



## Narrowed decline expects further recovery

### Comments on Mar 20 sales data of leading developers

#### Event Description:

EH Consulting released the sales data of developers for Mar 2020. The sales of TOP100 developers decreased in Mar 2020 with accumulated contracted sales decreased by 21.2% YoY, single-month contracted sales decreased by 16.0% YoY.

#### Event Comments:

**Resumption of work and production has been progressing steadily, and contracted sales have gradually rebounded.** In the first 3 months of 2020, TOP100 developers realized a total contracted sales of RMB 1.70 tn (-21.2% YoY, vs -25.1% in Jan-Feb 2020), and contracted GFA of 128 mn sqm (-19.1% YoY, vs -23.8% in Jan-Feb 2020). In Mar 2020, on the supply side, construction has gradually started and commercial housing supply is gradually returning to normal. On the demand side, customers accumulated through online marketing in Feb and the demand that have been delayed by COVID-19 have begun to release. Contracted sales of developers have gradually rebounded, and it is expected to continue to pick up in the future.

**Large-scale developers have seen smaller declines, and small and medium-sized developers have recovered.** In Mar 2020, cumulative sales growth rate of all scales of developers maintained negative with large developers experiencing the smallest decline. The decline of growth rate of single-month sales of small and medium sized developers in Mar were significantly narrower, which were -18.2%/-27.3% YoY, respectively (Feb: -57.6%/-68.0% YoY). Accumulated contracted sales of the top 10 and top 11-50 developers in Mar 2020 decreased 13.7%/24.0% YoY, respectively (vs. -16.7%/-28.8% YoY in Jan-Feb 2020, respectively). Companies that grew the fastest in accumulated contracted sales Jan-Mar 2020 YoY were NewHope (+78.3%), Central China (+27.1%), Yanlord Land (+25.7%), EverGrande (+23.6%) and Logan (+1.8%).

**Top tone remained stable with flexible adjustments of local policies.** In Mar 2020, the central government continued to insist on "Houses are built to be inhabited, not for speculation", real estate financing may remain stable. At the local level, On the supply side, Shandong, Taiyuan, etc. reduced the pre-sale conditions for commercial housing, Shenzhen, etc. optimized the pre-sale application process, and Changsha, Zhuhai, Changzhou, etc. allowed developers to postpone payment of certain expenses to support their operations. On the demand side, Tianjin, Guangzhou, Foshan, etc. relaxed restrictions on talent settlement, Chengdu and Chongqing established cross-region mutual recognition and mutual loan mechanisms. Overall tone of the industry remains stable, and real estate sales are expected to maintain steady and healthy development.

#### Suggestion:

Sales in Mar 2020 was better than that in Feb. With the improvement of COVID-19 control, developers may adjust the subsequent construction progress and marketing efforts, and housing demand is expected to continue to release in recent months. In terms of policy, Political Bureau meeting of the CPC Central Committee proposed to guide the decline in loan interest rates, which will effectively reduce the financing costs for developers and residential housing purchases. Local levels provided support for commercial housing market entry and housing enterprise operations, promoted talent introduction policies, and increased provident fund support, supporting reasonable housing demand. At present, the operation of developers is gradually returning to the right track, and the policy environment remains stable, real estate sales are expected to continue to pick up. Maintain "Overweight" rating for the industry.

**Overweight**

(Maintain)

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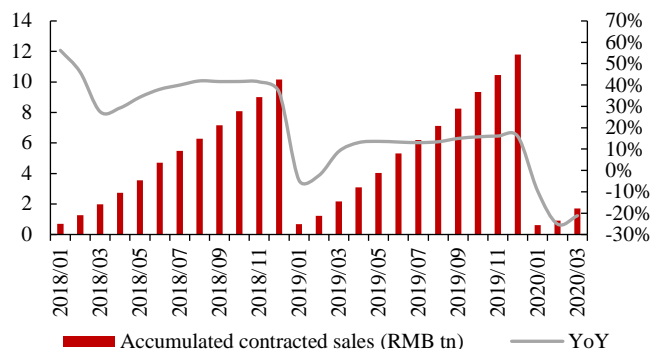
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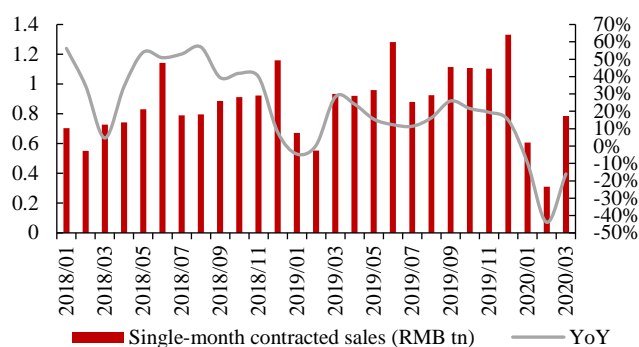
**Resumption of work and production has been progressing steadily, and contracted sales have gradually rebounded.** In the first 3 months of 2020, TOP100 developers realized a total contracted sales of RMB 1.70 tn (-21.2% YoY, vs -25.1% in Jan-Feb 2020), and contracted GFA of 128 mn sqm (-19.1% YoY, vs -23.8% in Jan-Feb 2020). In Mar 2020, on the supply side, construction has gradually started and commercial housing supply is gradually returning to normal. On the demand side, customers accumulated through online marketing in Feb and the demand that have been delayed by COVID-19 have begun to release. Contracted sales of developers have gradually rebounded, and it is expected to continue to pick up in the future.

**Figure 1: Accumulated contracted sales from Jan to Mar 2020 of TOP100 housing enterprises decreased 21.2% YoY**



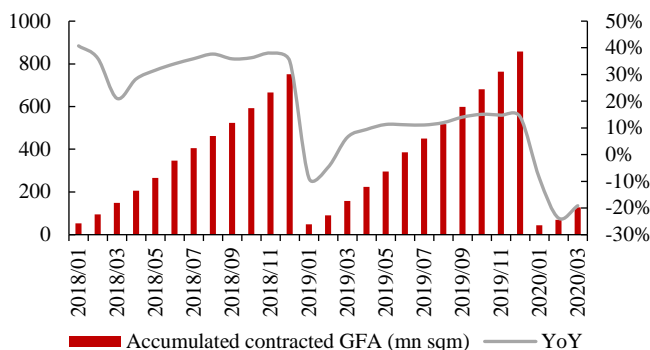
Source: EH Consulting, CWSI Research

**Figure 2: Single-month contracted sales in Mar of TOP100 housing enterprises decreased 16.0% YoY**



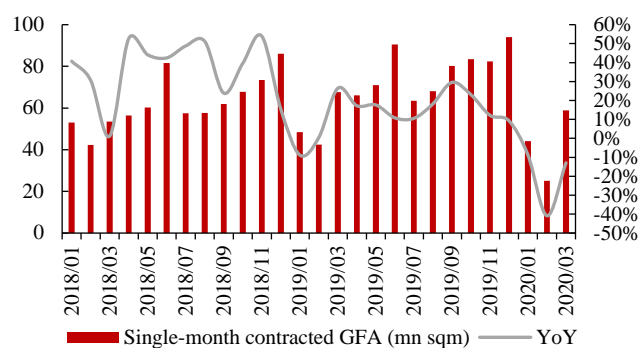
Source: EH Consulting, CWSI Research

**Figure 3: Accumulated contracted GFA from Jan to Mar 2020 of TOP100 housing enterprises decreased 19.1% YoY**



Source: EH Consulting, CWSI Research

**Figure 4: Single-month contracted GFA in Mar of TOP100 housing enterprises decreased 12.9% YoY**

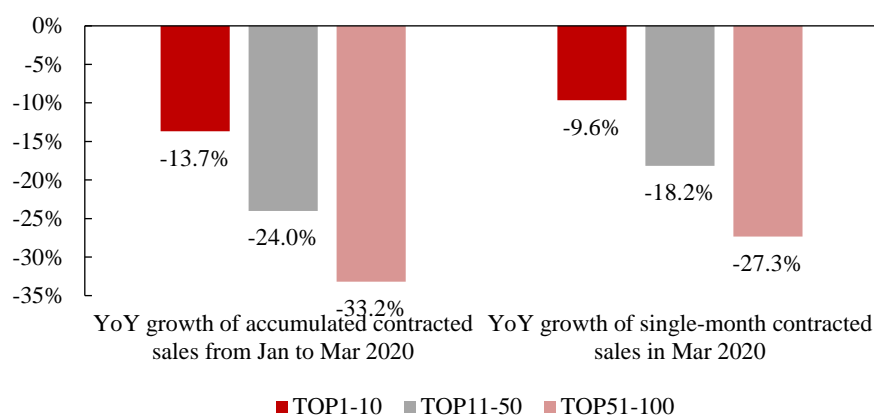


Source: EH Consulting, CWSI Research



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**Figure 5: Large-scale developers have seen smaller declines, and small and medium-sized developers have recovered**



Source: EH Consulting, CWSI Research

**Top tone remained stable with flexible adjustments of local policies.** In Mar 2020, the central government continued to insist on “Houses are built to be inhabited, not for speculation”, real estate financing may remain stable. At the local level, On the supply side, Shandong, Taiyuan, etc. reduced the pre-sale conditions for commercial housing, Shenzhen, etc. optimized the pre-sale application process, and Changsha, Zhuhai, Changzhou, etc. allowed developers to postpone payment of certain expenses to support their operations. On the demand side, Tianjin, Guangzhou, Foshan, etc. relaxed restrictions on talent settlement, Chengdu and Chongqing established cross-region mutual recognition and mutual loan mechanisms. Overall tone of the industry remains stable, and real estate sales are expected to maintain steady and healthy development.



**Table 1: A Glance of Real Estate Policies in Mar, supporting reasonable housing demand**

Date	Region/ Institution	Policy Summary
2020-03-02	Tianjin	Encouraged employees to settle in Tianjin, allowing incumbent employees to relocate to Tianjin and purchase houses in accordance with the city's resident registration policy.
2020-03-02	Shijiazhuang	Proposed that there will be 17 measures including online approval, alleviating the financial pressure on real estate development projects, and increasing housing security support. They will comprehensively promote the resumption and resuming work of construction and real estate companies.
2020-03-02	Ministry of Natural Resources	Explained six major problems including how to increase the land supply after the epidemic, how to speed up the approval of construction land, and how to implement the "three adjustments" of land.
2020-03-03	Jiujiang	Full support for enterprise construction projects should be completed, the contract period should be extended reasonably, the pre-sale capital supervision ratio of commercial housing should be reduced, the enterprise credit support should be strengthened and other measures to promote the steady and healthy development of the city's construction and real estate industries.
2020-03-03	Changzhou	Developers and other enterprises affected by the epidemic can apply for tax deferral, actively reducing the waiting time for housing provident fund loans and allowing real estate development projects reasonable extension and stable supporting for the first home loan, etc.
2020-03-04	Central Bank	Asking the financial sector to adhere to the "House to live not to speculate" thought and "no real estate as a short-term stimulus measures", asking steady monetary policy paying more attention to flexibility
2020-03-04	Dongguan	Strengthened the guidance of commercial housing sale pricing, suspending giving pre-sale license to the project declaring the price too high, or put on record after 180 days of unsold homes to declare the price adjustment range of up to 5%.
2020-03-05	Guangzhou	Policy about commercial service projects that "no longer limited to sales targets, Relevant policies such as "minimum segmentation unit" were deleted.
2020-03-05	Zhumadian	Withdrew policies including lowering the down payment ratio, raising the housing provident fund loan limit, and lowering the personal housing mortgage loan interest rate.
2020-03-09	Shandong	Pre-sale conditions of commercial housing and the retention ratio of pre-sale funds supervision will be moderately reduced.
2020-03-09	Deyang	Will actively reduce the financial burden of enterprises and relax the supervision of pre-sale funds. The proportion of project investment reaching 25% of the total investment in engineering construction can be processed in advance.
2020-03-09	Shanghai	Sites that meet the requirements to be resumed as more as possible to is accelerate the construction site resumption. And major projects must be fully resumed before the end of March.
2020-03-10	Changsha	Real estate development projects can extend the payment period of urban infrastructure matching fees.
2020-03-11	Shenzhen	Application for pre-sale of commercial housing projects no longer require the submission of a project capital balance certificate and grade 1 real estate development qualified enterprises can apply for thawing that does not exceed 20% of the total pre-sale funds, and use the "report and sign" method to speed up the progress of online signing of commercial housing.
2020-03-12	Baoji	Cancelled policies including tax deduction and exemption, adjustment of the proportion of land margin for bidding, installment payment of land transfer fee and credit support adjustment of the amount of purchase fund.



2020-03-12	The State Council	The approval of agricultural land other than the permanent basic farmland authorized by the state council will be transferred to the people's governments of provinces, autonomous regions and municipalities directly under the central government.
2020-03-16	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	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.
2020-03-17	Jinan	Delete the "Unrestricted Purchase Constraints for Purchasing Certain Standard Green Houses" policy issued on March 15.
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.
2020-03-18	Foshan	Talents with technical secondary school, college education, etc. can apply for T-cards to enjoy the housing registration population purchase policy.
2020-03-20	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 Jinan and Qingdao.
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.
2020-03-24	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.



2020-03-27	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.
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	Chengdu	Issued the "Notice on Prohibiting the Distribution of Sensitive Real Estate Information Containing" Unlimited Purchase "".
2020-03-30	Guiyang	Developers and real estate agencies are strictly prohibited from providing down payment financing involved in violation for house purchase.
2020-03-30	Zhuhai	From 19 Mar to three months after the end of the epidemic prevention and control period, urban infrastructure supporting fees for real estate development projects can be postponed for three months.
2020-03-30	Chengdu-Chongqing	The two cities have initially established a cross-region transfer and connection mechanism and a mutual recognition and mutual loan mechanism.

Source: Government websites, CWSI Research





Table 2: Sales of developers in Mar 2020, Central China, EverGrande increased the fastest

No.	Company	Sales Amount (RMB '00 mn)				Sales Area (10 thousand sqm)			
		Jan-Mar	Jan-Mar YoY	Mar	Mar YoY	Jan-Mar	Jan-Mar YoY	Mar	Mar YoY
1	EverGrande	1478	24%	625	14%	1657	50%	693	35%
2	Country Garden	1425	-16%	660	2%	1670	-17%	789	-2%
3	Vanke	1370	-8%	541	-6%	837	-9%	330	-8%
4	PRE	697	-36%	260	-39%	461	-34%	172	-39%
5	Sunac	618	-23%	310	-18%	421	-22%	196	-25%
6	COLI	609	-10%	280	10%	335	-9%	154	15%
7	Greenland	505	-27%	249	-34%	440	-27%	220	-30%
8	CR Land	389	-24%	224	-13%	233	-14%	149	21%
9	Longfor	382	-14%	211	8%	232	-18%	128	6%
10	Shimao	370	-9%	203	6%	211	-8%	115	9%
11	CMSK	362	-5%	217	22%	159	-16%	104	11%
12	Future Land	301	-36%	133	-42%	287	-31%	138	-30%
13	Jinke	285	-5%	175	21%	310	-2%	184	56%
14	Sunshine City	283	-17%	137	-2%	252	-2%	122	19%
15	Gemdale	282	-17%	130	-20%	138	-15%	63	-23%
16	Jinmao	261	-8%	130	30%	157	25%	79	70%
17	GreenTown	243	-5%	142	17%	111	-7%	58	11%
18	CIFI	224	-35%	101	-47%	148	-24%	72	-30%
19	Zhongnanconstruction	214	-31%	105	-26%	174	-30%	90	-19%
20	ZhenRo	206	-18%	104	16%	141	-15%	75	26%
21	Zhongliang	189	-44%	84	-48%	178	-52%	83	-54%
22	R&F	185	-29%	91	-25%	155	-29%	73	-26%
23	Ronshine	182	-28%	78	-25%	77	-35%	30	-41%
24	Logan	173	2%	78	0%	124	-1%	60	6%
25	BRC	161	-15%	80	12%	164	-21%	77	1%
26	Agile	157	-38%	77	-35%	98	-43%	49	-41%
27	Binjiang	156	-29%	90	-9%	47	-45%	26	-57%
28	Kaisa	156	1%	67	7%	120	31%	65	78%
29	Shinsun	156	-35%	75	-29%	135	-24%	66	7%
30	Sino-Ocean	155	-30%	90	-18%	78	-21%	47	4%
31	Siniedc	153	-18%	82	-9%	100	-1%	39	7%
32	Huafa Industrial Share	152	-17%	54	-44%	60	-20%	24	-35%
33	Mideadc	152	-19%	73	-8%	141	-25%	69	-10%
34	CFLD	150	-51%	42	-69%	83	-73%	16	-91%
35	Aoyuan	143	-24%	73	-3%	138	-25%	74	-5%
36	Radiance	133	-28%	87	-2%	92	-36%	60	-12%
37	KWG	130	-16%	62	-2%	77	-16%	38	3%
38	Tahoe	126	-56%	55	-55%	73	-31%	27	-43%
39	Central China	124	27%	66	16%	186	31%	111	34%
40	China SCE	124	-21%	55	-18%	89	-30%	42	-25%
TOP1-10 Total		7843	-14%	3518	-10%	6497	-10%	2824	-9%
TOP1-50 Total		14610	-19%	6782	-14%	11115	-16%	5153	-10%
TOP1-100 Total		17026	-21%	7845	-16%	12820	-19%	5894	-13%

Source: EH Consulting, CWSI Research

**Suggestion:**

Sales in Mar 2020 was better than that in Feb. With the improvement of COVID-19 control, developers may adjust the subsequent construction progress and marketing efforts, and housing demand is expected to continue to release in recent months. In terms of policy, Political Bureau meeting of the CPC Central Committee proposed to guide the decline in loan interest rates, which will effectively reduce the financing costs for developers and residential housing purchases. Local levels provided support for commercial housing market entry and housing enterprise operations, promoted talent introduction policies, and increased provident fund support, supporting reasonable housing demand. At present, the operation of developers is gradually returning to the right track, and the policy environment remains stable, real estate sales are expected to continue to pick up. Maintain “Overweight” rating for the industry.

**Note:**

1. Certain uncertainties in the industry regulation and financing policies may affect the sales performance of listed companies;
2. Macroeconomic fluctuations may have certain impact on business operations within the industry;
3. Uncertainties in the control of COVID-19 spread.





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