



## Last Week in China

### New Factors for Real Estate Stock Collapse

#### Comments:

At present, the valuation of the real estate sector is at a low level in recent years, which is different from the reasons for the downward valuation of the sector in 2014 and 2018. Since 2014, the low point of the real estate sector valuation (forward PE of the Bloomberg BI China Real Estate Owners and Developers Valuation Peer Group) reached 4.6x and 4.4x in early May 2014 and early Jan 2019, respectively. The current sector valuation has fallen to 4.3x. The reasons for this downward valuation are different from before. **In terms of policy**, the control in 2014H1 continued to tighten until Jun 2014, when restrictions on purchases were released for destocking, the policy environment was relaxed, and sector valuation rebounded; 2018 Central Political Bureau meeting explicitly proposed to resolutely curb housing price increases for the first time, tightening policy environment, and in mid-Oct 2018, Guangzhou and Hangzhou relaxed the price limit to stabilize housing prices, releasing positive signals, and sector valuation gradually picked up. Unlike the previous two noticeably tighter controls, current policy supports the operation of developers and rigid demand, and the overall environment is relatively stable. **In terms of fundamentals**, growth rate of investment in real estate development reached 14.7% and 9.5% in May 2014 and Dec 2018, both at a high level and then both began to decline; growth rate of area of residential buildings sold was -9.2% and 2.2%, both in an obvious downward range. Growth rate of development investment and area of residential buildings sold in 2019 are relatively stable, which were 9.9% and 1.5% for the year, currently fell to -16.3% and -39.2% due to COVID-19, respectively. However, they are expected to gradually recover as the epidemic situation improves, rather than being in the same downward range as the previous two. **In terms of liquidity**, SHIBOR overnight interest rate declined during the three valuation downturns, reflecting improving domestic liquidity; USD index have been relatively stable in previous rounds and has risen sharply recently, currently the external market has seriously lacking its liquidity.

**Liquidity is the biggest difference in the three rounds of low valuations.** The decline in the first two rounds are more related to policy tensions and declining fundamentals, and rebound came as policy changed from tight to loose; current policy environment is relatively stable and fundamentals are awaiting recovery. The lack of liquidity is the main reason for the downward valuation. If the liquidity environment improves, the current valuation is expected to rebound.

#### Data points:

As of March 20, new house transaction area in 44 major cities last week rose 6% WoW, and cumulative transaction area in 2020 fell by 34% YoY.

As of March 20, saleable area (inventory) in 13 major cities last week rose 5%; average inventory period was 21.2 months, decreasing 19% WoW.

As of March 20, second-hand housing transactions in 15 major cities last week rose 18% WoW, and cumulative transaction area in 2020 fell 28% YoY.

#### Suggestion:

Last week, the spread of the epidemic overseas and the oil price war led to severe panic that global financial markets fluctuated greatly, some traditional safe-haven assets were sold off sharply, and liquidity was seriously lacking. Although the fundamentals of domestic property stocks have improved with the control of COVID-19 in China, the lack of external liquidity has continued to cause the sector decline. With the improvement of overseas liquidity, China's real estate-related asset prices are expected to gradually rebound. Maintain "Overweight" rating.

**Overweight**

(Maintain)

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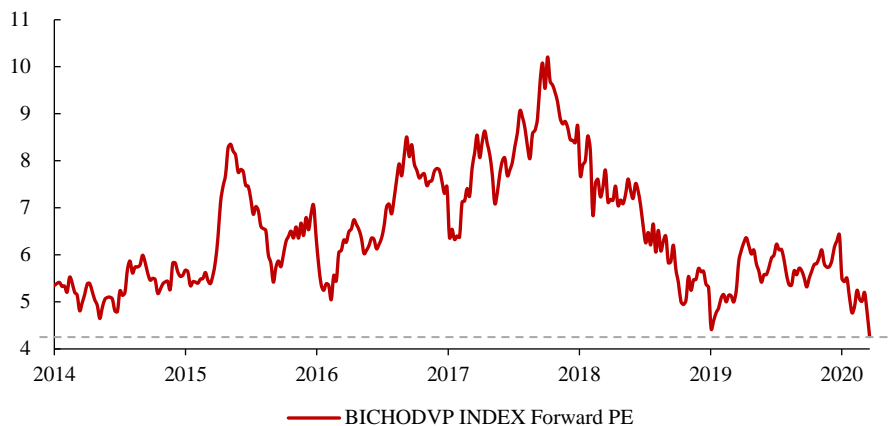
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# 1. New Factors for Real Estate Stock Collapse

## 1.1 Where is the current sector valuation level?

**Current real estate sector valuation is at a low level in recent years.** Since 2014, sector valuation (forward PE of the Bloomberg BI China Real Estate Owners and Developers Valuation Peer Group calculated with corresponding weights, the index includes 33 large and medium-sized developers) has reached lows in early May 2014 and early Jan 2019 with 4.6x and 4.4x PE. On March 20, 2020, the sector's valuation fell to 4.3x, lower than the low level in early Jan 2019. Chinese real estate USD bond return index has also continued to fall recently due to the tight liquidity of the USD.

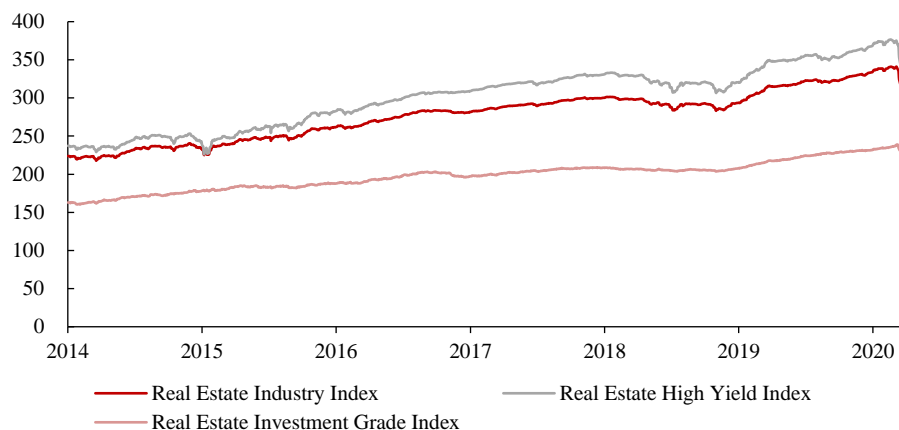
**Chart 1: Bloomberg BI China Real Estate Owners and Developers Valuation Peer Group valuations have been low in recent years**



Source: Bloomberg, CWSI Research



Chart 2: Chinese real estate USD return index has dropped significantly recently



Source: Bloomberg, CWSI Research

## 1.2 What is the cause of each round of adjustment?

### 1.2.1 Policy environment: This round of policies is mostly based on the epidemic situation, and the overall environment is more friendly

The regulation and control in 2014 began with "The five regulations of new country", and turned around in mid-2014 at the local level for destocking. In Feb 2013, the State Council promulgated The five regulations of new country, perfected a stable housing price responsibility system, and resolutely curbed speculative investment in house purchases. The local level responded positively. Since March 2013, Guangdong has expanded the area of restricted purchases, Guangzhou and Chongqing have strengthened restrictions on house prices, and regulated tightening is putting pressure on industry valuations. In mid- and late 2014, Hohhot, Kunming, Xiamen, Jinan, Wuhan, Chengdu, Hangzhou and other cities have successively relaxed restrictions on purchases. The policy environment has been significantly relaxed, market heat has picked up, and sector valuations have gradually recovered. In early 2014, tightening regulations led to a rapid decline in sales of commercial housing, easing inventory pressures became the main driving force for the policy shift.

**In 2018, the industry policy tightened in many ways till mid-Oct to support housing prices.** In mid-2018, the National Development and Reform Commission, the Ministry of Finance and the Ministry of Housing and Construction respectively tightened the overseas debt issuance of developers and the monetization of shed reforms. The July Political Bureau meeting clearly stated that the housing price rise was resolutely curbed for the first time, sector valuation was under pressure; in mid-Oct 2018, Guangzhou and Hangzhou relaxed price limits, releasing positive policy signals, and the valuation of the sector gradually picked up. In 2018, industry policies tightened in many ways and housing prices fell in many places, stabilizing housing prices became the main reason for the policy shift.



At present, the keynote of the industry is stability, and policies are mostly issued to smooth the impact of COVID-19. Continuing the basic tone of “Houses are built to be inhabited, not for speculation”, some policies that may stimulated real estate market were withdrawn shortly after the release, such as Zhumadian's withdrawal of policies including lowering the down payment ratio, raising the housing provident fund loan limit, and lowering personal housing mortgage loan interest rates, and Jinan deleted the relax of purchase restrictions of specific standard green houses. At present the policies issued are mainly aimed at alleviating business operating pressure and support for rigid demand under epidemic situation, such as Nanchang, Tianjin, Xi'an, Foshan, etc. deferred payment of land transfer fees, lowered bidding margin ratio for land transfer, Langfang, Hengyang, Nanning, etc. to increased support for housing provident funds. Different from the previous two rounds, the current policy has not shown any obvious tightening. It supports the rigid needs affected by the epidemic and the operation of developers under the keynote of “Houses are built to be inhabited, not for speculation”, overall policy environment is friendlier than the previous two rounds.

**Table 1: Compared with 2014 and 2018, the current policy is mostly for smoothing the impact of the epidemic, and the overall environment is more friendly**

Time			Policy Summary	Policy Environment
2014	2013/02	Central	<b>The five regulations of new country:</b> Improve and stabilize the responsibility system for house prices; resolutely curb speculative investment	Tight
	2013/3~ 2013/11	Local	<b>Expansion of purchase restriction areas:</b> Zhuhai and Foshan purchase restriction areas changed from the main urban area to all administrative areas	Tight
			<b>Control of house prices:</b> Chongqing and Guangzhou not offer pre-sale permission for excessively high prices <b>Increase of the down payment for second homes:</b> Shanghai, Nanchang, Shenyang, etc.	
	2014/6~ 2014/7	Local	<b>Cancel purchase restrictions:</b> Kunming, Hohhot, Xiamen, Jinan, Chengdu, Wuhan, Changchun, Suzhou, Haikou, Xi'an, Hangzhou, Wenzhou, etc.	Loose
2018	2018/6~ 2018/7	Central	<b>Regulate the issuance of overseas bonds by real estate companies:</b> Restrict the real estate companies' foreign debt funds to invest in domestic and overseas real estate projects, supplement operating funds, etc. <b>Tightening the shed reform and monetization resettlement:</b> The Ministry of Housing and Urban-Rural Development pointed out that local, which has insufficient inventory of commodity housing and the pressure of rising house prices, should adjust the shed resettlement policy in a timely manner and adopt new shed resettlement housing methods	Tight
			<b>Central Political Bureau meeting:</b> Resolutely curb house price rises (previously referred to as resolutely curb house prices rising too fast)	
	2018/10	Local	<b>Relaxation of price limits:</b> Guangzhou, Hangzhou	Loose



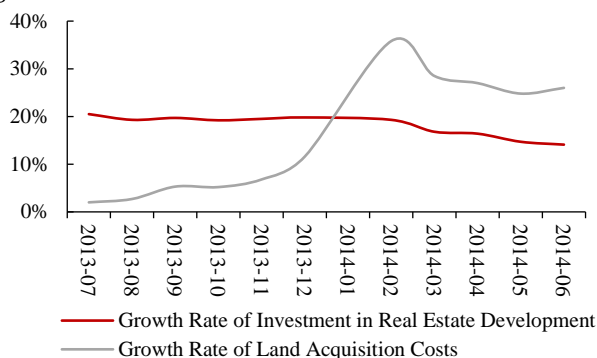
Present	2020/2~ 2020/3	Central	<b>Real estate is not speculated:</b> adhere to the positioning of "Houses are built to be inhabited, not for speculation" and "not using real estate as a means to stimulate the economy in the short term" requirements, maintain the continuity, consistency and stability of real estate financial policies <b>Restrict the use of special bonds:</b> 2020 special bonds shall not be used for real estate-related fields such as land reserve, shed reform, and new urban old community renovation projects	Tight
	2020/2~ 2020/3	Local	<b>Delay in payment of land transfer fee, reduction of land transfer fee bidding margin ratio:</b> Nanchang, Tianjin, Xi'an, Foshan, etc. <b>Increase support for provident funds:</b> Langfang, Hengyang, Nanning, Dongguan, etc. <b>Relax requirements for pre-sale of commercial housing:</b> Nantong, Suzhou, etc.	Loose
	2020/03	Local	Withdrawal of down payment policy: <b>Zhumadian</b> <b>Withdrawal of purchase restriction relaxation policy:</b> Jinan, Guangzhou	Tight

Source: Website, CWSI Research

### 1.2.2 Fundamentals: Currently affected by COVID-19, rapidly falling and is expected to rise gradually

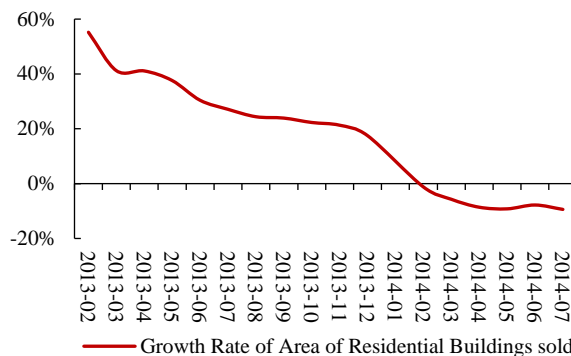
**In 2014, the growth rate of investment in real estate development and area of residential buildings sold was at a high level, and then started to decline.** In terms of development investment, in Feb 2014, the cumulative growth rate of investment in real estate development reached 19.3%, which is at a relatively high position, and it has continued to decline until end-2015. In 2015, the cumulative growth rate for the whole year was only 1.0%. After Feb 2014, the cumulative growth rate of land acquisition costs continued to exceed the cumulative growth rate of investment in real estate development, becoming the main factor driving development investment. In terms of sales, in Feb 2013, growth rate of area of residential buildings sold increased by 55.2%. After the "New Country Five" was issued, various localities actively promulgated regulatory policies, and growth rate of area of residential buildings sold continued to decline. In Feb 2014, negative growth occurred for the first time.

**Chart 3: Growth rate of investment in real estate development remained at a high level in 2014, with land acquisition costs driving development investment growth since Feb**



Source: NBS, CWSI Research

**Chart 4: Area of residential buildings sold in Feb 2014 showed negative initial growth**

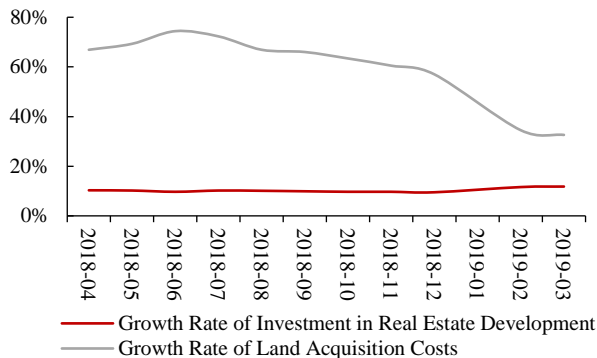


Source: NBS, CWSI Research

**Growth rate of investment in real estate development increased in 2018, and growth rate of area of residential buildings sold began to decline from mid-2018.**

The growth rate of investment in real estate development has gradually picked up since 2016 and was 9.7% in Oct 2018. The growth rate of land acquisition costs in 2018 was much faster than the growth rate of development investment. In Jun 2018, the growth rate of land acquisition costs reached 74.4%, which is the peak growth rate in recent years. Although the growth rate of subsequent land acquisition costs has declined, it is still much higher than the growth rate of development investment and has largely stimulated the growth of development investment. In terms of sales, after the intensive introduction of control policies in mid-2018, the growth rate of area of residential buildings sold continued to decline from July. In the 2018Q3, housing prices in many cities fell, and sales offices in some areas were hit by property owners because of price reductions, and the growth rate of area of residential buildings sold further declined. In Feb 2019, growth rate of area of residential buildings sold was -3.2%.

**Chart 5: Development investment growth is stable in 2018, and land acquisition costs drive development investment growth**



Source: NBS, CWSI Research

**Chart 6: Since July 2018, growth rate of area of residential buildings sold started to decline**

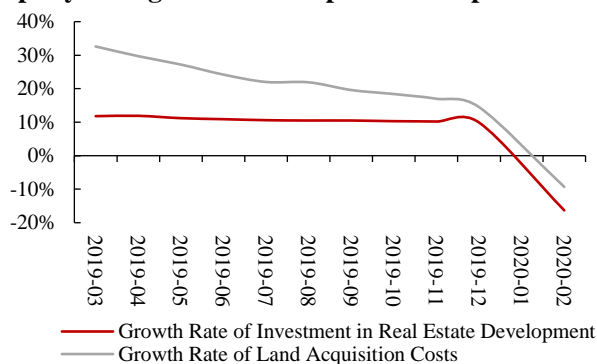


Source: NBS, CWSI Research



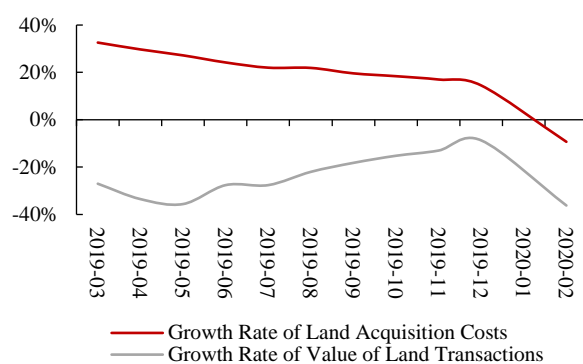
**Current development investment and residential sales rapidly decreased due to the impact of the epidemic, which is expected to pick up as the epidemic is under control.** In 2019, the cumulative growth rate of investment of real estate development slowed down from 11.9% in Apr 2019 to 9.9% in Dec 2019. Recently, it fell to -16.3% due to the impact of the epidemic. In 2019Q4, the cumulative growth rate of construction projects and land acquisition costs was slightly faster than that of real estate development investment. In Feb 2020, the growth rate of construction projects and the overall growth rate of development investment were similar, and the decline in land acquisition costs was less than the development investment, driving the growth of development investment. Leading indicators of land acquisition costs, value of land transactions, continue to increase negatively, so land acquisition costs may continue to decline in the short term; meanwhile, with the resumption of work in various places, the growth rate of construction projects is expected to slowly rise, and it may drive development investment to pick up in the short term. In terms of sales, the growth rate of area of residential buildings sold increased by 1.5% in 2019, and fell to -39.2% due to the impact of the epidemic in 2020. The current growth rate of investment in real estate development and the growth rate of area of residential buildings sold are the lowest since the data is available. In Mar 2020, as the production resumed steadily and the policy supported the rigid demand, sales of residential buildings may pick up.

**Chart 7: Current real estate development investment is rapidly falling due to the impact of the epidemic**



Source: NBS, CWSI Research

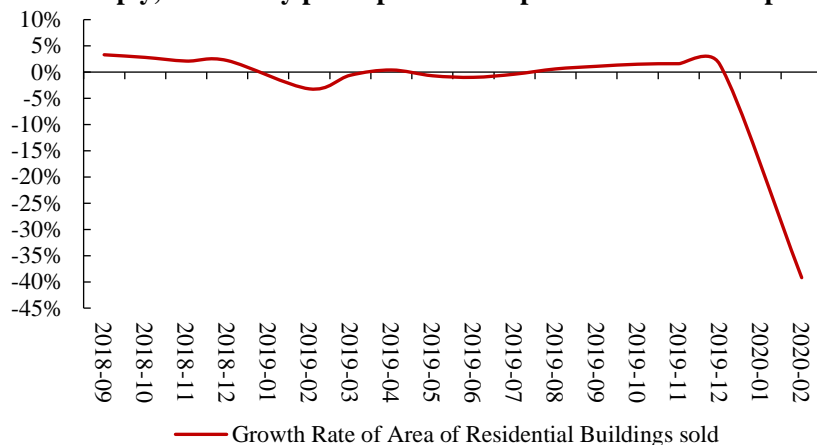
**Chart 8: Land acquisition costs may continue to decline in recent months**



Source: NBS, CWSI Research



**Chart 9: Current growth rate of area of residential buildings sold has fallen sharply, and it may pick up after the epidemic situation improves**

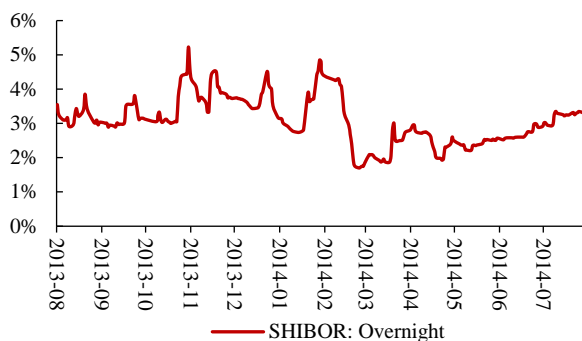


Source: NBS, CWSI Research

### 1.2.3 Liquidity: External liquidity of this round is tighter than the previous two rounds

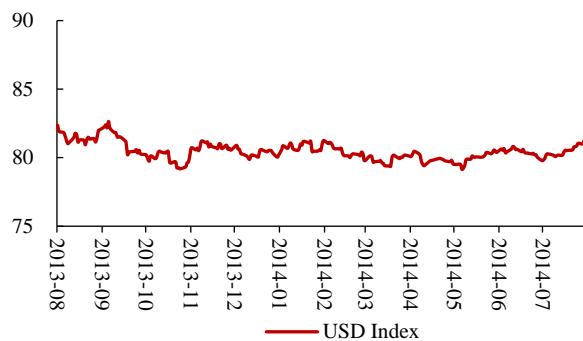
**Domestic liquidity performance improved in Mar 2014 and Oct 2018.** After the "money shortage" incident in Jun 2013, market liquidity tensions are expected to rise, and SHIBOR overnight interest rates are higher; in 2014, the central bank's monetary policy focused on liquidity, and interest rate cuts and targeted RRR reductions were made during the year. Since Feb 2014, market liquidity has been improved. Externally, the USD index was relatively stable in 2014. In 2018, market liquidity eased with the central bank's targeted RRR cut and the expansion of MLF collateral, and the USD index rose steadily and slightly, reflecting little impact on liquidity.

**Chart 10: Domestic liquidity has improved since Feb 2014**



Source: Wind, CWSI Research

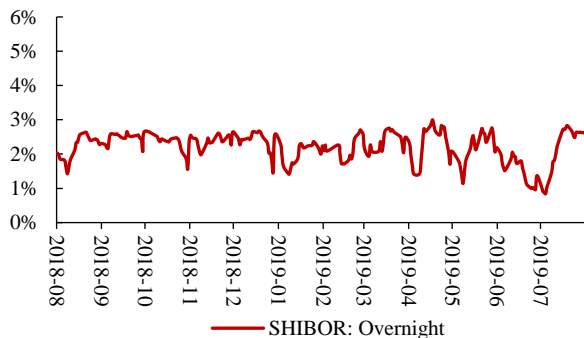
**Chart 11: 2014 USD index remained stable**



Source: Wind, CWSI Research

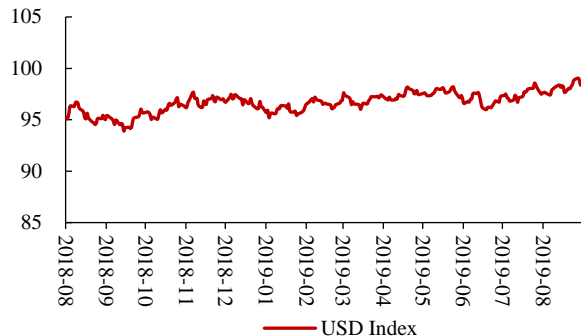


**Chart 12: Domestic liquidity environment is relatively stable in 2018, and has improved in early Jan 2019**



Source: Wind, CWSI Research

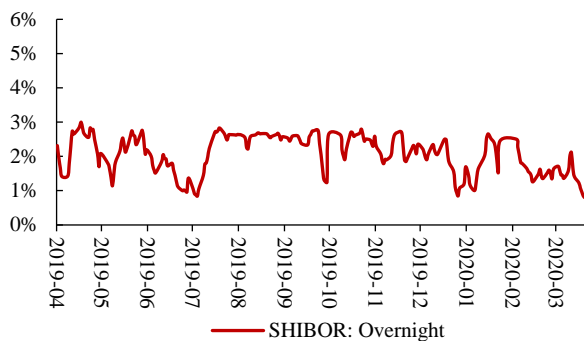
**Chart 13: The USD index is relatively stable from 2018 to 2019**



Source: Wind, CWSI Research

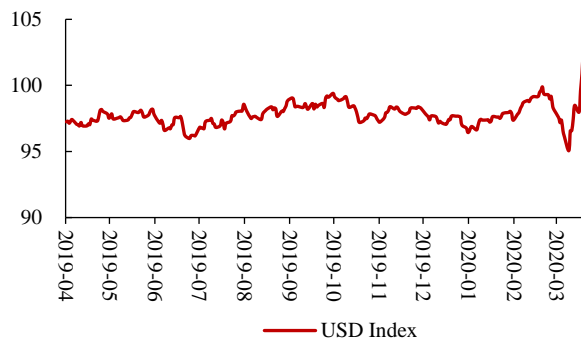
**Unlike 2014 and 2018, the current market liquidity is more affected by external influences.** The recent global epidemic spread and oil price war have led to strong expectations of a global economic recession. The demand for funds for risky assets has rapidly declined. Stock markets in many countries have fluctuated greatly and repeatedly melted down, the USD index has risen sharply, and liquidity in external markets has been seriously lacking.

**Chart 14: Current SHIBOR overnight interest rate has fallen, and domestic liquidity has improved**



Source: Wind, CWSI Research

**Chart 15: Recently, the USD index has risen sharply due to the lack of liquidity**



Source: Wind, CWSI Research

### 1.3 Lack of liquidity leads to the downward valuation this time

**The policy environment and fundamentals of this round of valuation downward are more friendly than the previous two rounds, liquidity performance is the biggest difference in the three rounds of low valuations.** Compared with the market environment during the previous two rounds of low valuation period, in terms of policy environment, it was still tight at the beginning of May 2014, the control changed from tightened to loose from Oct 2018, and the overall environment of the current policy is more stable than the previous two rounds. In terms of fundamentals, the fundamentals



of the first two rounds of valuation lows have clearly started to decline, at present, the fundamentals are relatively stable before the epidemic and are waiting to be recovered as the epidemic situation improves. In terms of liquidity, the domestic liquidity of the three rounds of valuation lows all has begun to improve, the external liquidity of the first two rounds was stable, and the external liquidity of this round was seriously lacking. To sum up, the lack of liquidity has caused the current sector's forward PE to drop to only 4.3x, lower than the previous two rounds of 4.6x and 4.4x. If the external liquidity environment improves, the current valuation is expected rebound.

**Table 2: Compared with the market environment of the first two rounds of low valuations, currently need to pay attention to the evolution of liquidity**

	2014/5	2019/1	Present
Sector Forward PE	4.6	4.4	4.3
Policy Environment	Tight	Tight to loose	Stable
Growth rate of investment in real estate development	Stage high; Start to fall	Stage high; Start to fall	Stable before COVID-19; Decline sharply due to COVID-19
Growth rate of area of residential buildings sold	Obviously downward; Negative growth	Obviously downward; Negative growth	Stable before COVID-19; Decline sharply due to COVID-19
Liquidity	Start to improve	Start to improve	Lack

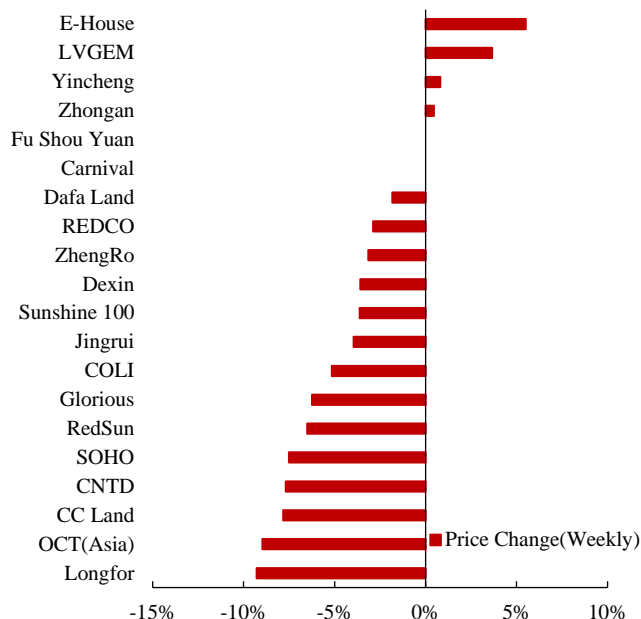
Source: CWSI Research

## 2. Sector Performance

### 2.1 Performance of developer sector

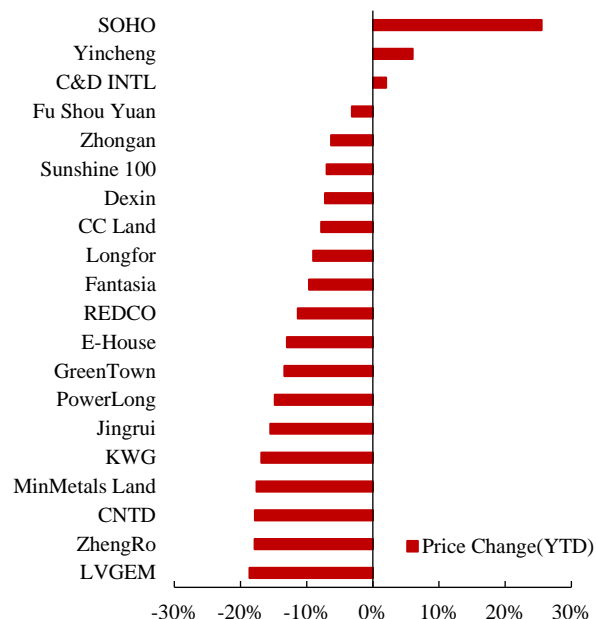
Last week, E-House, LVGEM and Yincheng had larger price increase than peers. SOHO, Yincheng and C&D INTL had better share price performance, YTD.

**Chart 16: Last week, E-House, LVGEM and Yincheng had larger price increase than peers**



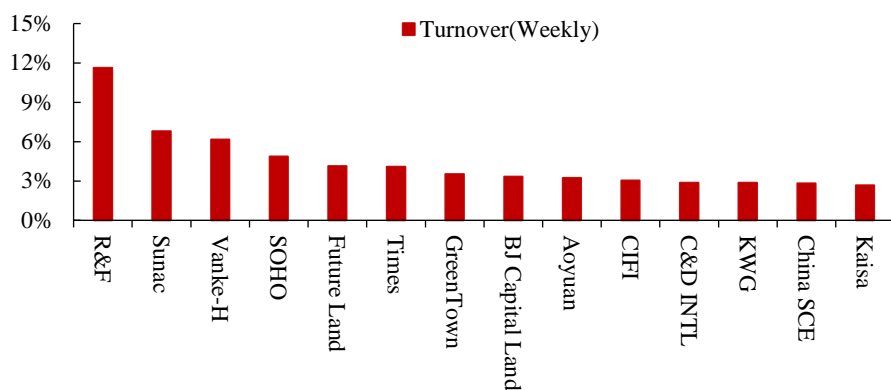
Source: Wind, CWSI Research

**Chart 17: SOHO, Yincheng and C&D INTL had better share price performance, YTD**



Source: Wind, CWSI Research

**Chart 18: R&F, Sunac and Vanke-H were most actively traded last week**

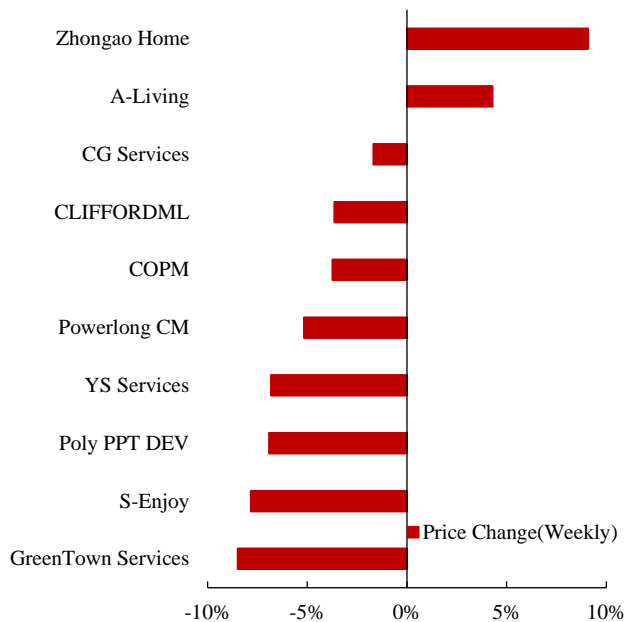


Source: Wind, CWSI Research

## 2.2 Performance of property service sector

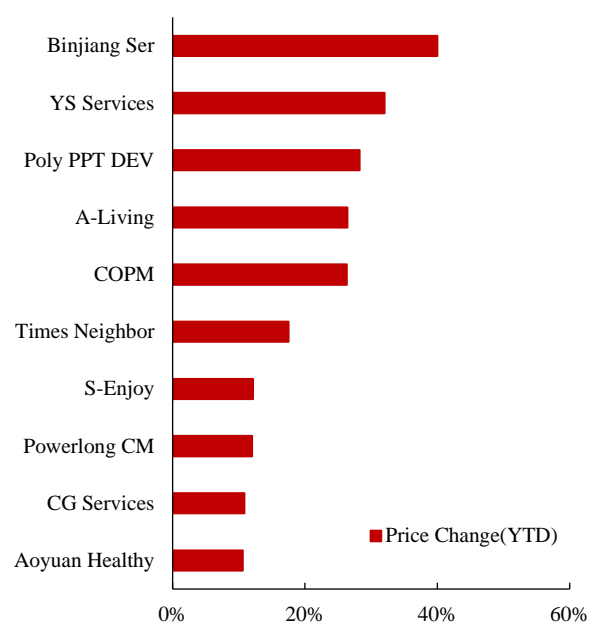
Last week, Zhongao Home, A-Living and CG Services had larger price increase than peers. Binjiang Services, YS Services, and Poly PPT DEV had better share price performance YTD.

**Chart 19: Last week, Zhongao Home, A-Living and CG Services had larger price increase than peers**



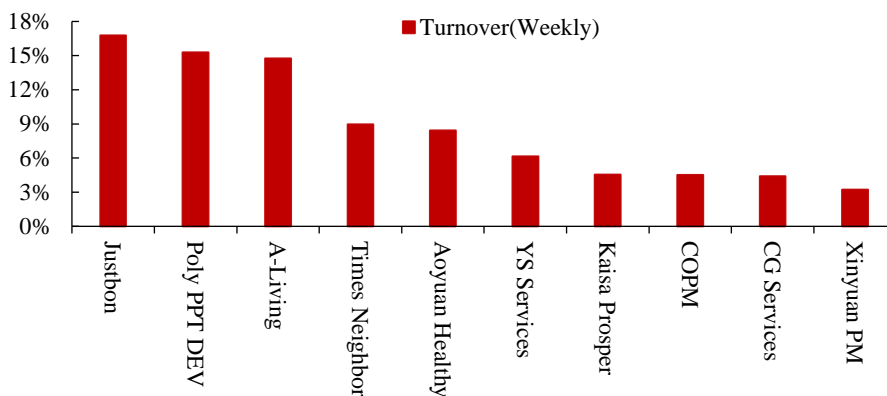
Source: Wind, CWSI Research

**Chart 20: Binjiang Services, YS Services, and Poly PPT DEV had better share price performance YTD**



Source: Wind, CWSI Research

**Chart 21: Justbon, Poly PPT DEV and A-Living were most actively traded last 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 last 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	65,221	26%	-74%	245	317%	-59%	152	162%	-67%	856	-22%
Shanghai	146,700	20%	-48%	489	292%	-62%	372	364%	-55%	1,345	-48%
Guangzhou	119,966	29%	-30%	366	383%	-49%	271	438%	-43%	768	-44%
Shenzhen	84,816	-4%	-10%	291	789%	-6%	235	701%	4%	607	1%
<b>Tier 1</b>	<b>416,702</b>	<b>17%</b>	<b>-48%</b>	<b>1,390</b>	<b>376%</b>	<b>-52%</b>	<b>1,030</b>	<b>373%</b>	<b>-48%</b>	<b>3,576</b>	<b>-37%</b>
<b>Tier 2</b>	<b>1,517,300</b>	<b>7%</b>	<b>-28%</b>	<b>5,527</b>	<b>471%</b>	<b>-35%</b>	<b>4,107</b>	<b>889%</b>	<b>-26%</b>	<b>14,008</b>	<b>-28%</b>
<b>Tier 3</b>	<b>1,589,246</b>	<b>3%</b>	<b>-34%</b>	<b>5,342</b>	<b>416%</b>	<b>-44%</b>	<b>4,266</b>	<b>1376%</b>	<b>-31%</b>	<b>12,018</b>	<b>-40%</b>
Beijing	65,221	26%	74%	245	317%	-59%	152	162%	-67%	856	-22%
Qingdao	273,214	29%	-7%	735	794%	-30%	578	1053%	-18%	1,501	-27%
Dongying	72,979	126%	113%	136	1661%	66%	122	4859%	108%	243	11%
<b>PBR</b>	<b>411,414</b>	<b>39%</b>	<b>29%</b>	<b>1,116</b>	<b>650%</b>	<b>36%</b>	<b>852</b>	<b>671%</b>	<b>30%</b>	<b>2,600</b>	<b>-23%</b>
Shanghai	146,700	20%	-48%	489	292%	-62%	372	364%	-55%	1,345	-48%
Nanjing	126,763	-4%	-22%	590	394%	7%	397	298%	-8%	1,238	4%
Hangzhou	156,434	57%	0%	601	2240%	39%	476	-	65%	1,162	3%
Suzhou	130,472	-16%	-4%	676	296%	2%	463	451%	6%	1,405	-9%
Wuxi	130,400	50%	-4%	310	241%	-38%	264	439%	-33%	680	-33%
Yangzhou	57,059	32%	-6%	140	552%	-34%	138	2409%	-13%	339	-32%
Jiangyin	35,165	-4%	-24%	121	633%	-30%	94	73559%	-14%	351	-16%
Wenzhou	82,903	-8%	-69%	342	203%	-62%	265	3560%	-51%	1,246	-44%
Jinhua	25,817	4%	-58%	86	638%	-52%	67	4549%	-49%	179	-24%
Changzhou	70,427	-1%	-34%	240	324%	-31%	198	5652%	-13%	497	-25%
Huainan	51,639	-25%	-33%	236	191%	-50%	176	497%	29%	642	-43%
Lianyungang	109,881	8%	-1%	343	257%	-32%	285	659%	-5%	792	-35%
Shaoxing	40,618	10%	-35%	140	423%	-43%	99	1168%	-42%	263	-34%
Taizhou	26,508	26%	92%	62	1282%	-33%	62	-	13%	117	-27%
Zhenjiang	109,185	13%	-45%	286	544%	-59%	250	2642%	-46%	649	-55%
Huainan	31,057	-12%	10%	110	655%	-36%	88	2077%	4%	202	-49%
Wuhu	38,948	5%	60%	138	2012%	-12%	115	-	20%	222	-15%
Yancheng	58,878	-19%	-14%	267	939%	-28%	212	728%	-9%	446	-33%
Zhoushan	18,485	26%	-27%	62	581%	-28%	46	705%	-19%	136	-19%
Chizhou	243	-99%	-99%	66	524%	-52%	45	392%	-34%	132	-44%
Ningbo	85,851	19%	-37%	226	334%	-46%	186	67752%	-34%	731	-20%
<b>YRD</b>	<b>1,533,433</b>	<b>7%</b>	<b>-30%</b>	<b>5,530</b>	<b>393%</b>	<b>-36%</b>	<b>4,297</b>	<b>836%</b>	<b>-23%</b>	<b>12,773</b>	<b>-31%</b>
Guangzhou	119,966	29%	-30%	366	383%	-49%	271	438%	-43%	768	-44%
Shenzhen	84,816	-4%	-10%	291	789%	-6%	235	701%	4%	607	1%
Fuzhou	49,535	76%	-33%	208	194%	-19%	117	119%	-29%	398	-32%
Dongguan	59,894	31%	-35%	179	1048%	-48%	137	1646%	-42%	482	-29%
Quanzhou	36,726	-8%	-53%	123	491%	-66%	97	1152%	-57%	308	-61%
Putian	27,666	-11%	12%	121	177%	2%	82	356%	17%	228	-37%
Huizhou	35,892	9%	-42%	116	603%	-45%	89	1065%	-40%	286	-34%
Shaoguan	71,105	145%	158%	138	354%	6%	114	780%	57%	228	-17%
Foshan	154,072	-3%	-60%	560	573%	-55%	418	1098%	-52%	1,183	-47%
Jiangmen	21,103	-3%	-7%	62	859%	8%	52	3204%	32%	119	3%
Zhaoqing	35,044	3%	-10%	108	624%	175%	86	11652%	121%	267	166%
Zhanjiang	0	-	-100%	30	-56%	-75%	0	-100%	100%	274	5%
<b>PRD &amp; Southern China</b>	<b>695,819</b>	<b>16%</b>	<b>-37%</b>	<b>2,302</b>	<b>380%</b>	<b>-41%</b>	<b>1,699</b>	<b>598%</b>	<b>-36%</b>	<b>5,150</b>	<b>-34%</b>
Changchun	163,684	28%	-27%	463	600%	-50%	378	1421%	-41%	972	-54%
Jilin	0	-	100%	0	-	100%	0	-	100%	0	100%
Taian	30,551	38%	-18%	75	363%	-61%	68	621%	-45%	212	-50%
<b>Northern China</b>	<b>194,235</b>	<b>30%</b>	<b>-41%</b>	<b>538</b>	<b>553%</b>	<b>-59%</b>	<b>446</b>	<b>1200%</b>	<b>-52%</b>	<b>1,185</b>	<b>-59%</b>
Wuhan	0	-	-100%	0	-100%	-100%	0	-	100%	1,349	-55%
Yueyang	24,894	2%	-23%	82	144%	-46%	62	1586%	-32%	229	-28%
Ganzhou	158,716	-27%	2%	690	673%	-25%	556	-	-5%	1,255	-32%
<b>Central China</b>	<b>183,610</b>	<b>-24%</b>	<b>64%</b>	<b>772</b>	<b>261%</b>	<b>-71%</b>	<b>618</b>	<b>16774%</b>	<b>-61%</b>	<b>2,833</b>	<b>-46%</b>
Chengdu	344,258	-23%	1%	1,531	544%	-13%	1,118	1602%	2%	3,412	-17%
Nanning	160,479	16%	-33%	471	4014%	-54%	372	6699%	-42%	1,649	-48%
<b>Western China</b>	<b>504,737</b>	<b>-14%</b>	<b>-13%</b>	<b>2,002</b>	<b>703%</b>	<b>-28%</b>	<b>1,490</b>	<b>1994%</b>	<b>-14%</b>	<b>5,061</b>	<b>-31%</b>
<b>Total</b>	<b>3,523,249</b>	<b>6%</b>	<b>-33%</b>	<b>12,260</b>	<b>434%</b>	<b>-42%</b>	<b>9,403</b>	<b>920%</b>	<b>-31%</b>	<b>29,601</b>	<b>-34%</b>
Num. of cities Up		25	8		41	8		37	12		7
Num. of cities Down		16	33		1	34		0	29		36

Source: Local governments, CWSI Research; Note: Till 2020/3/20



**Table 4: Major cities inventory period increased YoY dramatically**

City	Inventory (sqm 000)	wow	yoy	Inventory period	wow	yoy
Beijing	10,677	-2%	13%	43.6	-7%	173%
Shanghai	7,320	-1%	-2%	15.0	-21%	159%
Guangzhou	7,549	56%	-9%	20.6	21%	79%
Shenzhen	2,657	1%	-19%	9.1	-22%	-14%
<b>Tier 1 Average</b>		<b>14%</b>	<b>-4%</b>	<b>22.1</b>	<b>-7%</b>	<b>99%</b>
Hangzhou	3,133	8%	18%	5.2	-20%	-15%
Nanjing	5,760	2%	62%	9.8	-9%	52%
Suzhou	5,479	-1%	-9%	8.1	-12%	-11%
Fuzhou	4,287	-1%	41%	20.6	-3%	74%
Jiangyin	3,935	0%	-12%	32.5	-29%	27%
Wenzhou	10,477	0%	9%	30.6	-24%	185%
Quanzhou	6,955	-1%	7%	56.5	-26%	214%
Ningbo	2,707	-1%	-14%	12.0	-39%	60%
Dongying	1,632	0%	19%	12.0	-52%	-28%
<b>Overall Average</b>		<b>5%</b>	<b>8%</b>	<b>21.2</b>	<b>-19%</b>	<b>73%</b>

Source: Local governments, CWSI Research; Note: Till 2020/3/20



## 3.2 Second-hand house transaction and price data

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

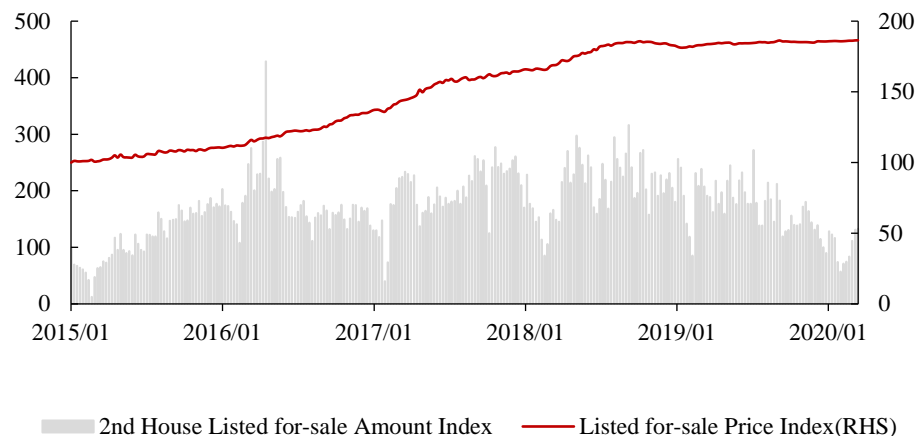
City	Last 7 days			Last 30 days			Month to date			Year to date	
	sqm	wow	yoy	sqm 000	mom	yoy	sqm 000	mom	yoy	sqm 000	yoy
Beijing	168,028	↑ 17%	↓ -52%	598	↑ 221%	↓ -51%	426	↑ 175%	↓ -51%	1,515	↓ -31%
Shenzhen	177,689	↑ 16%	↑ 90%	556	↑ 649%	↑ 59%	460	↑ 850%	↑ 101%	1,246	↑ 72%
Hangzhou	85,454	↑ 132%	↓ -18%	194	↑ 2584%	↓ -50%	169	↑ 107566%	↓ -40%	459	↓ -38%
Nanjing	174,545	↑ 3%	↑ 5%	551	↑ 2981%	↑ 8%	496	↑ 2677%	↑ 37%	1,138	↑ 11%
Chengdu	58,120	↓ -5%	↓ -78%	217	↑ 413%	↓ -78%	173	↑ 1526%	↓ -76%	821	↓ -55%
Qingdao	75,951	↑ 18%	↓ -27%	240	↑ 462%	↓ -31%	192	↑ 552%	↓ -23%	594	↓ -8%
Wuxi	109,962	↑ 41%	↑ 1%	265	↑ 1936%	↓ -29%	242	↑ 3979%	↓ -13%	596	↓ -18%
Suzhou	112,077	↓ -3%	↓ -44%	412	↑ 2729%	↓ -45%	320	↑ 2792%	↓ -36%	912	↓ -49%
Xiamen	45,269	↓ -14%	↓ -42%	186	↑ 415%	↓ -46%	139	↑ 633%	↓ -42%	454	↓ -36%
Yangzhou	15,319	↑ 24%	↓ -40%	36	↑ 693%	↓ -63%	35	↑ 14097%	↓ -48%	98	↓ -46%
Yueyang	4,573	↓ -34%	↓ -72%	21	↑ 275%	↓ -62%	16	↑ 657%	↓ -62%	67	↓ -44%
Nanning	85,984	↑ 73%	↑ 80%	142	↑ 584%	↓ -8%	141	↑ 3335%	↑ 26%	326	↓ -34%
Foshan	71,891	↑ 6%	↓ -45%	255	↑ 452%	↓ -46%	190	↑ 720%	↓ -44%	639	↓ -46%
Jinhua	30,092	↑ 72%	↓ -6%	85	↑ 730%	↓ -26%	64	-	↓ -23%	216	↑ 26%
Jiangmen	15,726	↑ 39%	↓ -20%	58	↑ 785%	↓ -23%	39	↑ 679%	↓ -20%	76	↓ 57%
<b>Total</b>	<b>1,230,681</b>	<b>↑ 18%</b>	<b>↓ -29%</b>	<b>3,817</b>	<b>↑ 622%</b>	<b>↓ -39%</b>	<b>3,104</b>	<b>↑ 835%</b>	<b>↓ -30%</b>	<b>9,158</b>	<b>↓ -28%</b>
<b>Num. of cities Up</b>		<b>11</b>	<b>4</b>		<b>15</b>	<b>2</b>		<b>14</b>	<b>3</b>		<b>3</b>
<b>Num. of cities Down</b>		<b>4</b>	<b>11</b>		<b>0</b>	<b>13</b>		<b>0</b>	<b>12</b>		<b>12</b>

Source: Local governments, CWSI Research; Note: Till 2020/3/20



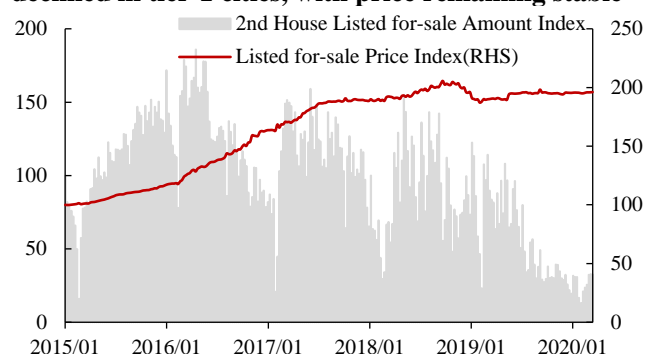


**Chart 22: 2nd house listed for-sale price index stopped rising recently**



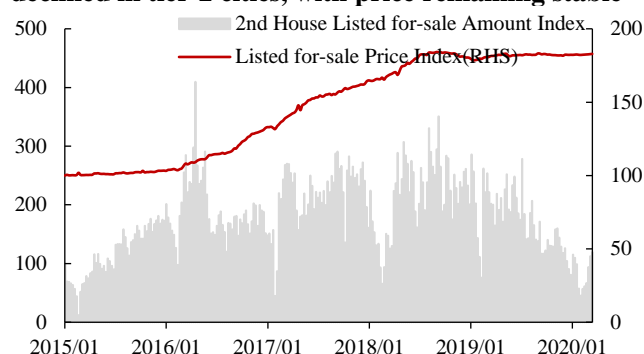
Source: Local Government, CWSI Research; Note: Till 2020/3/15

**Chart 23: 2nd house listed for-sale amount index declined in tier-1 cities, with price remaining stable**



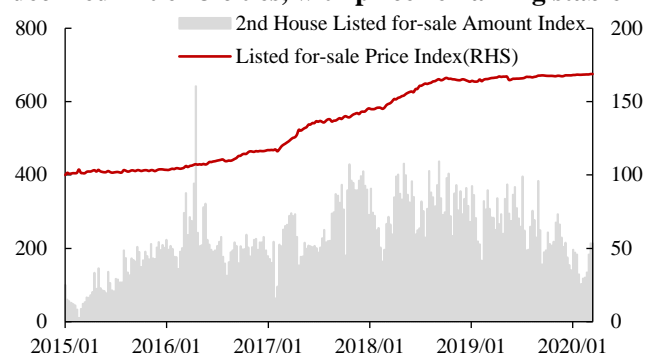
Source: Local Government, CWSI Research; Note: Till 2020/3/15

**Chart 24: 2nd house listed for sale amount index declined in tier-2 cities, with price remaining stable**



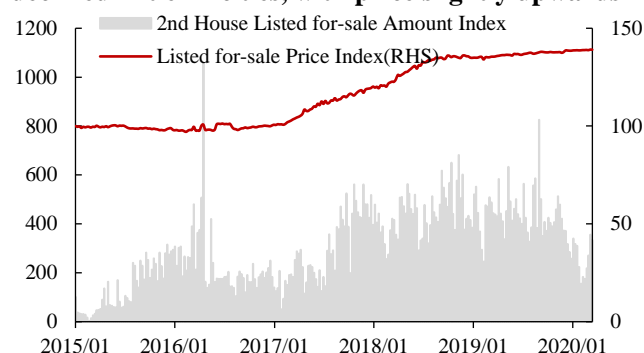
Source: Local Government, CWSI Research; Note: Till 2020/3/15

**Chart 25: 2nd house listed for-sale amount index declined in tier-3 cities, with price remaining stable**



Source: Local Government, CWSI Research; Note: Till 2020/3/15

**Chart 26: 2nd house listed for-sale amount index declined in tier-4 cities, with price slightly upwards**



Source: Local Government, CWSI Research; Note: Till 2020/3/15

## 4. Important Policies and News

### 4.1 Important Industry Policies News This Week

**Table 6: The central bank's directionally lowered reserve ratio, and long-term funds have been released by 550 billion yuan. Among them, an additional 1 percentage point reduction was made for the qualified joint-stock commercial banks to release 150 billion yuan of long-term funds; The central bank announced its March LPR quote, with a one-year LPR of 4.05% and a five-year LPR of 4.75%, both unchanged from last time**

Date	Region / Institution	Summary
2020-03-16	Central Bank	The central bank directionally lowered reserve ratio, and long-term funds have been released by 550 billion yuan. Among them, an additional 1 percentage point reduction was made for the qualified joint-stock commercial banks to release 150 billion yuan of long-term funds.
2020-03-16	Ministry of Housing and Urban-Rural Development	Ten cities, Xuzhou, Wuhan, Shaoxing, Hefei, Bayannaoer, Changde, Jinan, Pingdingshan, Shijiazhuang, and Yichun, will be identified as incentives to redevelopment support cities in 2019.
2020-03-16	Dongguan	Optimize the housing price limit and purchase restriction policies, and simplify the housing price filing process. The scope of housing provident fund loans will be expanded, the loan life will be reduced, the approval time limit will be reduced, and reasonable housing demand will be supported.
2020-03-16	Siyang	Twelve opinions were put forward to implement a proactive credit policy, relax the conditions for pre-sale permits, relax the conditions for the use of pre-sale funds, defer payment of housing provident funds, handle related planning permit formalities, and improve the efficiency of administrative approval.
2020-03-17	BCIRC	At present, the overall mortgage policy has not changed. The down payment ratio and loan interest rate adjustments made by individual localities and banks are within the range allowed by the policy. As long as it remains within the scope of the overall mortgage policy, each locality can follow the "one city, one policy" to adjust the principles.
2020-03-17	Guangzhou	Further relax the restrictions on talents settlement, and it is clear that those who meet the relevant conditions can enjoy child welfare, housing and other welfare policies, including the same treatment as Guangzhou residents in some towns in the district, and meet the conditions of 1 year of work and college education buying a home in 4 towns in the area.
2020-03-17	Jinan	Delete the "Unrestricted Purchase Constraints for Purchasing Certain Standard Green Houses" policy issued on March 15.
2020-03-18	Foshan	Talents with technical secondary school, college education, etc. can apply for T-cards to enjoy the housing registration population purchase policy.
2020-03-18	Haikou	Promulgated the "Notice for Publicly Soliciting Opinions on the" Implementation Measures of Haikou City for the Paid Recovery of Idle Land (Draft for Soliciting Opinions) ", which involved 18 articles including paid land reclamation, paid recovery situations, liability determination, compensation standards, compensation methods, etc.
2020-03-19	Guangdong	Strive for the "double expansion" of the Qianhai Shekou area and the Qianhai Shenzhen-Hong Kong cooperation area, optimize Hengqin's "branch management" policy, summarize and form the sixth batch of reform and innovation experience, and replicate and promote it to the whole province



2020-03-19	Chengdu-Chongqing	Plan and reserve a number of major engineering projects, major policies, and major reform measures, strengthen docking with relevant state ministries and commissions, and strive for recognition and support.
2020-03-20	Central Bank	The central bank announced its March LPR quote, with a one-year LPR of 4.05% and a five-year LPR of 4.75%, both unchanged from last time.
2020-03-20	Regulatory authorities	The special debt for the whole year of 2020 shall not be used for real estate-related fields such as land reserves, shed reforms, etc. At the same time, new emergency medical treatment facilities, public health facilities, and urban old community renovation projects shall be added.
2020-03-20	Shandong	By 2022, restrictions on the settlement of cities and towns will be completely eliminated in some parts of Jiqing.

Source: Wind, Internet, CWSI Research



## 4.2 Company news and announcement

**Table 7: Vanke realized revenue in 2019 of c. 367.89 billion yuan (+ 23.8%), net profit attributable to listed shareholders of c. 38.87 billion yuan (+ 15.1%); ChinaOCT Planned to repurchase approximately 123 to 246 million shares at a repurchase price of no more than 8 yuan / share, and the repurchase amount is expected to not exceed approximately 1.97 billion yuan**

Date	Company	Summary
2020-03-16	Vanke	A total of 2.5 billion yuan of corporate bonds issued, including 1.5 billion yuan of 5-year 3.02% corporate bonds and 1 billion yuan of 7-year 3.42% corporate bonds.
2020-03-16	Jinmao	Issued 2.5 billion yuan 3.1% medium-term notes.
2020-03-16	Gemdale	1 billion yuan 2.63% ultra short-term financing bonds were issued with a maturity period of 270 days.
2020-03-17	BRC	Issued 750 million three-year 7.15% corporate bonds.
2020-03-17	Vanke	Revenue in 2019 is approximately 367.89 billion yuan (+ 23.8%), net profit attributable to listed shareholders is approximately 38.87 billion yuan (+ 15.1%), basic earnings per share is approximately 3.47 yuan (+ 13.3%), and the fully diluted ROE is approximately 20.7% (-1.0pct).
2020-03-18	CG Services	In 2019, revenue was approximately 9.64 billion yuan (+ 106.3%), gross profit was approximately 3.05 billion yuan (+ 73.3%), and net profit attributable to shareholders was approximately 1.67 billion yuan (+ 81.0%).
2020-03-19	CFLD	CICC-Huaxia Xingfu Deqing County Leidian Industrial New City PPP project asset support special plan actually received subscription funds of 1.91 billion yuan, the subscription funds reached the scale of the special plan to raise funds, the special plan was established.
2020-03-19	Risesun	Issued 1.41 billion yuan and 6.98% ultra-short-term financing bonds with a maturity period of 270 days.
2020-03-19	Binjiang Ser	Adopting the updated dividend policy, it is planned to distribute no less than 50% of net profit to shareholders every year to distribute dividends.
2020-03-20	C&D INTL	In 2019, the revenue was approximately 18.0 billion yuan (+ 45.5%), the gross profit was approximately 4.65 billion yuan (+ 13.1%), and the net profit attributable to ordinary shareholders was approximately 1.72 billion yuan (+ 21.0%).
2020-03-20	Gemdale	1 billion yuan 2.60% ultra short-term financing bonds were issued with a maturity period of 270 days.
2020-03-20	COPM	Revenue in 2019 was approximately HK \$ 5.47 billion (+ 30.8%), net profit attributable to shareholders was approximately HK \$ 540 million (+ 33.4%), and basic earnings per share were approximately 16.4 HK cents (+ 33.3%).
2020-03-20	ChinaOCT	Planned to repurchase approximately 123 to 246 million shares at a repurchase price of no more than 8 yuan / share, and the repurchase amount is expected to not exceed approximately 1.97 billion yuan.

Source: Wind, Company Announcements, CWSI Research

**Note:**

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

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

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