



## This Week in China

### Old community renovation: what's the difference?

#### Comments:

As an important livelihood project strongly supported by current policies, how is old community renovation different from urban renewal and shed reform? How will it affect real estate market and the macro economy? What opportunities will it bring to the industry?

**Unlike urban renewal, developers cannot directly obtain land resources for commercial housing development by participating in old community renovation.**

Urban renewal involves demolition and development within the scope of land use. Developers can rely on their own advantages to cooperate with local governments to achieve industrial introduction and urban upgrading, while obtaining land resources at lower prices. The content of the old community renovation is mainly to repair the existing buildings and supporting facilities, do not involve demolition and reconstruction, so developers cannot directly participate in old community renovation to obtain land resources for the development of commercial housing.

**Unlike shed reform, old community renovation has less impact on the supply and demand of commercial housing and investment in real estate development, and will drive the overall economic cycle. In terms of the supply and demand of commercial housing,** the monetized resettlement of shed reform has created housing demand. The local government's land supply and thus the supply of commercial housing lags significantly behind the rapid increase in demand in time, increasing the ASP in some tier-3 and tier-4 cities. In old community renovation, funds from residents, government and social capital are directly invested into services needed for the renovation, without involving the "house replacement" process, thus have little impact on the supply and demand of commercial housing. **In terms of real estate investment,** from 2016 to 2019, the completed investment in shed reform contributed 14.4%, 16.8%, 14.5% and 9.1% of the real estate development investment that year. Old community renovation does not involve demolition and reconstruction, so the impact on real estate investment is relatively small.

**Limited impact on real estate development, certain opportunities for property management.** Driven by the policy, multi-party financial support may improve the profit margins for property management companies to participate; at the same time, the layout of urban services by leading property management companies such as Vanke Services and CG Services reflects their willingness and ability to participate, the attempts of most property management companies on value-added services also enable them to have certain professionals and capabilities. As professional services platforms, property management companies may get new opportunities in community operations and value-added services.

#### Data points:

As of Jul 24<sup>th</sup>, new house transaction area in 42 major cities this week decreased 4% WoW, and cumulative transaction area in 2020 fell by 10% YoY.

As of Jul 24<sup>th</sup>, saleable area (inventory) in 13 major cities this week decreased 0.1% WoW; average inventory period was 10.4 months, average change was 3%.

As of Jul 24<sup>th</sup>, second-hand housing transactions in 15 major cities this week decreased 4% WoW, and cumulative transaction area in 2020 fell 9% YoY.

#### Suggestion:

This week, Although external shocks have led to an increase in market risk aversion and the stock market has fallen sharply, the domestic economic recovery has maintained good momentum. In terms of industry, Nanjing and Dongguan have tightened policies this week, which may continue to guide the healthy development of the industry. The gradual recovery of the economic environment and stable industry tone may continue to support the industry demand, maintain "Overweight" rating.

**Overweight**

(Maintain)

Public WeChat account



**Sicong Shen**

Analyst

+852 3958 4699

shensicong@cwghl.com

SFC CE Ref: BNF 348

**Hongfei Cai**

Analyst

+852 3958 4629

caihongfei@cwghl.com

SFC CE Ref: BPK 909

**Lianxin Zhuge**

Analyst

+852 3700 7094

zhugelianxin@cwghl.com

SFC CE Ref: BPK 789

# 1. Old community renovation: what's the difference?

**Refine support policies and comprehensively promote the transformation of old communities in cities and towns.** Recently, the State Council issued the "Guiding Opinions on Comprehensively Promoting the Reconstruction of Old Communities in Urban Areas", which is the first special document issued by the State Council on the renovation of old communities in cities and towns. The objects of old community renovation are mainly residential communities built before 2000, with backward public facilities and strong residents' willingness to renovate. In Jul 2020, Deputy Minister of Housing and Urban-Rural Development Huang Yan stated that from the survey findings, about 220,000 old communities were built before the end of 2000, involving nearly 39 mn households. Governments at all levels have repeatedly introduced and gradually refined relevant policies for old communities during the year. **As an important livelihood project strongly supported by current policies, how is old community renovation different from urban renewal and shed reform? How will it affect real estate market and the macro economy? What opportunities will it bring to the industry?**

## 1.1 What is the difference between old community renovation and urban renewal?

**Urban renewal includes demolition and reconstruction, and it is one of the channels for developers to obtain land resources.** Urban renewal in real estate development mostly refers to renovation projects represented by the three old renovations in Guangdong Province, covering old towns, old factories, old villages, etc., involving demolition and development within the scope of land use, with an intention to renovate and upgrade developed land to match the development needs of the city. Developers can rely on their own advantages to cooperate with local governments to achieve industrial introduction and urban upgrades, and at the same time obtain land resources at a lower price, and share the benefits of urban development. For example, CR Land has built CR City in Nanshan District, Shenzhen through Dachong project, the largest overall renewal project of urban villages in Guangdong Province; and Kaisa has obtained unique endowment advantages in core cities through a large number of urban renewal projects.

**Chart 1 : CR Land developed CR City through Dachong urban renewal project**



Source: Company website, CWSI Research

**Chart 2 : Shenzhen Guifang Garden renewal project was Kaisa's start-up project**



Source: Company website, CWSI Research

**The content of old community renovation is mainly to repair and improve existing buildings, and does not involve residential development.** The content of the old community renovation is mainly to repair the existing buildings and supporting facilities. It is intended to implement high-quality development requirements, improve the quality of urban human settlements, and enhance the level of urban public services. The renovation of old communities can be divided into basic (water, electricity, heating, exterior wall maintenance, etc.), improving (greening, lighting, energy-saving renovation, installation of elevators, etc.) and upgrading (community comprehensive service facilities, smart renovation, etc.). The renovation of old communities does not involve demolition and reconstruction, so **developers cannot directly obtain land resources for the development of commercial housing through participating in old community renovation.**

**Table 1: Old community renovation mainly involves maintenance and improvement of existing buildings and supporting facilities**

Renovation Category	Content
Basic	<ul style="list-style-type: none"> <li>· <b>Municipal supporting infrastructure renovation and upgrading:</b> water supply, electrical heating, fire protection, security, garbage sorting, fiber optic access, etc.</li> <li>· <b>Building maintenance in the community:</b> roofing, exterior walls, stairs, etc.</li> </ul>
Improving	<ul style="list-style-type: none"> <li>· <b>Environment and supporting facilities renovation and reconstruction:</b> greening, lighting, facilities for the elderly, parking lots, etc.</li> <li>· <b>Energy-saving renovation</b> in the community</li> <li>· <b>Install elevators</b> in buildings with conditions</li> </ul>
Upgrading	<ul style="list-style-type: none"> <li>· <b>Supporting construction and intelligent transformation of public service facilities:</b> community comprehensive service facilities, health service stations, kindergartens, elderly care, nursery care, housekeeping, etc.</li> </ul>

Source: Government website, CWSI Research

**Chart 3: Children's activity area after the renovation of Jinsong Community in Chaoyang District, Beijing**



Source: Government website, CWSI Research

**Chart 4: Parking lot after renovation of Baiyun Road Community in Xicheng District, Beijing**



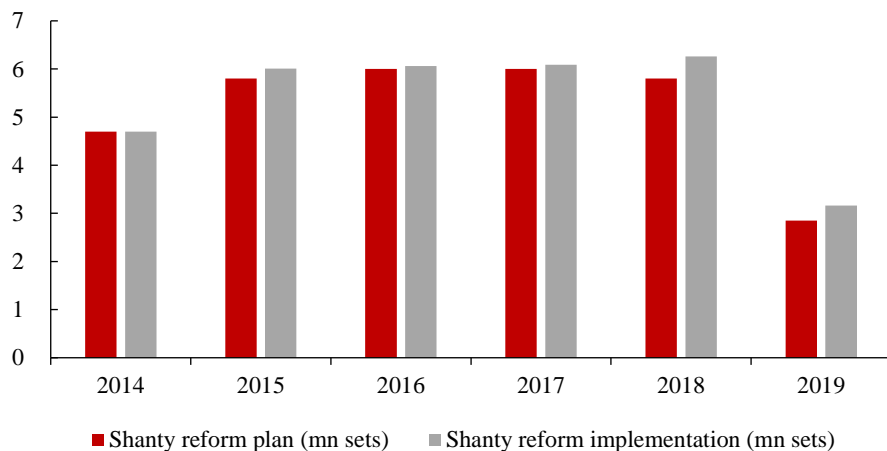
Source: Government website, CWSI Research

## 1.2 Why old community renovation replaces shed reform?

### 1.2.1 Shed reform greatly reduces the inventory of dilapidated houses, and old community renovation take over repairs to improve people's livelihood

**The targets of the shed reform are mainly dilapidated houses in cities and towns that need to be demolished, which has achieved certain results.** The main targets of shed reform are dilapidated houses in cities and towns. Many houses in shantytowns are dilapidated and crowded, with incomplete kitchen and bathroom facilities, and some have certain safety hazards. Therefore, demolishing houses and attachments and rationally resettling units and residents can better improve the living condition of the residents. The advancement of shanty reform has resulted in a significant reduction in the number of dilapidated housing in urban areas. From 2014 to 2019, the number of shanty towns that were actually implemented nationwide has reached 32.28 mn sets. In 2018, the State Council determined a three-year plan for shantytown reform; by 2020, the task of shed reform will be basically completed.

**Chart 5: Shed reform is gradually coming to an end**



Source: Wind, Government website, CWSI Research

**The old community does not need to be demolished but needs to be repaired.**

Although the old communities do not need to be demolished, they cannot meet the increasing living needs of residents. At the moment when the shed reform has achieved certain results, old community renovation has been transformed into an important livelihood project that meets the needs of residents for a better life and promotes the benefits of the people's livelihood and expands domestic demand. In July 2020, the State Council clarified and quantified the goal of renovating old communities in the next few years. The number of communities planned to start construction in 2020 will reach 39,000, and the number of residents involved will be nearly twice that of 2019; during the "14th Five-Year" period, approximately another 35 mn households can be renovated, and efforts will be made to basically complete the old community renovation by the end of the "14th Five-Year" period and further improve the living environment of residents.

**Table 2: Recently, the government has clearly quantified the goal of old community renovation**

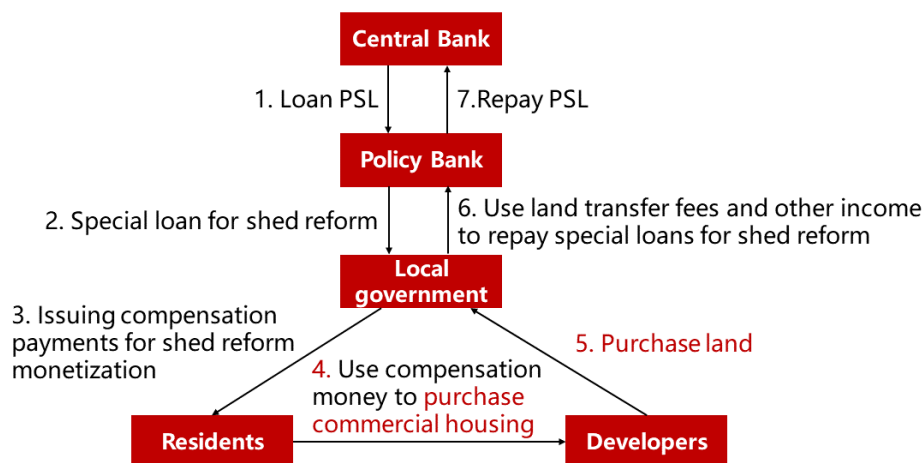
Time	Progress
2019	Plan to start the renovation of 19,000 old communities in cities and towns, involving 3.6 mn households
2020	Plan to start 39,000 projects, involving nearly 7 mn households, nearly twice the number in 2019
2022	Basically form the institutional framework, policy system and working mechanism for the renovation of old communities in cities and towns
During "14th Five-Year"	About 35 mn households can be renovated
End-"14th Five-Year"	Strive to basically complete the renovation of old communities in cities and towns built before end-2000

Source: Government website, CWSI Research

## 1.2.2 Old community renovation has less impact on the supply and demand of commercial housing and drives the overall economic cycle

**Monetary resettlement of shed reform caused mismatch of real estate supply and demand.** In 2015, under the pressure of economic growth, monetized resettlement of shed reform began to rise. The central bank provides targeted support to policy banks such as China Development Bank and China Agricultural Development Bank through PSL. Policy banks provide special financial support to local governments through special loans for shed reform, and grant them to shed reform targets in the form of monetized resettlement. After the shed reform targets receive compensation, they will invest in the real estate market to purchase commercial housing. After the shed reform, the local government can repay the special loan for the shed reform of the policy bank through land transfer income and other income, and the policy bank can repay the PSL after obtaining the above funds. In the above process, the monetization of resettlement has created the demand for the purchase of houses for the objects of the shed reform. **The supply of land by the local government and thus the supply of commercial housing lags significantly behind the rapid increase in demand in time**, which relieves the pressure of destocking in the real estate market in the short term; on the other hand, the monetization of shed reform has also led to a certain increase in the price of commercial housing in tier-3 and tier-4 cities with more shed reform projects and a higher proportion of monetized resettlement.

**Chart 6: The monetization resettlement process of the shed reform makes the timing of real estate supply and demand mismatch**



Source: Government website, CWSI Research

**Old community renovation does not involve the process of "house replacement", and focuses on the current specific needs of each community.** The flow of funds for the renovation of old communities is more concise and does not involve the process of "house replacement". Funds from residents, government and social capital are directly

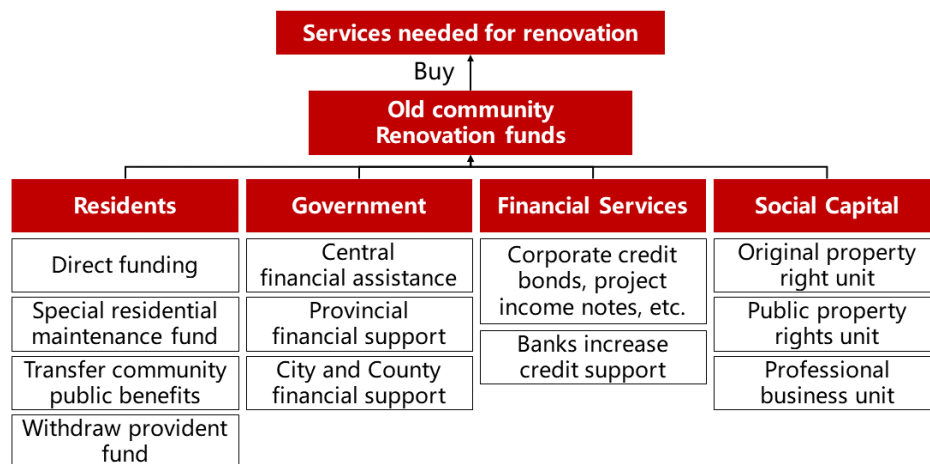
invested in specific services for renovation purposes. In terms of different types of renovations, the main sources of funds are different: the basic types are mostly public welfare renovations, and their sources of funds are mainly from the central subsidy and financial investment, as well as funding from the units responsible for plumbing, heating, electricity and heating; the principle of “whoever benefits, who contributes funds” is implemented in improving types, part of the financing is solved through residents’ contributions (direct capital contributions and special housing maintenance funds, etc.) and public resource transfers (such as the transfer of public housing in the community as canteens, elderly care, and childcare, etc.); the upgrading renovation mainly relies on social professional services and investment. The renovation of each community is based on the actual needs of the community. For example, communities with more elderly people need to improve facilities for the elderly, and communities with more young people need to make up for shortcomings in childcare facilities. **The renovation funds of each community will be oriented to the needs of the community and invested in specific service areas.**

**Table 3: The main sources of funds for each renovation category are different to ensure the efficiency of fund raising for each category**

Renovation category	Sources of funds
Basic	<ul style="list-style-type: none"> <li>•Central subsidies <b>and key</b> support from financial investment</li> <li>•<b>The local specialized responsible unit for plumbing, electric heating and heating also has the responsibility for funding</b></li> </ul>
Improving	<ul style="list-style-type: none"> <li>•<b>Whoever benefits, who contributes funds, may be partially resolved through residents’ contributions and the transfer of public resources</b></li> </ul>
Upgrading	<ul style="list-style-type: none"> <li>•Encourage <b>social forces and social capital investment</b>, relying on social professional services and social professional investment to solve</li> </ul>

Source: Government website, CWSI Research

**Chart 7: Old community renovation raises funds through multiple channels and invest directly into specific services needed**



Source: Government website, CWSI Research

**Old community renovation can revitalize existing housing, promote the development of upstream and downstream industries, and promote employment and macroeconomic growth.** Residents' investment arrangements for old community renovation include the use of public spaces in old communities for services such as elderly care and childcare, which can attract social capital to join and revitalize the existing housing. On the other hand, old community renovation involves a wide range of content, so it can promote the development of upstream and downstream industries such as elevators, home appliance updates, decoration and decoration, promote employment and drive the overall economic cycle.

### 1.3 What is the impact of old community renovation on real estate investment?

**Shed reform has made a certain contribution to real estate development investment, and old community renovation may has a smaller contribution to real estate development investment.** Shed reform directly drives residential development and real estate investment through physical resettlement; monetization resettlement has greatly increased the demand for residential purchases, and developers have increased the purchase of land and the supply of commercial housing to promote the growth of real estate investment. From 2016 to 2019, the completed investment in shed reform was approximately RMB 1.48 tn, 1.84 tn, 1.74 tn and 1.20 tn, respectively, contributing 14.4%, 16.8%, 14.5%, and 9.1% of the real estate development investment that year. Due to the difference in the content of the renovation, the renovation of the old

community does not involve large-scale demolition and reconstruction, so it has a smaller effect on the development investment.

**Table 4: Shed reform has a certain contribution to real estate development investment**

	Actual shed housing reform (mn sets)	Completed shed reform investment (RMB tn)	Real estate development investment (RMB tn)	Share of investment in shed reform
2016	6.06	1.48	10.26	14.4%
2017	6.09	1.84	10.98	16.8%
2018	6.26	1.74	12.03	14.5%
2019	3.16	1.20	13.22	9.1%

Source: Government website, CWSI Research

## 1.4 Limited impact on real estate development, certain opportunities for property management

**Old community renovation is different from urban renewal and shed reform, and has limited impact on real estate development.** In terms of the content of renovation, old community renovation mainly focuses on the renovation of existing houses, and does not involve demolition and reconstruction and large-scale real estate development. Therefore, developers cannot directly obtain land resources as they participate in urban renewal through participating in the old community renovation. In terms of funding and renovation procedures, the source of funds for the renovation of old communities adheres to the principle of “who benefits, who contributes funds”, and rationally implements residents’ funding responsibilities and promotes the participation of social forces on the basis of certain support provided by the government. The renovation process does not involve “house replacement” and does not involve the mismatch of real estate supply and demand in the process of monetization resettlement in shed reform, thus has relatively small impact on the real estate market and real estate development investment.

**The content of old community renovation has a high degree of overlap with the business of the property management, which may bring certain opportunities for the property management companies.** The content of each category involved in old community renovation is related to the business of the property management company to varying degrees. The basic and the improving category correspond to basic property management services, and the upgrade category corresponds to community value-added services. Due to the complexity of the renovation and the consideration of profit margins, currently the participation of property management companies in the renovation of old communities is not high. However, driven by the policy, multi-party financial support may improve the profit margins for property management companies to participate; at the same time, the layout of urban services by leading property

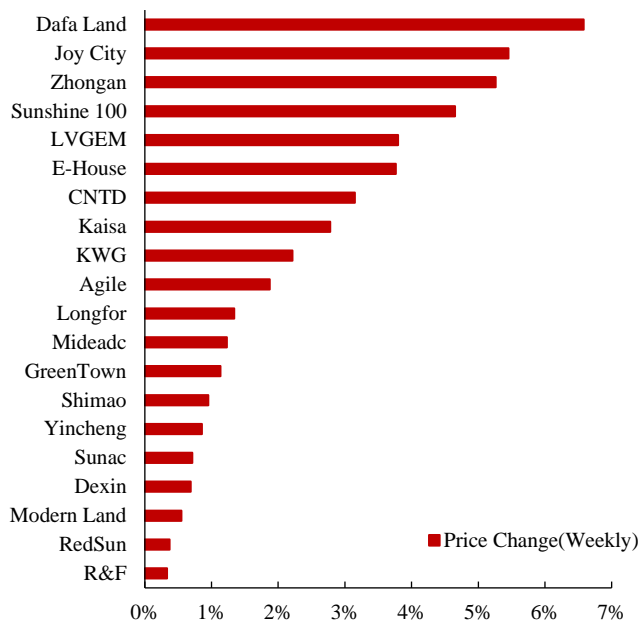
management companies such as Vanke Services and Country Garden Services reflects their willingness and capacity in participation in the basic and improving renovation. The attempts of most property management companies on value-added services also enable them to have certain professionals and capabilities in value-added services. In July 2020, the People's Government of Jiangnan District of Wuhan City and Vanke Services signed a strategic cooperation agreement. During the renovation of the old community in Jiangnan District, Vanke Services will provide consultants, consulting services, engineering construction, completion inspections, equipment maintenance and other services. With the gradual increase in the promotion of old community renovation, property management companies, as a platform for professional services, may get new opportunities in community repair, operation and value-added services.

## 2. Sector Performance

### 2.1 Performance of developer sector

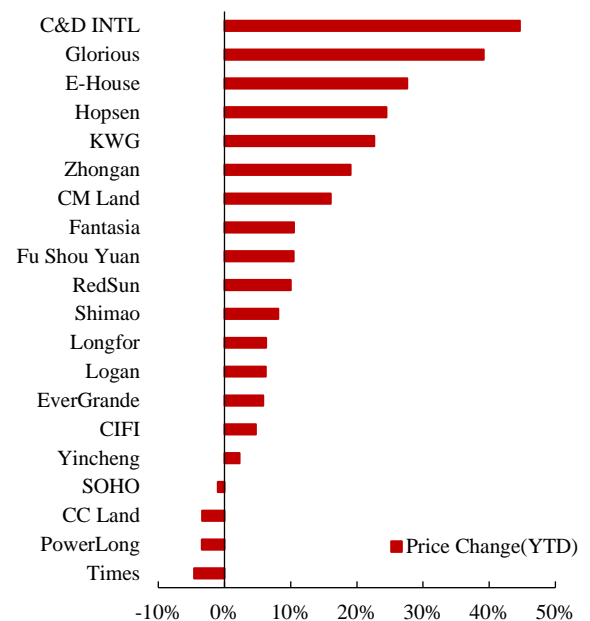
This week, Dafa Land, Joy City and Zhongan had larger price increase than peers. C&D INTL, Glorious and E-House had better share price performance, YTD.

**Chart 8: This week, Dafa Land, Joy City and Zhongan had larger price increase than peers**



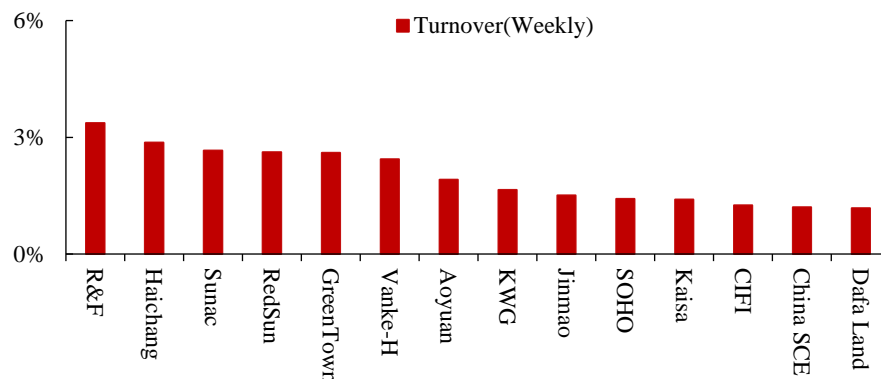
Source: Wind, CWSI Research

**Chart 9: C&D INTL, Glorious and E-House had better share price performance, YTD**



Source: Wind, CWSI Research

**Chart 10: R&F, Haichang and Sunac were most actively traded this week**

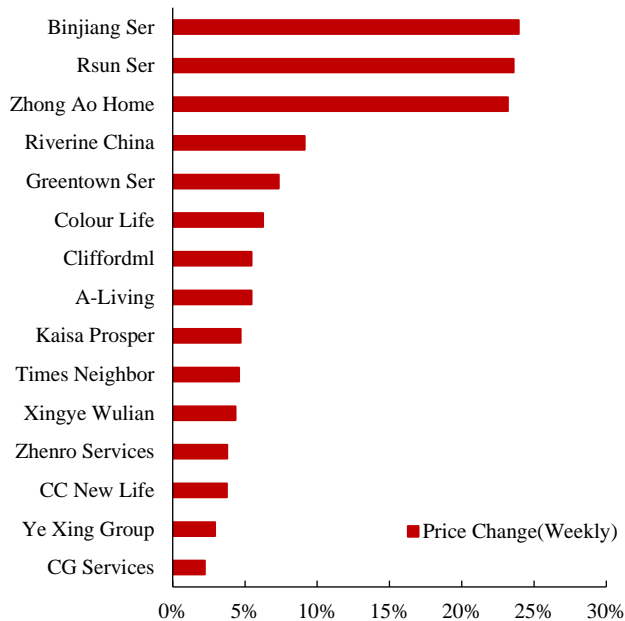


Source: Wind, CWSI Research

## 2.2 Performance of property service sector

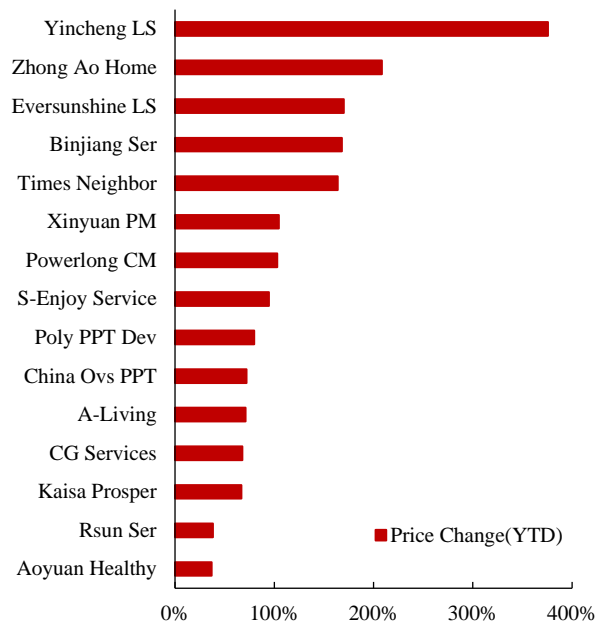
This week, Binjiang Ser, Rsun Ser and Zhong Ao Home had larger price increase than peers. Yincheng LS, Zhong Ao Home and Eversunshine LS had better share price performance YTD.

**Chart 11: This week, Binjiang Ser, Rsun Ser and Zhong Ao Home had larger price increase than peers**



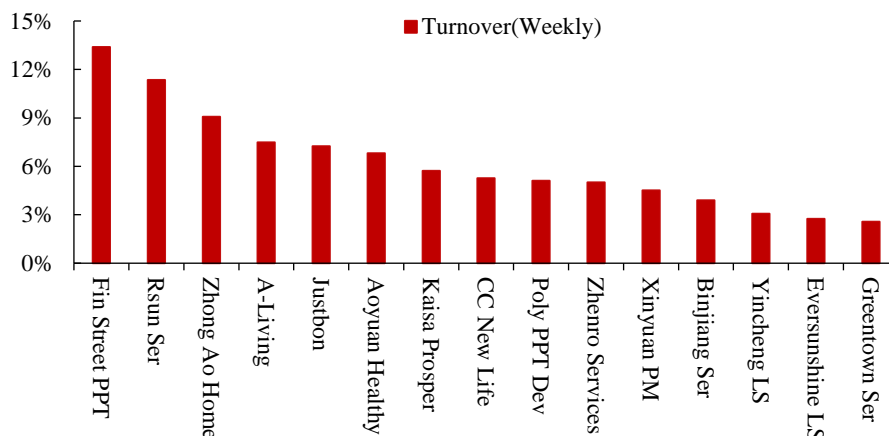
Source: Wind, CWSI Research

**Chart 12: Yincheng LS, Zhong Ao Home and Eversunshine LS had better share price performance YTD**



Source: Wind, CWSI Research

**Chart 13: Fin Street PPT, Rsun Ser and Zhong Ao Home were most actively traded this week**



Source: Wind, CWSI Research



## 3. Major cities transaction performance

### 3.1 New house transaction data

Table 5: Major cities new house transactions volume decreased 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
Beijing	139,008	1%	24%	616	4%	-4%		485	-1%	-6%		3,118	-24%
Shanghai	361,600	38%	40%	1,263	-1%	4%		954	-1%	8%		6,159	-21%
Guangzhou	228,739	17%	31%	971	1%	12%		692	-8%	33%		4,261	-15%
Shenzhen	44,582	-53%	-48%	323	-7%	-5%		272	-5%	0%		1,933	-3%
Tier 1	773,929	12%	22%	3,173	0%	4%		2,403	-4%	9%		15,471	-18%
Tier 2	2,724,636	-3%	22%	13,824	8%	17%		10,593	7%	17%		60,728	-5%
Tier 3	2,086,631	-10%	-14%	11,468	-7%	6%		8,021	-16%	-3%		56,279	-13%
Beijing	139,008	1%	24%	616	4%	-4%		485	-1%	-6%		3,118	-24%
Qingdao	391,718	4%	33%	1,653	3%	32%		1,260	-1%	25%		7,735	6%
Dongying	84,083	-23%	182%	380	-41%	139%		313	-47%	160%		2,077	115%
PBR	614,809	-1%	41%	2,649	-7%	29%		2,058	-13%	25%		12,929	5%
Shanghai	361,600	38%	40%	1,263	-1%	4%		954	-1%	8%		6,159	-21%
Nanjing	197,809	-23%	113%	1,008	13%	9%		920	25%	15%		5,028	24%
Hangzhou	105,823	-42%	-3%	1,063	-8%	46%		782	-19%	31%		4,980	19%
Suzhou	146,397	-14%	29%	1,648	-10%	78%		621	-44%	-13%		6,425	10%
Wuxi	167,200	55%	52%	586	-2%	7%		454	19%	18%		2,949	-22%
Yangzhou	68,396	-20%	82%	270	19%	53%		262	16%	58%		1,210	-14%
Jiangyin	47,764	-33%	-41%	304	-16%	-5%		180	-30%	-21%		1,505	-10%
Wenzhou	140,996	-26%	-59%	1,747	10%	33%		657	-41%	-30%		6,422	-8%
Jinhua	43,543	-35%	-7%	407	65%	111%		333	78%	143%		1,257	16%
Changzhou	71,807	9%	-4%	298	-20%	-39%		243	-24%	-32%		1,650	-51%
Huaian	59,936	-36%	-27%	395	-21%	-5%		307	-26%	-5%		2,353	-16%
Lianyungang	127,951	-28%	1%	707	21%	23%		570	21%	24%		3,300	-1%
Shaoxing	23,693	-54%	-24%	283	-11%	63%		243	-7%	89%		1,377	2%
Zhenjiang	40,740	-70%	-69%	552	-9%	-10%		414	-11%	-6%		3,095	-27%
Jiaxing	60,001	-14%	-34%	462	9%	20%		311	-17%	-1%		1,591	0%
Wuhu	40,995	-14%	-5%	205	3%	-16%		163	2%	-20%		996	-4%
Yancheng	68,780	415%	-55%	82	-72%	-76%		82	-62%	-71%		1,728	-14%
Zhoushan	33,781	28%	51%	133	-16%	14%		95	-17%	34%		737	10%
Chizhou	17,700	47%	-19%	76	3%	-33%		61	0%	-30%		473	-37%
Ningbo	146,026	-17%	-12%	1,157	40%	66%		915	41%	96%		4,086	-5%
YRD	1,970,937	-13%	-8%	12,648	1%	21%		8,566	-9%	7%		57,319	-8%
Guangzhou	228,739	17%	31%	971	1%	12%		692	-8%	33%		4,261	-15%
Shenzhen	44,582	-53%	-48%	323	-7%	-5%		272	-5%	0%		1,933	-3%
Fuzhou	46,497	20%	-11%	199	36%	-12%		182	73%	8%		1,076	-26%
Dongguan	203,539	31%	76%	836	20%	59%		558	1%	47%		3,038	11%
Quanzhou	96,993	26%	11%	296	-14%	-19%		248	-7%	-15%		1,306	-35%
Putian	22,090	14%	-59%	160	-7%	-54%		89	-26%	-60%		850	-28%
Huizhou	63,192	12%	24%	386	35%	43%		212	-9%	4%		1,350	-8%
Shaoguan	24,958	-34%	-22%	156	-14%	26%		120	-4%	25%		924	9%
Foshan	246,310	5%	0%	1,192	-9%	-6%		838	-17%	-10%		6,146	-23%
Jiangmen	43,895	81%	43%	138	2%	-5%		97	-3%	-23%		674	19%
Zhaoqing	43,566	-27%	-7%	233	-8%	17%		181	-6%	27%		1,214	7%
PRD & Southern China	1,064,362	7%	9%	4,889	1%	4%		3,490	-7%	4%		22,771	-14%
Changchun	159,677	-24%	-17%	828	0%	-14%		624	-8%	-17%		4,094	-28%



Taian	50,868	-18%	-8%	260	10%	6%	217	15%	3%	1,139	-19%
<b>Northern China</b>	<b>210,545</b>	<b>-22%</b>	<b>-15%</b>	<b>1,089</b>	<b>2%</b>	<b>-10%</b>	<b>841</b>	<b>-3%</b>	<b>-12%</b>	<b>5,232</b>	<b>-26%</b>
Wuhan	566,258	2%	-1%	2,295	81%	-21%	1,951	66%	-2%	6,933	-40%
Yueyang	103,133	34%	187%	347	72%	89%	292	94%	107%	1,217	17%
Ganzhou	211,002	32%	19%	676	-16%	5%	601	-3%	11%	4,281	-12%
<b>Central China</b>	<b>880,393</b>	<b>11%</b>	<b>12%</b>	<b>3,318</b>	<b>46%</b>	<b>-11%</b>	<b>2,844</b>	<b>46%</b>	<b>7%</b>	<b>12,431</b>	<b>-28%</b>
Chengdu	409,114	-17%	-3%	1,962	-19%	3%	1,766	-9%	13%	11,688	6%
Liuzhou	90,782	25%	-20%	493	-48%	4%	269	-57%	-16%	3,317	0%
Nanning	344,255	17%	84%	1,418	8%	22%	1,182	14%	17%	6,790	-14%
<b>Western China</b>	<b>844,151</b>	<b>-2%</b>	<b>17%</b>	<b>3,872</b>	<b>-17%</b>	<b>9%</b>	<b>3,217</b>	<b>-11%</b>	<b>11%</b>	<b>21,796</b>	<b>-2%</b>
<b>Total</b>	<b>5,585,196</b>	<b>-4%</b>	<b>5%</b>	<b>28,466</b>	<b>1%</b>	<b>11%</b>	<b>21,016</b>	<b>-4%</b>	<b>8%</b>	<b>132,478</b>	<b>-10%</b>
<b>Num. of cities Up</b>		<b>21</b>	<b>19</b>		<b>20</b>	<b>26</b>		<b>14</b>	<b>23</b>		<b>14</b>
<b>Num. of cities Down</b>		<b>21</b>	<b>23</b>		<b>22</b>	<b>16</b>		<b>28</b>	<b>19</b>		<b>28</b>

Source: Local governments, CWSI Research; Note: Till 2020/7/24; due to data availability, delete Taizhou and Huainan and add Jiaxing and Liuzhou



**Table 6: Major cities inventory period was 10.4 months this week**

City	Inventory (sqm 000)	wow	yoy	Inventory period	Last week	wow	yoy
Beijing	12,294	2%	37%	20.0	19.3	3%	44%
Shanghai	7,045	-2%	-8%	5.6	6.0	-7%	-12%
Guangzhou	7,972	-2%	0%	8.2	7.9	4%	-10%
Shenzhen	2,071	3%	-16%	6.4	5.8	11%	-12%
<b>Tier 1 Average</b>		<b>0%</b>	<b>3%</b>	<b>10.0</b>	<b>9.7</b>	<b>3%</b>	<b>2%</b>
Hangzhou	3,418	2%	49%	3.2	2.8	14%	2%
Nanjing	5,580	0%	50%	5.5	5.9	-7%	37%
Suzhou	6,718	2%	44%	4.1	3.4	21%	-19%
Fuzhou	6,447	1%	89%	32.5	36.6	-11%	115%
Jiangyin	4,076	-1%	1%	13.4	12.3	9%	6%
Wenzhou	10,744	1%	15%	6.1	5.3	16%	-14%
Quanzhou	7,160	-1%	8%	24.2	26.7	-10%	33%
Ningbo	2,772	-4%	3%	2.4	2.6	-8%	-38%
Dongying	1,267	-2%	-16%	3.3	3.1	6%	-65%
<b>Overall Average</b>		<b>-0.1%</b>	<b>20%</b>	<b>10.4</b>	<b>10.6</b>	<b>3%</b>	<b>5%</b>

Source: Local governments, CWSI Research; Note: Till 2020/7/24; Average WoW and average YoY are defined as average change of each city

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

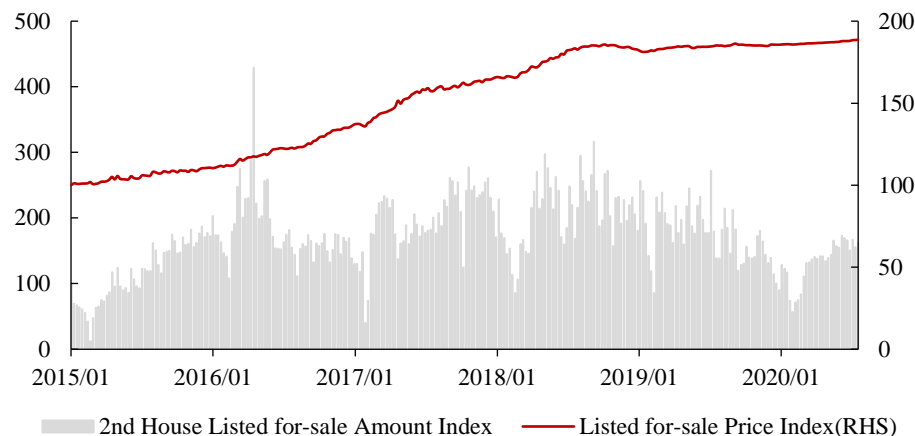
**Table 7: Major cities Second-hand house transaction volume, Jinhua rose significantly YTD**

City	Last 7 days			Last 30 days			Month to date			Year to date	
	sqm	wow	yoy	sqm 000	mom	yoy	sqm 000	mom	yoy	sqm 000	yoy
Beijing	354,783	8%	35%	1,381	-15%	22%	1,120	-12%	28%	7,020	0%
Shenzhen	163,002	<b>-37%</b>	28%	905	-6%	66%	788	0%	79%	4,527	51%
Hangzhou	134,084	2%	25%	599	-7%	22%	481	-7%	28%	2,979	4%
Nanjing	277,571	-2%	57%	1,141	<b>17%</b>	80%	979	<b>30%</b>	90%	5,052	44%
Chengdu	117,135	5%	-41%	487	-12%	-46%	417	-7%	-39%	2,883	<b>-55%</b>
Qingdao	136,430	-2%	33%	589	-3%	36%	484	-2%	35%	2,787	12%
Wuxi	163,907	-3%	10%	676	-1%	3%	576	6%	8%	3,403	5%
Suzhou	145,940	4%	-11%	587	-4%	-43%	507	1%	-41%	3,108	-50%
Xiamen	91,946	1%	22%	373	2%	13%	323	1%	26%	1,775	-25%
Yangzhou	20,437	-19%	-25%	98	-17%	-13%	83	-15%	-12%	557	-9%
Yueyang	15,405	-12%	0%	68	-13%	-9%	59	-12%	-7%	337	-18%
Nanning	54,891	3%	<b>-46%</b>	263	<b>-34%</b>	<b>-49%</b>	218	<b>-30%</b>	<b>-52%</b>	1,361	-10%
Foshan	167,627	-4%	52%	665	4%	30%	578	14%	38%	2,884	-18%
Jinhua	60,049	<b>11%</b>	<b>84%</b>	288	-9%	<b>98%</b>	263	5%	<b>112%</b>	1,436	<b>75%</b>
Jiangmen	19,698	-20%	-34%	88	-5%	-6%	79	7%	4%	419	-23%
<b>Total</b>	<b>1,922,905</b>	<b>-4%</b>	<b>14%</b>	<b>8,209</b>	<b>-5%</b>	<b>8%</b>	<b>6,955</b>	<b>0%</b>	<b>14%</b>	<b>40,529</b>	<b>-9%</b>
<b>Num. of cities Up</b>		<b>7</b>	<b>10</b>		<b>3</b>	<b>9</b>		<b>7</b>	<b>10</b>		<b>6</b>
<b>Num. of cities Down</b>		<b>8</b>	<b>5</b>		<b>12</b>	<b>6</b>		<b>8</b>	<b>5</b>		<b>9</b>

Source: Local governments, CWSI Research; Note: Till 2020/7/24

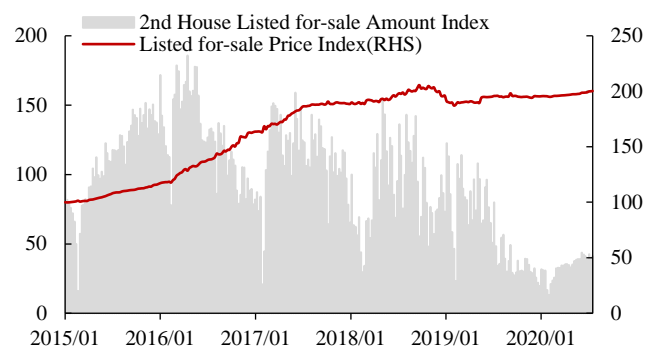


**Chart 14: 2nd house listed for-sale price index rose slightly recently**



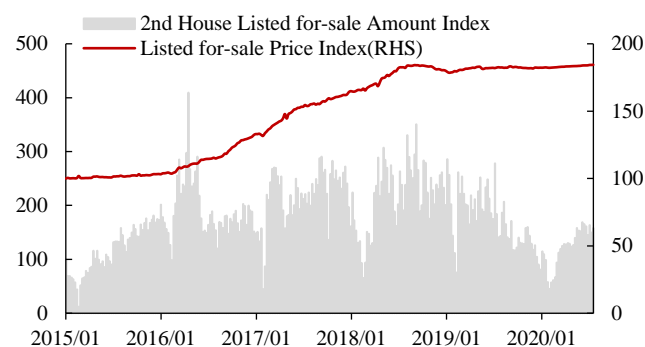
Source: Local Government, CWSI Research; Note: Till 2020/7/19

**Chart 15: 2nd house listed for-sale amount index rose in tier-1 cities, with price remaining stable**



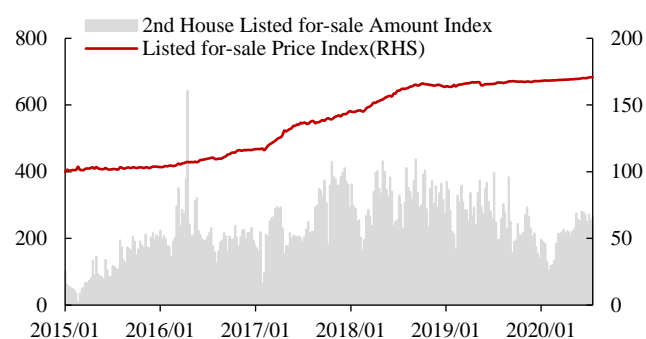
Source: Local Government, CWSI Research; Note: Till 2020/7/19

**Chart 16: 2nd house listed for sale amount index rose in tier-2 cities, with price remaining stable**



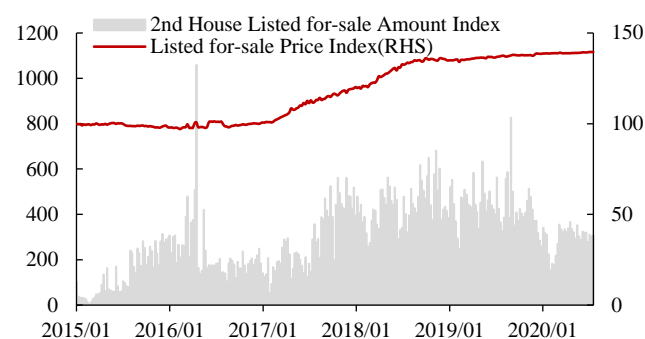
Source: Local Government, CWSI Research; Note: Till 2020/7/19

**Chart 17: 2nd house listed for-sale amount index rose in tier-3 cities, with price rising slightly**



Source: Local Government, CWSI Research; Note: Till 2020/7/19

**Chart 18: 2nd house listed for-sale amount index rose in tier-4 cities, with price slightly upwards**



Source: Local Government, CWSI Research; Note: Till 2020/7/19

## 4. Important Policies and News

### 4.1 Important Industry Policies News This Week

**Table 8: Important Industry Policies News This Week: Jul 20 LPR remained the same as last month**

Date	Region / Institution	Summary
2020-07-20	Central Bank	Jul 20 LPR: 1-year 3.85%, last time 3.85%; 5-year or above 4.65%, last time 4.65%.
2020-07-20	The State Concil	Focus on the renovation of old communities built before end-2000. The renovation content can be divided into three categories: basic, complete, and upgrade. The list and standards of the renovation content are determined in accordance with local conditions.
2020-07-21	Shenzhen	When applying for an urban renewal unit plan, renewal willingness of the property right holders within the scope of the urban renewal units, the proportion of legal land use, and the construction period of the building shall meet the specified requirements.
2020-07-21	Qingdao	Clarified the delivery sequence of commercial housing after the first inspection, the payment and then the housing acceptance. The construction unit is required to complete the first real estate registration before the delivery of the newly built commercial housing, to ensure that the housing is handed over to meet the conditions for the permit, and it is clear that the purchaser has the right to suspend or reject the housing and choose to cancel the commercial housing sales contract.
2020-07-22	Changchun	Starting from August 1, 2020, for the second time to apply for a housing provident fund personal housing loan, the loan interest rate will be 1.1 times that of the first housing provident fund personal housing loan in the same period.
2020-07-22	Ningbo	Eligible "family without house" can first subscribe for a commercial house in the sixth district of the city. The house is required not to be transferred after obtaining the real estate ownership certificate for 5 years.
2020-07-22	Beijing	The city's market rental subsidy application conditions will be further relaxed, the market rental subsidy standards will be raised, and more eligible families will be encouraged to solve housing problems through market rental.
2020-07-23	BCIRC	Resolutely prevent the resurgence of shadow banking, the resurgence of chaos in real estate loans, and the recurrence of blind expansion and extensive operations.
2020-07-23	Nanjing	Priority will be given to guaranteeing the rigid housing needs of households with no housing registration in this city, and the commercial housing project provides households with no housing registration in this city with a proportion of not less than 30% of each batch. If the couple is divorced, if either party purchases commercial housing within 2 years from the date of divorce, the number of housing units owned by the couple shall be calculated based on the total number of units in the family before the divorce. Strictly implement the "limit house price, compete land price" transfer model, improve land market access conditions, and establish a qualification screening mechanism for registration units of residential land in popular regions.
2020-07-24	The State Concil	Han Zheng: We must firmly adhere to the positioning that houses are used for living, not for speculation, insist on not using real estate as a short-term means of stimulating the economy, and insist on stabilizing land prices, housing prices, and expectations. Ensure the stable and healthy development of the real estate market; implement a prudent management system for real estate finance to prevent illegal capital flowing into the real estate market; do a good job in housing protection, and promote old urban community renovation and shed reform in accordance with local conditions.

Source: Wind, Government website, CWSI Research

## 4.2 Key 2020H1 results announced this week

Table 9: Key 2020H1 results announced this week

Company	RIC	Revenue		Net profit attributable to parent	
		(RMB bn)	YoY	(RMB bn)	YoY
Property Development					
PRE	600048.SH	73.70	3.6%	10.12	1.7%
GreenLand	600606.SH	209.93	4.1%	8.02	-10.8%
Property Management				YoY at least	
A-Living	3319.HK	-	-	-	35.0%
Binjiang Ser	3316.HK	-	-	-	90.0%
Times Neighbor	9928.HK	-	-	-	70.0%

Source: Wind, company announcements, CWSI Research

### 4.3 Company news and announcements

**Table 10: Company news and announcements: A-Living and Poly PPT DEV to change company names**

Date	Company	Summary
2020-07-20	Times	Issued 5-year RMB 1.6 bn 5.94% domestic corporate bonds.
2020-07-20	GreenLand	Due to the company's shareholders planning for the company's control structure, the company's shares have been continuously suspended from the market opening on July 21, 2020, and the suspension is expected to not exceed 5 trading days.
2020-07-20	XINHU ZHONGBAO	Proposed to set up a CMBS with a total scale of no more than RMB 1.05 bn and a period of no more than 18 years.
2020-07-21	GOLDEN BRIDGE	Issued 270 days of RMB 600 mn 2.88% super short-term financing bonds.
2020-07-21	SHIBEI HI-TECH	The controlling shareholder Shanghai North High-tech (Group) Co., Ltd. issued RMB 1.2 bn 0.5% exchangeable corporate bonds.
2020-07-21	JIAYUAN INTL	Issued 11.75% senior notes of USD 30 mn due in 2021 (will be combined with the 11.75% senior notes of USD 120 mn due 2021 issued on June 24, 2020).
2020-07-21	RedSun	Issued USD 155 mn 9.7% senior notes due in 2023 (will be combined with the USD 300 mn 9.7% senior notes due in 2023 issued on January 16, 2020).
2020-07-21	A-Living	Proposed to change the name of the Company from "A-Living Services Co., Ltd." to "A-Living Smart City Services Co., Ltd."
2020-07-21	GreenLand	From Apr to Jun 2020, achieved contracted sales of RMB 82.53 bn (-16.0%), and sales area of 6.063 mn sqm (-31.7%); achieved cumulative contracted sales from Jan to Jun 2020 of 133.03 RMB bn (-20.7%), and cumulative sales area of 10.312 mn sqm (-30.7%). In 20H1, the company has newly added 59 real estate projects, with an equity land area of c. 5.737 mn sqm.
2020-07-21	FINANCIAL STREET	Proposed to issue 3-year corporate bonds with a maturity not exceeding RMB 2 bn.
2020-07-21	Ronshine	Proposed to issue domestic corporate bonds not exceeding RMB 4 bn.
2020-07-22	GreenTown	A wholly-owned subsidiary redeemed USD 450 mn in senior perpetual capital bonds.
2020-07-22	BJ Capital Development	Proposed a non-public issuance of corporate bonds not exceeding 7 years and not exceeding RMB 4.2 bn.
2020-07-22	Risesun	Proposed to issue corporate bonds not exceeding 5 years and not exceeding RMB 3 bn.
2020-07-23	FINANCIAL STREET	1) The coupon rate of the company's public issuance of corporate bonds (first tranche) to professional investors in 2020 is set at 3.5%. 2) The coupon rate of the company's 15 Jinjie 02 for the next five years has been adjusted from 4.2% to 3.07%.
2020-07-23	GreenLand	Issued a USD 400 mn 6.125% medium-term note with a maturity date of April 22, 2023 and a USD 250 mn 7.25% medium-term note with a maturity date of January 22, 2025.
2020-07-23	Yango	Issued 6.8% medium-term notes with a maturity of RMB 750 mn for 3+2 years.
2020-07-23	Poly PPT DEV	Change the name of the Company from "POLY PROPERTY DEVELOPMENT CO., LTD." to "POLY PROPERTY SERVICES CO., LTD."
2020-07-24	Logan	Issued RMB 2 bn 4.69% domestic corporate bond due in 2025.
2020-07-24	CFLD	Proposed to provide perpetual debt financing of no more than 1.5 billion yuan from Zhongrong International Trust Co., Ltd. for the development and construction of the PPP project of the new industrial city of the subsidiary company.
2020-07-24	Risesun	Issued RMB 1 bn 2+1-year 7.22% medium-term notes.

Source: Company announcements, CWSI Research



**Note:**

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

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

#### **2) Sector Ratings:**

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Neutral – Describes sectors that we expect to provide a relative return of between -10% and +10%.

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

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