Research; Note: Till 2020/3/27

Table 4: Major cities inventory period increased YoY dramatically

City	Inventory (sqm 000)	wow	yoy	Inventory period	wow	yoy
Beijing	10,297	-4%	8%	41.1	-6%	244%
Shanghai	7,289	0%	0%	11.9	-20%	109%
Guangzhou	7,730	2%	-6%	15.7	-24%	64%
Shenzhen	2,571	-3%	-23%	8.1	-11%	-26%
Tier 1 Average		-1%	-5%	19.2	-15%	98%
Hangzhou	3,165	1%	21%	4.9	-7%	0%
Nanjing	6,043	5%	81%	9.7	0%	79%
Suzhou	5,452	0%	-9%	8.3	3%	1%
Fuzhou	4,349	1%	46%	20.6	0%	69%
Jiangyin	3,999	2%	-11%	27.5	-16%	8%
Wenzhou	10,447	0%	9%	25.4	-17%	147%
Quanzhou	7,003	1%	7%	52.1	-8%	169%
Ningbo	2,713	0%	-13%	8.5	-29%	46%
Dongying	1,645	1%	18%	5.6	-53%	-53%
Overall Average		0%	10%	18.4	-14%	66%

Source: Local governments, CWSI Research; Note: Till 2020/3/27

3.2 Second-hand house transaction and price data

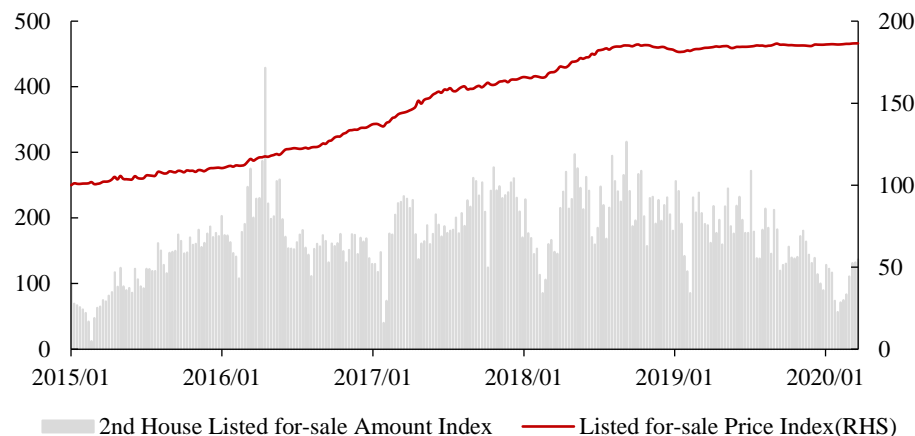
Table 5: Major cities Second-hand house transaction volume, Shenzhen rose significantly YTD

City	Last 7 days			Last 30 days			Month to date			Year to date	
	sqm	wow	yoy	sqm 000	mom	yoy	sqm 000	mom	yoy	sqm 000	yoy
Beijing	187,930	12%	-43%	674	153%	-50%	614	130%	-48%	1,703	-32%
Shenzhen	167,893	-6%	67%	664	513%	78%	628	479%	91%	1,414	71%
Hangzhou	114,158	34%	-1%	294	1969%	-33%	283	1894%	-29%	573	-33%
Nanjing	182,324	4%	545%	708	1561%	59%	679	1492%	74%	1,321	22%
Chengdu	89,375	54%	-66%	281	697%	-74%	263	644%	-73%	910	-57%
Qingdao	83,055	9%	-11%	290	359%	-24%	275	335%	-20%	677	-9%
Wuxi	115,997	5%	21%	368	1853%	-11%	358	1800%	-5%	712	-14%
Suzhou	108,706	-3%	242%	463	575%	-25%	429	525%	-19%	1,020	-44%
Xiamen	52,090	15%	-53%	211	366%	-46%	191	320%	-46%	506	-38%
Yangzhou	23,447	53%	4%	60	8742%	-42%	59	8650%	-35%	122	-41%
Yueyang	5,785	5%	-61%	24	288%	-62%	23	276%	-60%	74	-46%
Nanning	40,278	-53%	-19%	181	3891%	1%	181	3891%	13%	366	-33%
Foshan	66,915	-7%	-52%	281	332%	-47%	257	299%	-46%	705	-47%
Jinhua	30,116	0%	2%	100	569%	-21%	94	530%	-17%	246	24%
Jiangmen	13,288	-16%	-41%	58	202%	-29%	53	176%	-27%	90	-55%
Total	1,281,357	4%	-12%	4,658	502%	-29%	4,386	467%	-25%	10,441	-27%
Num. of cities Up		10	6		15	3		15	3		3
Num. of cities Down		5	9		0	12		0	12		12

Source: Local governments, CWSI Research; Note: Till 2020/3/27

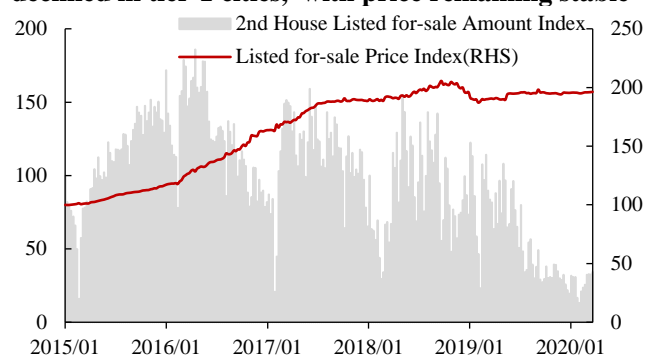


Chart 16: 2nd house listed for-sale price index stopped rising recently



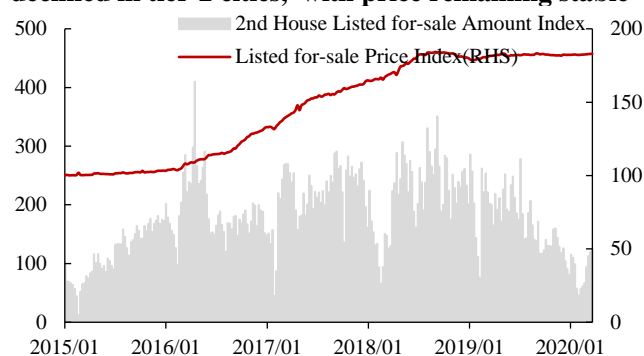
Source: Local Government, CWSI Research; Note: Till 2020/3/22

Chart 17: 2nd house listed for-sale amount index declined in tier-1 cities, with price remaining stable



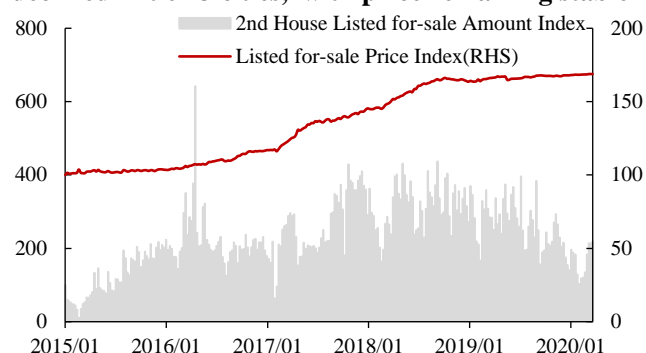
Source: Local Government, CWSI Research; Note: Till 2020/3/22

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



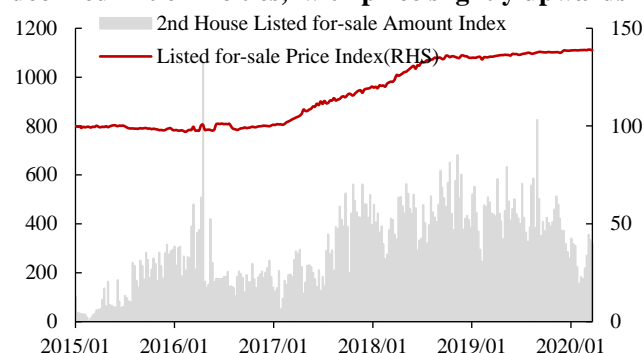
Source: Local Government, CWSI Research; Note: Till 2020/3/22

Chart 19: 2nd house listed for-sale amount index declined in tier-3 cities, with price remaining stable



Source: Local Government, CWSI Research; Note: Till 2020/3/22

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



Source: Local Government, CWSI Research; Note: Till 2020/3/22

4. Important Policies and News

4.1 Important Industry Policies News This Week

Table 6: Political Bureau meeting of the CPC Central Committee proposed to guide the market loan interest rate to fall to maintain reasonable and sufficient liquidity; Haining withdrew the previously announced policy of "non-Haining household registration personnel can buy multiple suites in Haining"

Date	Region / Institution	Summary
2020-03-23	BCIRC	Implement the requirement of "Houses are built to be inhabited, not for speculation", promote the stable and healthy development of the real estate market, and cooperate with local governments to handle local hidden debts safely.
2020-03-23	SAFE	The macro-prudential adjustment parameters for the full-caliber external debt were raised from 1 to 1.25. This adjustment may support companies in generating tens of billions of dollars in financing scale, but excluding local government financing platforms and real estate companies.
2020-03-23	Changchun	For developers that have deposited funds for the pre-sale of commercial houses and are operating in good faith in accordance with the law and regulations, if there is a new or continued construction project, it is allowed to apply for the withdrawal of funds from the supervision account amount not exceeding 50% for engineering construction. The supervision of funds for pre-sale of newly-sold commercial houses has been suspended.
2020-03-23	Suzhou	Those with a full-time bachelor's degree and a bachelor's degree or above can apply to settle down, and those with a college degree need to pay 6 months of social security to settle down. It will be implemented from May 1, 2020.
2020-03-24	Taiyuan	Part of the pre-sale investment in development and construction funds can be applied for pre-sale permission when it exceeds 25% of the total investment in engineering construction, and a reasonable and appropriate increase in real estate credit is maintained in accordance with the requirement of "Houses are built to be inhabited, not for speculation".
2020-03-24	Yiyang	Increasing bank credit support, delaying payment of taxes, reducing the cost of land capital use, optimizing the pre-sale permit application process, and encouraging citizens to rationalize housing consumption.
2020-03-25	Haining	The previously announced policy of "non-Haining household registration personnel can buy multiple suites in Haining" has been withdrawn, and implemented in accordance with the original policy of "non-Haining household registration population is restricted to purchase a house in Haining".
2020-03-26	MOHURD	Guide construction enterprises in various places to steadily and orderly promote the resumption of production and production of engineering projects, and put forward guidance and suggestions such as the cost of epidemic prevention due to epidemic prevention and control that can be included in the project cost.
2020-03-26	Xian	Prohibit real estate development in the Qinling Mountains, and the planning and construction of farmhouses should rely on the original village's own housing conditions.
2020-03-26	Guangzhou	For the use of collective and state-owned construction land to construct leased houses, subsidies will be given based on the construction area of RMB 750-800 / sqm.
2020-03-27	Chengdu	Issued the "Notice on Prohibiting the Distribution of Sensitive Real Estate Information Containing "" Unlimited Purchase "".



2020-03-27	Jiangmen	Partial optimization was made on the qualifications for the purchase of new commercial housing in the restricted purchase area, including non-local household registration households with college education or above, and the ability to purchase a new commercial housing.
2020-03-27	Political Bureau meeting of the CPC Central Committee	It is necessary to promptly study and propose a package of macroeconomic policies and measures that are actively responded to, proactive fiscal policies to be more proactive, prudent monetary policies to be more flexible and appropriate, appropriately increase the fiscal deficit rate, issue special government bonds, increase the scale of local government special bonds and guide the market loan interest rate to fall to maintain reasonable and sufficient liquidity; it is necessary to implement various tax and fee reduction policies and accelerate the issuance and use of special bonds by local governments.

Source: Wind, Internet, CWSI Research

4.2 Key 2019 annual results announced this week

Table 7: Key 2019 annual results announced this week: in 2019, Country Garden realized revenue of RMB 486.7bn(+27.7%), core profit of RMB 40.1bn(+17.6%); COLI realized revenue of RMB 164.3bn(+9.1%), core profit of RMB 34.3bn(+10.1%)

Company	RIC	Revenue		Core Profit	
		(RMB bn)	YoY	(RMB bn)	YoY
Property Development					
Country Garden	2007.HK	486.7	27.7%	40.1	17.6%
COLI	0688.HK	164.3	9.1%	34.3	10.1%
Sunac	1918.HK	172.0	36.2%	27.1	26.0%
CR Land	1109.HK	150.6	23.8%	21.7	12.2%
Longfor	0960.HK	151.3	30.1%	15.6	21.0%
Logan	3380.HK	57.7	30.4%	10.3	42.7%
CIFI	0884.HK	54.9	29.3%	6.9	24.7%
Jinmao	0817.HK	43.7	12.0%	6.1	20.3%
GreenTown	3900.HK	61.9	2.3%	4.3	14.2%
Aoyuan	3883.HK	50.6	62.7%	4.1	60.1%
Hopsen	0754.HK	16.7	43.2%	3.2	40.3%
Ronshine	3301.HK	51.8	50.1%	3.2	27.3%
Sino-Ocean	3377.HK	50.9	22.8%	2.1	-20.4%
SMC	600823.SH	21.4	3.7%	1.8	-8.9%
R&F	2777.HK	91.1	18.0%	-	-
Agile	3383.HK	60.3	7.2%	-	-
Poly PPT	0119.HK	35.9	74.6%	-	-
Modern Land	1107.HK	14.6	54.7%	-	-
MinMetals Land	0230.HK	10.1	5.3%	-	-
ZENSUN ENT	0185.HK	8.9	1377.1%	-	-
SOHO	0410.HK	2.3	8.8%	-	-
Property Management					
YS Services	1995.HK	1.9	78.9%	-	-
Kaisa Prosper	2168.HK	1.3	40.9%	-	-
Poly Property	6049.HK	6.0	41.1%	-	-

Source: Company Announcements, CWSI Research

4.3 Company news and announcement

Table 8: Country Garden planned to issue 5-year corporate bonds of no more than RMB 3.4 bn; CFLD completed its non-public issuance of RMB2.4 billion 3-year 7.7% exchangeable corporate bonds

Date	Company	Summary
2020-03-23	SZI	In February 2020, realized contracted sales of RMB 120 mn(-61.8%), contracted area of 0.2 mn sqm(-91.0%), cumulative contracted sales in 2020 of 1.18 bn yuan (+ 33.6%), and cumulative contracted area of 36, 000 sqm (-33.1%).
2020-03-24	Zhongnanconstruction	The company's controlling shareholder, Zhongnan Urban Construction Investment Co., Ltd. plans to increase its shareholding by not more than RMB 9.5 / share and not exceed 1% of the company's total share capital. After the increase, its holdings will not exceed approximately 54.7% of the company's total share capital.
2020-03-24	WGQ	Corporate bonds not exceeding 3 billion yuan was approved by the CSRC on March 23.
2020-03-24	YueXiu	Won two plots of Hanxi Changlong in Panyu District, Guangzhou, at about RMB 3.93 bn, GFA 442, 000 sqm.
2020-03-25	Country Garden	Planned to issue 5-year corporate bonds of no more than RMB 3.4 bn.
2020-03-25	OCT Holding	Paid about RMB 20.976 mn to buy back about 3.234 mn shares, accounting for about 0.04% of the company's total share capital, and the transaction price was RMB 6.47 to 6.50 / share.
2020-03-25	Sino-Ocean	3 mn stock options with a 5-year validity were granted at an exercise price of approximately HK \$ 2.1.
2020-03-26	CFLD	Non-public issuance of RMB2.4 billion 3-year 7.7% exchangeable corporate bonds.
2020-03-26	Jingrui	Purchased a total principal amount of USD 22.32 mn notes, 5.58% of the total principal amount of the initial notes.
2020-03-27	Joy City	The indirect non-wholly-owned subsidiary's domestic corporate bond variety 1 actually has a scale of RMB 900 mn, and the variety 2 actually has a scale of RMB 600 mn.
2020-03-27	Sunshine City	Planned to use the accounts payable as the basic asset, and Fujian Kexinlong Commercial Factoring Co., Ltd. will assign the creditor's rights as the original equity holder and transfer the related products for asset management, with the total amount not exceeding RMB 1.4 bn.

Source: Wind, Company Announcements, CWSI Research

Note:

1. *Uncertainties in epidemic control;*
2. *Uncertainties in property industry policies.*

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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%.

2) Sector Ratings:

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