



This Week in China

Enlightenment from Jinmao Hotel Privatization

Topic of the week:

At present, developers frequently spin off their businesses and go public, but why was Jinmao Hotel privatized after a few years of spin-off and listing? What are the difficulties of hotel business? How is the future development of diversified businesses such as hotels?

The limitation of hotel properties may be an important reason for the privatization of Jinmao Hotel. In terms of property types, Jinmao Hotel's properties are dominated by hotels, and hotel operations contributed 71.4% of revenue in 2019; Yuexiu REITs' underlying asset include office buildings, retail, hotels and serviced apartments, with longer overall lease terms and more diversified income. **In terms of active management**, due to the slow turnover of hotel properties and other reasons, it is relatively more difficult for Jinmao Hotel to implement active management of the underlying property portfolio, and the property portfolio of Yuexiu REITs has been optimized and expanded from 4 buildings at the time of listing to 8 as of end-2019. **In terms of operation and management**, holidays and other factors have caused fluctuations in the hotel's short-term occupancy rate, making it difficult for the average hotel occupancy rate to reach the occupancy rate of high-quality office buildings.

The net profit margin of hotel properties is lower than that of properties such as office buildings, and ROE is relatively low. The demand for hotels by business travel and holiday customers is affected by factors such as holidays, and does not have the continuity of property tenants such as office buildings. Therefore, the hotel occupancy rate increase is limited. Occupancy rate and guest unit price are difficult to achieve simultaneous increase due to the price sensitivity of the demand side; the operating costs of hotels are higher than those of office and retail properties. Under the above conditions, the net profit margin of hotel-type properties is lower than that of office buildings and retail properties, which results in lower ROE. In 2019, the ROE of Jinmao Hotel and Yuexiu REITs were 4.4% and 6.5% respectively.

Economic development may promote the future development of the hotel business, and privatization may help achieve a win-win situation for multiple businesses. When the overall economic development level is improved and the demand for the secondary and tertiary industries is further enhanced, the development of hotel assets may be supported. Privatization enables China Jinmao to make adjustments to Jinmao Hotel's asset portfolio more flexibly to facilitate the development of the hotel business; at the same time, the hotel business can also synergize with China Jinmao's other businesses through land obtaining channels, urban operation, etc. to achieve win-win results for diversified businesses.

Data points:

As of Aug 7th, new house transaction area in 42 major cities this week decreased 1% WoW, and cumulative transaction area in 2020 fell by 9% YoY.

As of Aug 7th, saleable area (inventory) in 13 major cities this week increased 3% WoW; average inventory period was 11.9 months, average change was 8%.

As of Aug 7th, second-hand housing transactions in 15 major cities this week decreased 10% WoW, and cumulative transaction area in 2020 fell 7% YoY.

Suggestion:

This week, new house and second-hand housing transactions in the key observation cities continued to decline WoW after the boom, and the cumulative YoY decline continued to pick up. The fundamentals of the industry continued to pick up in a healthier mood. In terms of policies, industry tone remains stable, Fuyang has tightened the provident fund policy for second and third houses, which may curb real estate speculation to a certain extent, and support rigid need purchasers. Maintain "Overweight" rating.

Overweight

(Maintain)

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1. Enlightenment from Jinmao Hotel Privatization

1.1 What is the difference between Jinmao Hotel and overseas REITs?

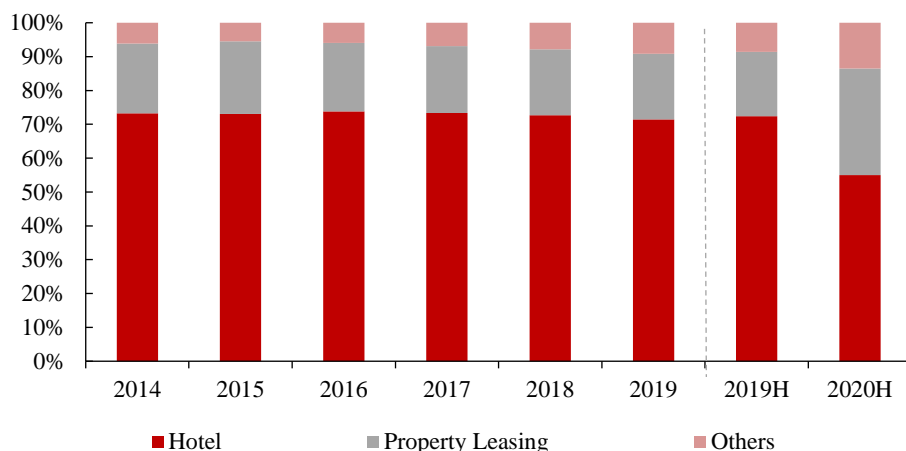
Jinmao Hotel, as a relatively mature development of a large and diversified business sector in China Jinmao, was split and listed in 2014; however, when major developers are splitting their property management business for listing, China Jinmao privatizes Jinmao Hotel, which has been split for several years. There are also some overseas listing platforms that use domestic operating properties as underlying assets, which can move forward steadily after listing. What is the reason behind it?

1.1.1 Property type: Jinmao Hotel's income sources are centralized, and competition drives the average house price down slightly

The underlying assets of Jinmao Hotel are concentrated in hotel properties, and hotel-type properties that do not have long-term leases make them vulnerable to sudden incidents. As of end-2019, the assets held by Jinmao Hotel consisted of 8 hotels and 1 office. The source of income was mainly from hotel operations. The single asset class made Jinmao Hotel's risk more concentrated. On the other hand, unlike office buildings and other types of properties that have a large number of long-term leases, hotel properties are more vulnerable to emergencies. In the first half of 2020, the occupancy rate of the hotel properties held by Jinmao Hotel fell sharply, the hotel operating income fell sharply, and the proportion of revenue contributed by hotel operation in the first half of the year also fell sharply.

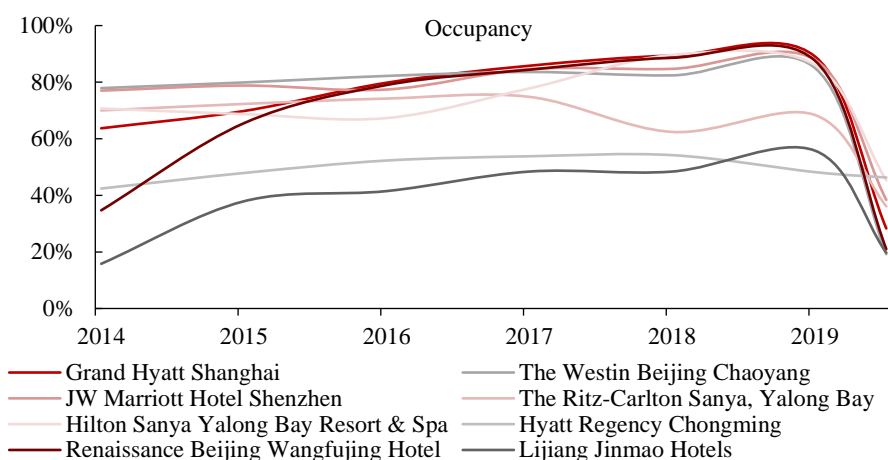


Chart 1: Jinmao Hotel's revenue is mainly based on hotel operations



Source: Wind, CWSI Research

Chart 2: Jinmao Hotel's overall occupancy rate has increased but is vulnerable to emergencies

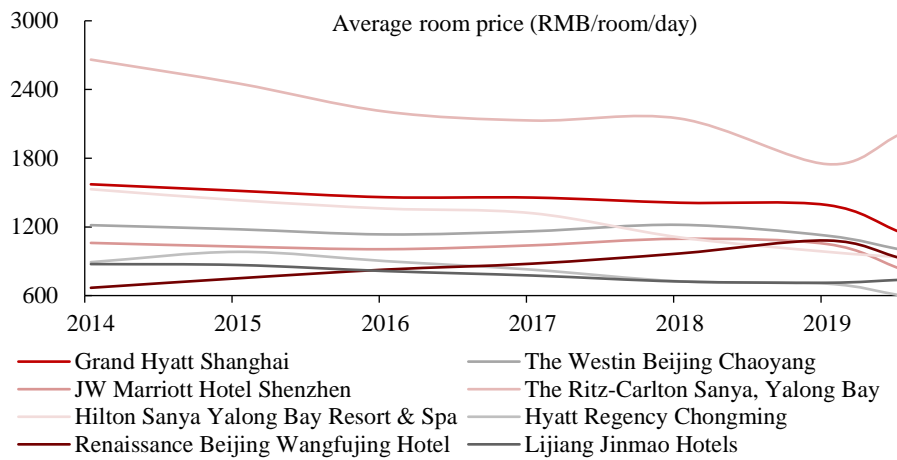


Source: Company announcements, CWSI Research

The occupancy rate has steadily increased but the average house price has declined. As the main source of income for Jinmao Hotel, hotel operation mainly depends on the number of rooms, occupancy rate and average room price. Since the spin-off and listing, Jinmao Hotel has not actively managed the underlying assets, and the number of guest rooms has remained basically the same. Although most of its hotels have increased the occupancy rate, the overall average room price has declined. In 2014-2019, in the increasingly fierce hotel competition, the average room price of Jinmao Hotel's properties only increased significantly at the Renaissance Beijing Wangfujing Hotel, while the average room prices of other hotels showed varying degrees of decline.



Chart 3: Fierce competition has made the average room price of Jinmao Hotel steady and decline



Source: Company announcements, CWSI Research

Operating property portfolios with richer types of underlying asset properties have stronger operational stability. Divided by property type, as of end-2019, the underlying assets of Yuexiu REITs include 6 offices, 4 retail, 1 hotel and 1 serviced apartment. Due to the differences in the factors that affect the demand of each property type and the lease period of each property type, multiple types of underlying assets can also reduce the income risk. Office buildings and retail properties usually have longer leases than hotels. Taking the office building of Guangzhou IFC as an example, based on the lease area, the leases due in 2021 and later reach 76.2%; at the same time, the rent levels of various properties in Yuexiu REITs are relatively stable. **Long-term leases and property types with relatively stable rent make the income of the property portfolio more stable.**

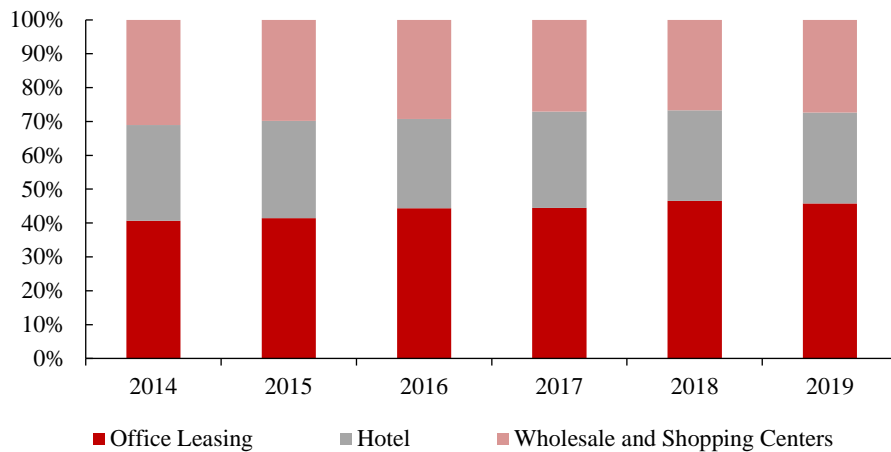
Table 1: Yuexiu REITs has a richer underlying asset categories, and longer leases make the property portfolio stronger against short-term risks

Property Type	Property Name
Office	Guangzhou IFC、Fortune Plaza、City Development Plaza、Yuexiu Tower、Wuhan Fortune Center、Hangzhou Victory Center
Retail	White Horse Building、Guangzhou IFC、Victory Plaza、Wuhan Starry Victory Shopping Center
Hotel	Four Seasons Hotel
Serviced Apartment	Ascott IFC

Source: Company announcements, CWSI Research

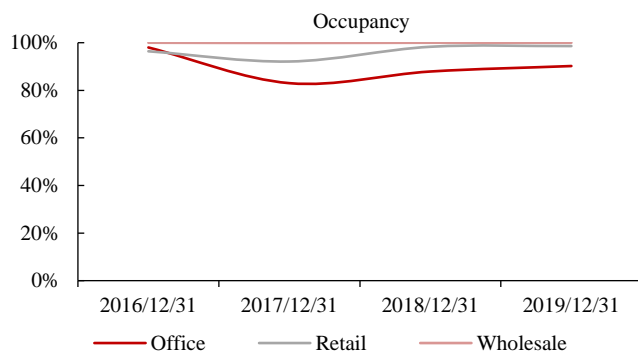


Chart 4: The underlying asset categories are rich, and the income structure of Yuexiu REITs is more balanced



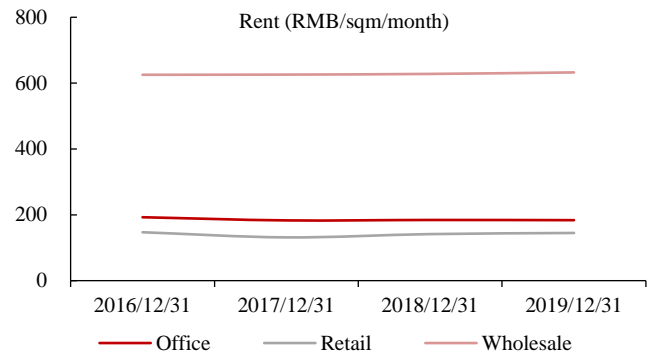
Source: Wind, CWSI Research

Chart 5: The occupancy rate of various properties of Yuexiu REITs remains high



Source: Company announcements, CWSI Research

Chart 6: The rent levels of various properties in Yuexiu REITs are relatively stable



Source: Company announcements, CWSI Research

1.1.2 Management model: Hotel properties are more difficult to actively manage

Active management of hotel asset portfolios is more difficult. The properties when Jinmao Hotel was listed and the current properties were both 8 hotels and 1 mixed-use development property Jinmao Building. During the operation process, the GFA of the property held was not increased by means of reconstruction. The only difference is that the Renaissance Beijing Wangfujing Hotel and Lijiang Jinmao Hotels have not yet been completed in June 2014 when it was split and listed. Not all the above properties are operating well. In 2018 and 2019, the EBITDA margins of Hyatt Regency Chongming were 4.4% and 6.2%, respectively, and the EBITDA margins of Lijiang Jinmao Hotels



were 2.0% and 3.9%, respectively. Due to the relatively heavy assets of hotel properties and the longer cash payback period, it is relatively more difficult to actively manage hotel properties.

Table 2: Jinmao Hotel's property portfolio has not changed much since its listing

Spin-off 2014		End-2019		
Property Name	GFA (sqm)	Property Name	GFA (sqm)	EBITDA%
Grand Hyatt Shanghai	76,013	Grand Hyatt Shanghai	76,013	30.9%
The Westin Beijing Chaoyang	77,945	The Westin Beijing Chaoyang	77,945	42.1%
JW Marriott Hotel Shenzhen	51,730	JW Marriott Hotel Shenzhen	51,730	38.4%
The Ritz-Carlton Sanya, Yalong Bay	83,772	The Ritz-Carlton Sanya, Yalong Bay	83,772	32.6%
Hilton Sanya Yalong Bay Resort & Spa	75,208	Hilton Sanya Yalong Bay Resort & Spa	75,208	33.5%
Hyatt Regency Chongming	48,992	Hyatt Regency Chongming	48,992	6.2%
Renaissance Beijing Wangfujing Hotel	44,435	Renaissance Beijing Wangfujing Hotel	44,413	26.0%
Lijiang Jinmao Hotels	82,063	Lijiang Jinmao Hotels	84,384	3.9%
Shanghai Jinmao Tower (w/o hotel)	174,665	Shanghai Jinmao Tower (w/o hotel)	174,665	-
Total	714,823		717,122	-

Source: Company announcements, CWSI Research; Note: Renaissance Beijing Wangfujing Hotel and Lijiang Jinmao Hotels were completed at the end of 2014, and GFA in mid-2014 was planned GFA

China Jinmao has relatively little asset support for Jinmao Hotel. Jinmao Hotel's property types are concentrated in hotels, while its parent company, China Jinmao, is more focused on residential development. As of end-2019, China Jinmao has 10 hotel operating projects, of which 8 have been injected into Jinmao Hotel. China Jinmao holds a 66.77% interest in the corresponding project by holding a 66.77% interest in Jinmao Hotel.

Table 3: Most hotels operated by China Jinmao have been injected into Jinmao Hotel

Hotel Name	GFA (sqm)	Injected in Jinmao Hotel
Renaissance Beijing Wangfujing Hotel	44,413	Yes
Grand Hyatt Shanghai	76,013	Yes
Hilton Sanya Yalong Bay Resort & Spa	75,208	Yes
The Ritz-Carlton Sanya, Yalong Bay	83,772	Yes
The Westin Beijing Chaoyang	77,945	Yes
JW Marriott Hotel Shenzhen	51,730	Yes
The Westin Hotel Nanjing	32,514	No
Hyatt Regency Chongming	48,992	Yes
Lijiang Jinmao Hotels	84,384	Yes
Meixi Lake Hotel	62,220	No
Total	637,191	

Source: Company announcements, CWSI Research

REITs operations usually involve multiple property portfolio optimization. For example, the underlying assets of Yuexiu REITs involve multiple portfolio optimizations. The initial properties of Yuexiu REITs when it went public in 2005 only included 4 properties, White Horse Building, Fortune Plaza, City Development Plaza and Victory Plaza. As of end-2019, its underlying assets already included a total of 8 operating properties. In the course of operation, Yuexiu REITs divides the property portfolio into mature and growth types for different stages of development: on the one hand, through the development and cultivation of commercial real estate of Yuexiu Property, new properties are continuously injected; on the other hand, some properties will be divested at the right time (such as the sale of Yuexiu New Metropolis in Dec 2018), and the REITs will use funds to optimize the property portfolio and actively manage the underlying assets.

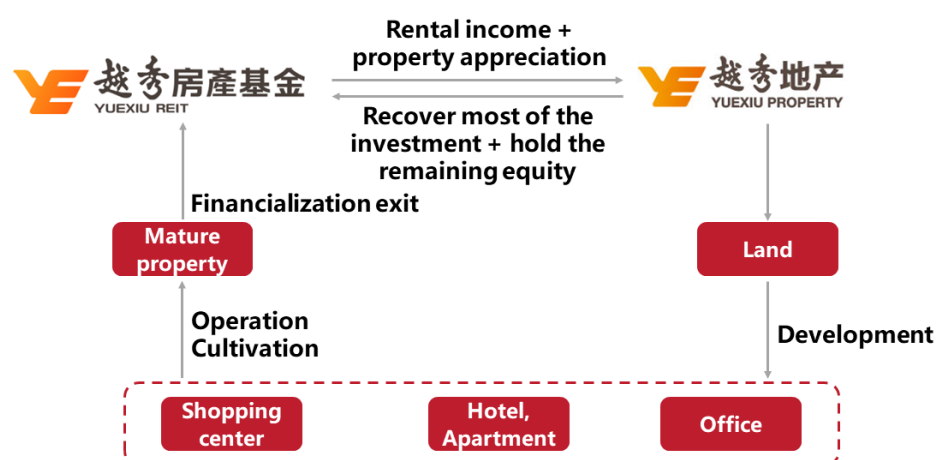
Table 4: Yuexiu REITs takes active management of the underlying assets to improve the scale and quality of the property portfolio

IPO	End-2019	
Property Name	Property Name	Property Type
White Horse Building Fortune Plaza City Development Plaza Victory Plaza	White Horse Building Fortune Plaza City Development Plaza Victory Plaza Guangzhou IFC Yuexiu Tower	Mature
	Wuhan Properties Hangzhou Victory Business Center	Growth

Source: Company announcements, CWSI Research

Most REITs can get greater support from related parties in terms of asset portfolio optimization. The properties of Yuexiu REITs include a variety of business formats, and Yuexiu Property has a large layout in the development of commercial real estate in multiple formats. In addition to projects that have been injected into Yuexiu REITs, there are still some project reserves. As of end-2019, the total commercial GFA of Yuexiu Property reached 1.5 mn sqm (including PUD and PFD projects). **Yuexiu Property's relatively rich commercial real estate development and operation experience has provided support for the operation and development of Yuexiu REITs, which is also a major reason why Yuexiu REITs can continue to optimize the underlying assets.**

Chart 7: Yuexiu REITs and Yuexiu Property form synergy in the cultivation and development of commercial real estate



Source: Company Website, CWSI Research

Table 5: The commercial property reserves of Yuexiu Property are relatively sufficient, which can support the asset portfolio of Yuexiu REITs

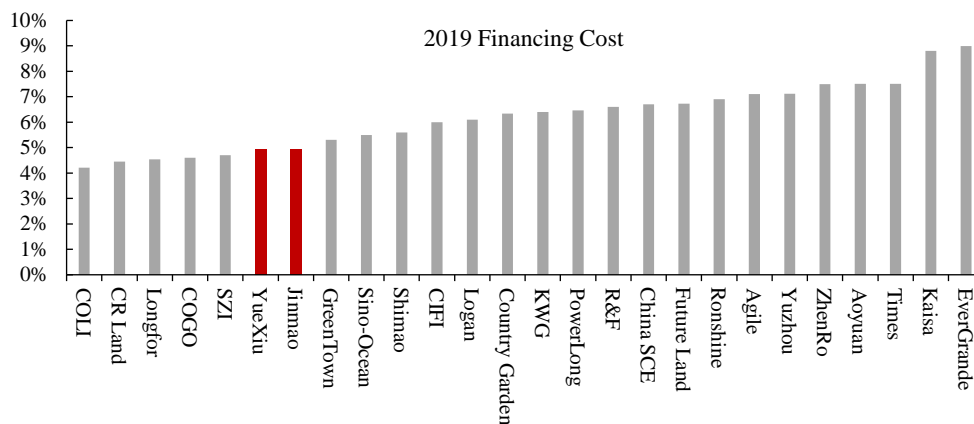
Property Name	GFA (000 sqm)
YuexiuFinancial Tower	211.5
NanshaSheraton Hotel	54.6
XiangkangCommercial Plaza	31.8
Other Guangzhou Commercials	205.6
Hangzhou Starry City (Commercial)	120.6
Other Projects	73.5
Subtotal (Under LeasingProjects)	697.6
Guangzhou Asia Pacific Plaza	229.4
Wuhan International Financial City (Commercial)	241.8
NanshaInternational Financial Center	81.5
Subtotal (PUD Projects)	552.7
NanshaSouthern Le Sand(Commercial)	200.0
Hangzhou Starry City (Commercial)	88.0
Subtotal (PFD Projects)	288.0
Total	1,538.3

Source: Company announcements, CWSI Research

1.1.3 Financing costs: Relying on shareholder background, Jinmao Hotel has advantages

The shareholder background gives Jinmao Hotels an advantage in terms of financing costs. In terms of financing, both China Jinmao and Yuexiu Property have superior financing costs in the industry due to their shareholder backgrounds. The weighted average financing costs in 2019 were only 4.94% and 4.93%, respectively. Both Jinmao Hotel and Yuexiu REITs can rely on their central enterprises or state-owned enterprise platforms to finance at a lower cost. In 2019, Jinmao Hotel's long-term loan interest rate is about 3.6% and short-term loan interest rate is about 3.8%, and the average interest payment cost of Yuexiu REITs is about 3.82%.

Chart 8: China Jinmao and Yuexiu Property have outstanding performance in financing costs in the industry

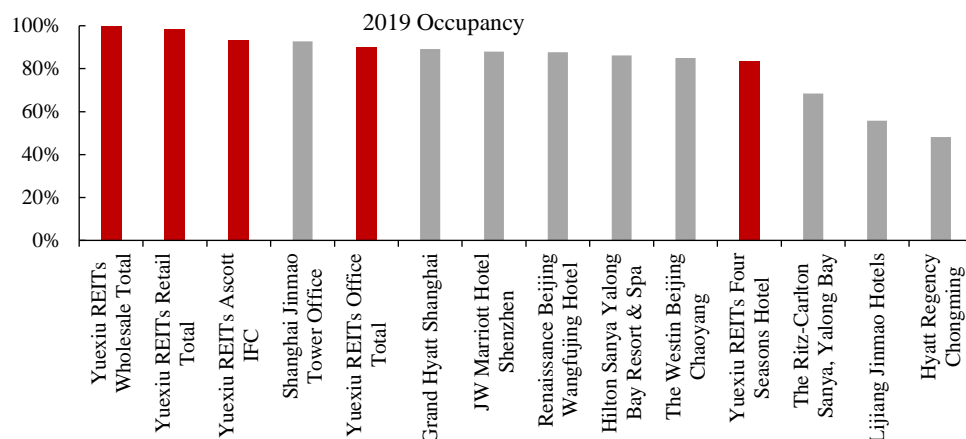


Source: Company announcements, CWSI Research

1.1.4 Operation management: Hotels show relatively low occupancy rate

The occupancy rate of hotel properties is usually lower than the occupancy rate of high-quality office buildings and other property types. Although the occupancy rate of most of Jinmao Hotels' hotels increased in 2014-2019 and performed well in the hotel industry, due to the hotel's business model, its occupancy rate is still relatively low compared to the occupancy rate of assets such as retail and office buildings. In 2019, the occupancy rate of the wholesale, retail and serviced apartments under Yuexiu REITs was higher than that of all properties held by Jinmao Hotel; the total occupancy rate of the office buildings of Yuexiu REITs also reached 90.2%, slightly lower than that of Shanghai Jinmao of 92.7%, and is higher than all hotel properties under Jinmao Hotel.

Chart 9: The occupancy rate of hotel properties is usually lower than that of office buildings and other property types



Source: Company announcements, CWSI Research

The limitation of hotel properties may be an important reason for the privatization of Jinmao Hotel. In the above discussion, Jinmao Hotel and Yuexiu REITs both have certain advantages in financing, but there are big differences in management mode, property type and operation management. The reason for the above-mentioned differences is more due to the limitations of hotel-type properties.

1.2 What are the difficulties in hotel asset management?

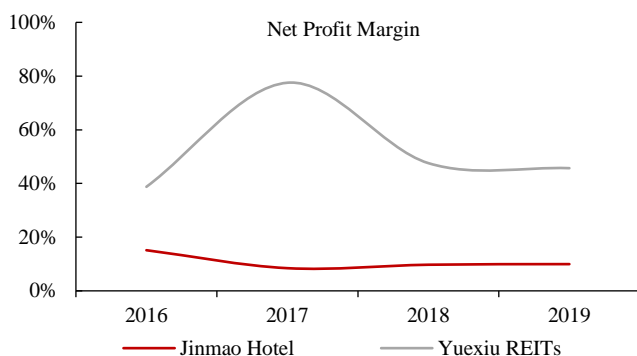
Unlike office buildings, retail and other property types, the increase in hotel occupancy rate is limited. Due to the continuity of its tenant business, it is not difficult for high-quality office and retail properties to achieve an occupancy rate higher than 90%. Most of the hotel property customers stay for short-term stays. Holidays and short-term economic shocks during the year will reduce the demand for hotels from business travel customers. The occupancy rate of resort hotels will also decline during the off-season. Therefore, compared with other operating property types such as office buildings, the upper limit of hotel occupancy rate is limited to a certain extent.

Hotel customers are more price-sensitive than office and retail properties, and it is difficult to raise prices. The hotel's customer groups are mainly business travelers and vacationers. The former is restricted by the company's business travel standards, while the latter is restricted by vacation funding, both are highly sensitive to hotel prices. **The price sensitivity on the demand side has brought a certain degree of difficulty for the hotel to increase the occupancy rate and unit price at the same time, and has restricted the growth of the hotel business.** On the other hand, office buildings and retail properties can achieve rental stability by choosing more quality tenants;

hotels have difficulty making choices for customers, and their prices are more affected by the fierce competition on the supply side of the hotel market.

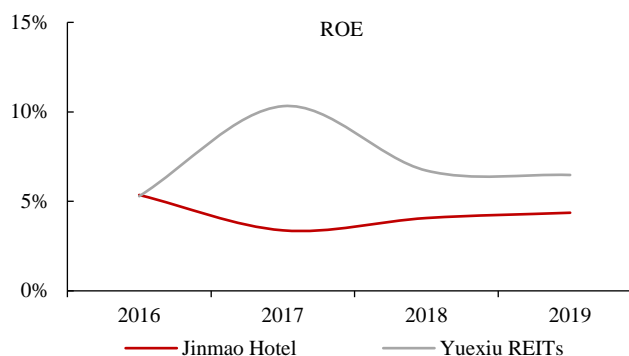
The net profit margin of hotel properties is lower than that of office buildings and other properties, resulting in lower ROE. In terms of cost, hotels require a larger amount of manual operation with higher frequency, and their operating costs are higher than those of office buildings and retail properties. Under the conditions that it is difficult to increase the unit price, the upper limit of the occupancy rate, and the higher unit cost, the net profit margin of hotel properties is lower than that of office buildings and retail properties, which brings lower ROE. In 2019, the ROE of Jinmao Hotel and Yuexiu REITs were 4.4% and 6.5% respectively.

Chart 10: Jinmao Hotel's net profit margin is lower than Yuexiu REITs



Source: Wind, CWSI Research

Chart 11: Jinmao Hotel's ROE is lower than Yuexiu REITs



Source: Wind, CWSI Research

1.3 What are the future development opportunities for diversified businesses like hotels?

Privatization may help achieve a win-win situation for multiple businesses. After privatization, China Jinmao will be able to make adjustments to Jinmao Hotel's asset portfolio more flexibly without considering the pressure of short-term profit expectations and market expectations. At the same time, the hotel business can also synergize with China Jinmao's other businesses through land obtaining channels, urban operation, etc. to achieve win-win results for diversified businesses.

Hotel assets are one of the types of properties most affected by economic development, and economic development will bring demand for hotels. As mentioned earlier, the income of hotel assets comes from the number of rooms, occupancy rate and average room price. When the number of rooms is certain, both the occupancy rate and average room price are affected by demand; the hotel's customer base is mainly business travelers, so its demand is greatly affected by population density and industrial development. According to Engel's law, as household income

increases, the proportion of non-food expenditure will increase, and the demand for the secondary and tertiary industries will also increase, which will bring about a large number of employment opportunities in the secondary and tertiary industries, and thus form business travel needs. In the long run, the total factor productivity that promotes economic development includes factors such as technological progress, institutional progress, and efficiency improvements. At present, the economic development level has not yet reached the stage of rapid increase in the rate of return on investment properties. When the overall economic development level is improved and the demand for the secondary and tertiary industries further increases, the development of hotel assets may be supported.

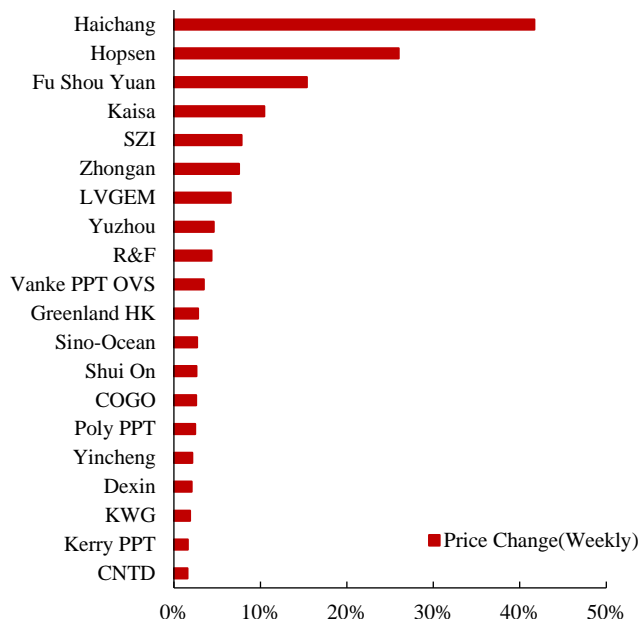
The REITs pilot is progressing steadily, and active management may help the hotel development. With the official release of the "Guidelines for Public Offering of Infrastructure REITs (Trial)" (hereinafter referred to as "Guidelines"), the development of REITs in China has gradually started. The "Guidelines" issued by CSRC recently revised the draft for comments at the end of April in many ways. Among them, in the product definition section of public REITs, it revised "more than 80% of fund assets hold the entire share of a single infrastructure asset-backed security" to "more than 80% of the fund's assets are invested in infrastructure asset-backed securities and hold their entire share", publicly offered infrastructure REITs can hold multiple asset-backed securities, bringing China's publicly offered REITs closer to overseas REITs. Looking ahead, property assets besides infrastructure may also be expected to usher in more active portfolio management and richer capitalization channels, helping the development of hotels and other diversified properties.

2. Sector Performance

2.1 Performance of developer sector

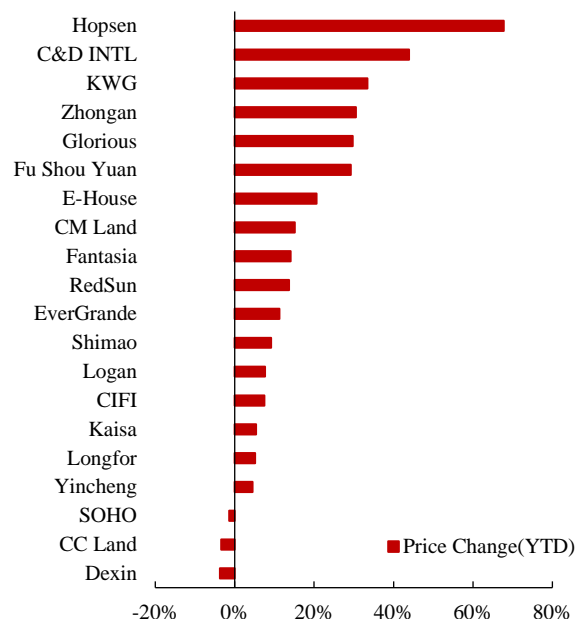
This week, Haichang, Hopsen and Fu Shou Yuan had larger price increase than peers. Hopsen, C&D INTL and KWG had better share price performance, YTD.

Chart 12: This week, Haichang, Hopsen and Fu Shou Yuan had larger price increase than peers



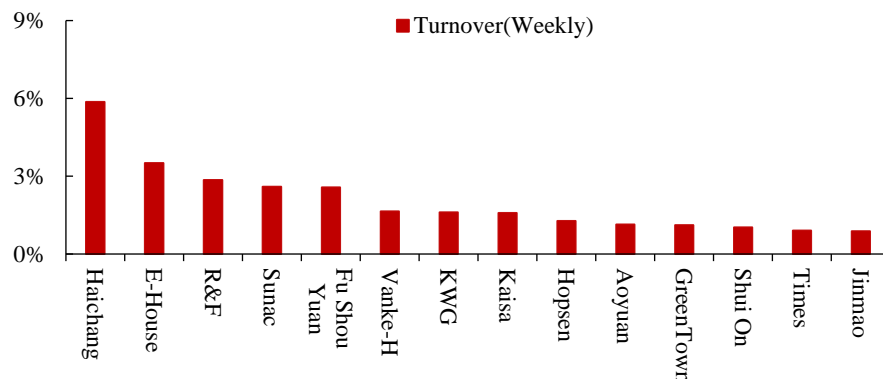
Source: Wind, CWSI Research

Chart 13: Hopsen, C&D INTL and KWG had better share price performance, YTD



Source: Wind, CWSI Research

Chart 14: Haichang, E-House and R&F were most actively traded this week

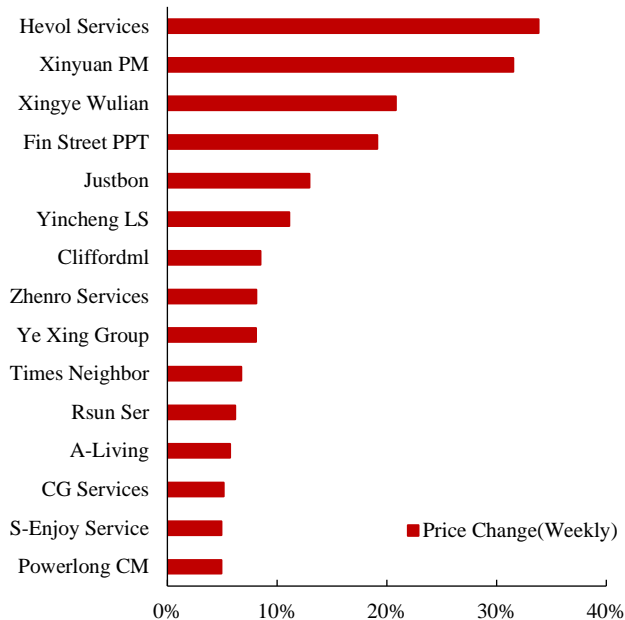


Source: Wind, CWSI Research

2.2 Performance of property service sector

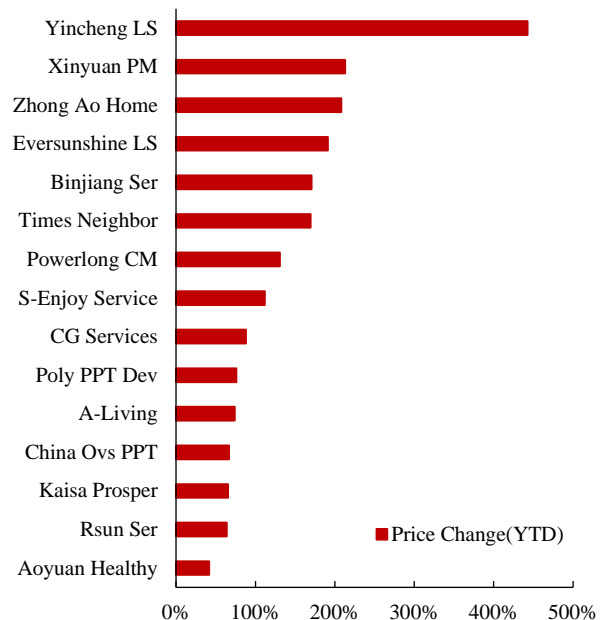
This week, Hevol Services, Xinyuan PM and Xingye Wulian had larger price increase than peers. Yincheng LS, Xinyuan PM and Zhong Ao Home had better share price performance YTD.

Chart 15: This week, Hevol Services, Xinyuan PM and Xingye Wulian had larger price increase than peers



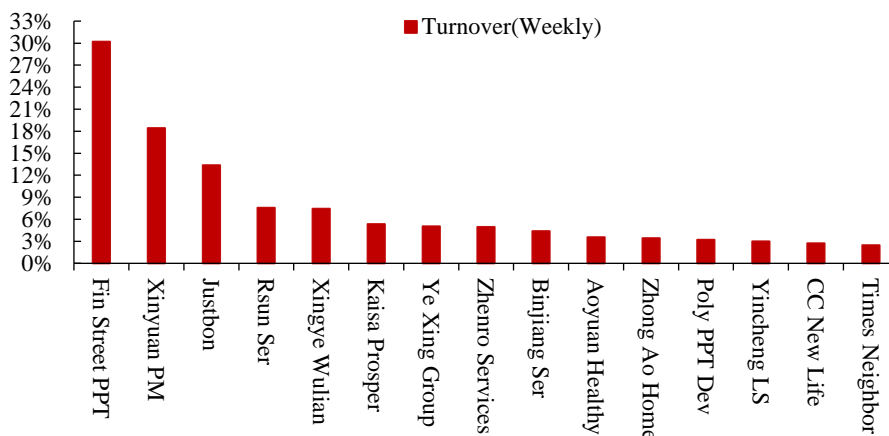
Source: Wind, CWSI Research

Chart 16: Yincheng LS, Xinyuan PM and Zhong Ao Home had better share price performance YTD



Source: Wind, CWSI Research

Chart 17: Fin Street PPT, Xinyuan PM and Justbon were most actively traded this week



Source: Wind, CWSI Research

3. Major cities transaction performance

3.1 New house transaction data

Table 6: 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	yoy
Beijing	159,713	-13%	26%	687	10%	15%	160	29%	26%	3,462	-21%
Shanghai	250,000	-23%	14%	1,280	5%	24%	250	16%	14%	6,733	-19%
Guangzhou	208,013	-29%	35%	981	-6%	32%	208	19%	35%	4,761	-12%
Shenzhen	111,984	70%	49%	347	9%	2%	112	25%	49%	2,110	-2%
Tier 1	729,710	-16%	27%	3,296	3%	21%	730	21%	27%	17,066	-16%
Tier 2	3,009,016	15%	14%	12,363	-11%	12%	3,009	-14%	14%	66,410	-4%
Tier 3	2,342,143	-11%	8%	10,372	-21%	4%	2,342	-6%	8%	61,553	-12%
Beijing	159,713	-13%	26%	687	10%	15%	160	29%	26%	3,462	-21%
Qingdao	296,928	-26%	26%	1,585	-8%	34%	297	-7%	26%	8,435	8%
Dongying	125,026	-29%	457%	549	-2%	314%	125	52%	457%	2,411	135%
PBR	581,667	-24%	51%	2,820	-3%	48%	582	11%	51%	14,308	8%
Shanghai	250,000	-23%	14%	1,280	5%	24%	250	16%	14%	6,733	-19%
Nanjing	335,574	116%	141%	992	13%	25%	336	-7%	141%	5,519	28%
Hangzhou	179,355	118%	13%	695	-44%	14%	179	-45%	13%	5,242	16%
Suzhou	196,786	-13%	-4%	806	-62%	-6%	197	-3%	-4%	6,847	11%
Wuxi	208,400	19%	13%	659	17%	-7%	208	17%	13%	3,333	-22%
Yangzhou	75,351	497%	3%	278	8%	38%	75	-5%	3%	1,313	-11%
Jiangyin	8,445	-15%	-78%	149	-57%	-47%	8	-79%	-78%	1,523	-15%
Wenzhou	139,821	-49%	-41%	807	-63%	-31%	140	-42%	-41%	6,856	-9%
Jinhua	50,325	-21%	204%	260	-33%	74%	50	-72%	204%	1,382	20%
Changzhou	55,069	-36%	151%	312	-16%	15%	55	-16%	151%	1,801	-48%
Huaian	94,586	-7%	-22%	407	-21%	-5%	95	-7%	-22%	2,571	-15%
Lianyungang	140,348	-9%	-1%	672	3%	17%	140	-24%	-1%	3,613	0%
Shaoxing	38,996	68%	35%	179	-42%	3%	39	-67%	35%	1,442	-1%
Zhenjiang	93,271	45%	-32%	395	-42%	-36%	93	-43%	-32%	3,272	-28%
Jiaxing	162,683	138%	370%	425	-21%	40%	163	47%	370%	1,834	7%
Wuhu	44,073	-36%	-26%	221	1%	-8%	44	-8%	-26%	1,118	-4%
Yancheng	123,290	69%	41%	279	105%	-23%	123	-	41%	1,924	-11%
Zhoushan	12,290	-64%	-17%	116	-20%	30%	12	-48%	-17%	786	10%
Chizhou	11,475	-61%	-51%	81	6%	-32%	11	-25%	-51%	515	-37%
Ningbo	252,169	113%	10%	772	-30%	7%	252	-45%	10%	4,456	-6%
YRD	2,472,307	15%	14%	9,787	-30%	1%	2,472	-21%	14%	62,081	-7%
Guangzhou	208,013	-29%	35%	981	-6%	32%	208	19%	35%	4,761	-12%
Shenzhen	111,984	70%	49%	347	9%	2%	112	25%	49%	2,110	-2%
Fuzhou	43,727	-32%	-27%	225	37%	2%	44	-33%	-27%	1,184	-25%
Dongguan	146,891	-43%	51%	811	-4%	69%	147	11%	51%	3,441	16%
Quanzhou	77,368	1%	19%	355	24%	0%	77	48%	19%	1,471	-31%
Putian	14,878	-46%	-56%	101	-42%	-46%	15	-54%	-56%	898	-30%
Huizhou	221,159	213%	320%	433	7%	82%	221	250%	320%	1,642	4%
Shaoguan	22,016	-49%	-48%	147	-14%	10%	22	-46%	-48%	995	8%
Foshan	227,111	-29%	2%	1,088	-21%	-1%	227	4%	2%	6,692	-21%
Jiangmen	21,137	-46%	-43%	142	10%	-8%	21	10%	-43%	741	14%
Zhaoqing	63,586	0%	27%	260	3%	34%	64	19%	27%	1,353	9%
PRD & Southern China	1,157,869	-12%	30%	4,891	-5%	18%	1,158	23%	30%	25,287	-11%
Changchun	169,454	-39%	-15%	918	6%	5%	169	2%	-15%	4,581	-25%



Taian	44,894	-11%	-30%	235	-7%	-10%	45	-38%	-30%	1,238	-19%
Northern China	214,348	-35%	-19%	1,153	3%	1%	214	-10%	-19%	5,818	-24%
Wuhan	440,463	-17%	-25%	2,320	20%	-4%	440	-14%	-25%	7,904	-37%
Yueyang	49,201	-31%	66%	351	48%	140%	49	-28%	66%	1,351	22%
Ganzhou	188,157	-1%	-2%	780	8%	6%	188	9%	-2%	4,659	-11%
Central China	677,821	-14%	-16%	3,451	19%	4%	678	-10%	-16%	13,915	-27%
Chengdu	629,870	104%	56%	2,070	4%	14%	630	7%	56%	12,627	8%
Liuzhou	68,134	-59%	-39%	429	-47%	-15%	68	-14%	-39%	3,570	0%
Nanning	278,854	-9%	-16%	1,429	3%	17%	279	-22%	-16%	7,423	-12%
Western China	976,858	25%	15%	3,928	-6%	11%	977	-5%	15%	23,620	-1%
Total	6,080,869	-1%	13%	26,030	-14%	10%	6,081	-8%	13%	145,029	-9%
Num. of cities Up		14	23		21	27		16	23		17
Num. of cities Down		28	19		21	15		25	19		25

Source: Local governments, CWSI Research; Note: Till 2020/8/7

Table 7: Major cities inventory period was 11.9 months this week

City	Inventory (sqm 000)	wow	yoy	Inventory period	Last week	wow	yoy
Beijing	12,041	-2%	35%	17.5	18.8	-7%	18%
Shanghai	7,029	2%	-8%	5.5	5.5	-1%	-26%
Guangzhou	8,325	0%	7%	8.5	8.8	-3%	-19%
Shenzhen	1,858	-7%	-19%	5.3	6.2	-13%	-21%
Tier 1 Average		-2%	4%	9.2	9.8	-6%	-12%
Hangzhou	3,547	0%	59%	5.1	4.2	21%	39%
Nanjing	5,717	-1%	22%	5.8	5.7	1%	-3%
Suzhou	6,631	-1%	37%	8.2	8.2	0%	46%
Fuzhou	6,354	-1%	83%	28.3	26.0	9%	80%
Jiangyin	4,302	6%	8%	28.9	22.4	29%	104%
Wenzhou	11,065	0%	23%	13.7	12.1	13%	78%
Quanzhou	7,140	-1%	9%	20.1	21.9	-8%	9%
Ningbo	3,111	7%	18%	4.0	3.0	35%	10%
Dongying	1,781	43%	15%	3.2	2.5	32%	-72%
Overall Average		3%	22%	11.9	11.2	8%	19%

Source: Local governments, CWSI Research; Note: Till 2020/8/7; Average WoW and average YoY are defined as average change of each city

3.2 Second-hand house transaction and price data

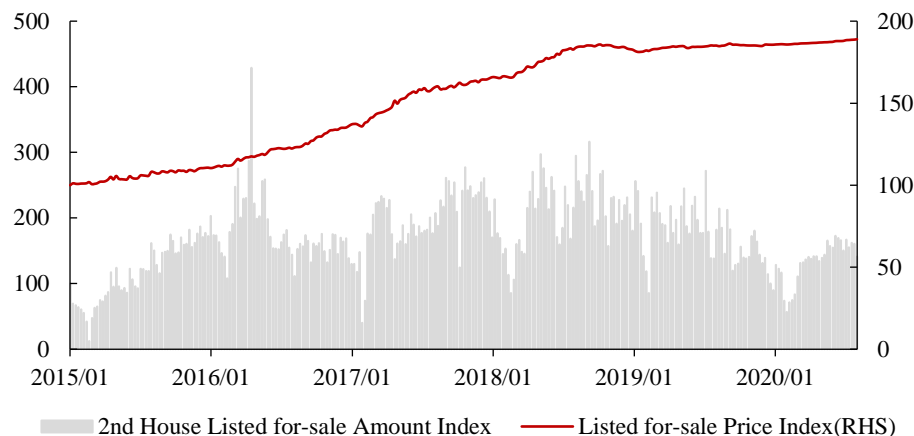
Table 8: Major cities Second-hand house transaction volume, Jinhua rose significantly YTD

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	309,142	-16%	33%	1,483	3%	33%	309	15%	33%	7,698	2%
Shenzhen	235,158	-12%	92%	1,031	12%	93%	235	5%	92%	5,030	55%
Hangzhou	136,392	-16%	42%	609	-5%	28%	136	-5%	42%	3,277	6%
Nanjing	245,976	-11%	38%	1,190	26%	63%	246	-7%	38%	5,574	43%
Chengdu	104,374	36%	-45%	453	-11%	-46%	104	-15%	-45%	3,064	-54%
Qingdao	122,647	-6%	32%	585	-1%	37%	123	-8%	32%	3,040	14%
Wuxi	102,929	-19%	-22%	627	-1%	-4%	103	-29%	-22%	3,633	3%
Suzhou	129,400	-8%	-40%	614	5%	-34%	129	-10%	-40%	3,378	-49%
Xiamen	78,579	-10%	39%	386	2%	23%	79	-12%	39%	1,941	-22%
Yangzhou	20,648	-22%	-3%	106	-3%	-3%	21	-14%	-3%	609	-8%
Yueyang	15,150	-29%	-10%	81	7%	9%	15	0%	-10%	378	-15%
Nanning	53,820	-20%	-36%	275	-4%	-38%	54	-20%	-36%	1,496	-13%
Foshan	172,042	12%	58%	729	20%	49%	172	17%	58%	3,210	-14%
Jinhua	49,328	-17%	57%	310	46%	114%	49	-19%	57%	1,558	76%
Jiangmen	16,935	-17%	-38%	97	15%	-9%	17	-13%	-38%	461	-23%
Total	1,792,520	-10%	12%	8,575	7%	16%	1,793	-4%	12%	44,347	-7%
Num. of cities Up		2	8		9	9		4	8		7
Num. of cities Down		13	7		6	6		11	7		8

Source: Local governments, CWSI Research; Note: Till 2020/8/7

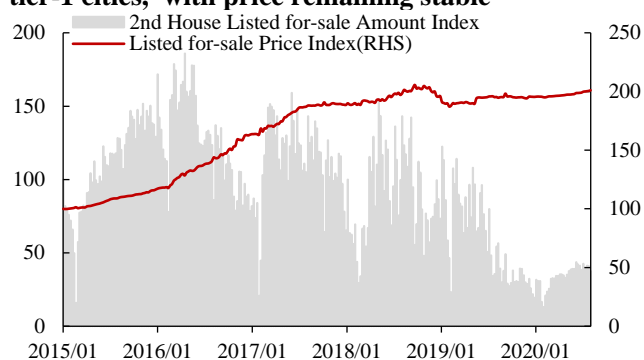


Chart 18: 2nd house listed for-sale price index rose slightly recently



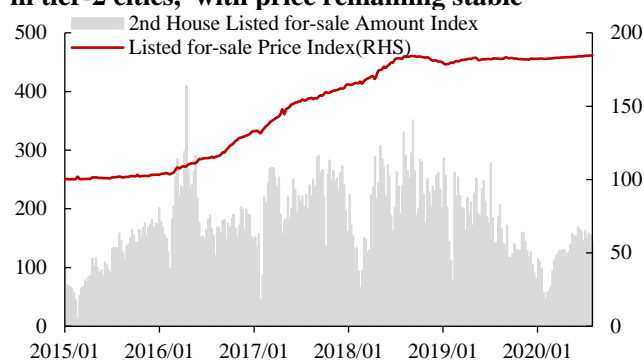
Source: Local Government, CWSI Research; Note: Till 2020/8/7

Chart 19: 2nd house listed for-sale amount index rose in tier-1 cities, with price remaining stable



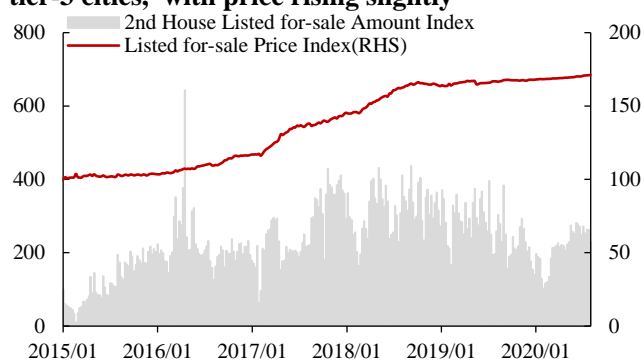
Source: Local Government, CWSI Research; Note: Till 2020/8/7

Chart 20: 2nd house listed for sale amount index rose in tier-2 cities, with price remaining stable



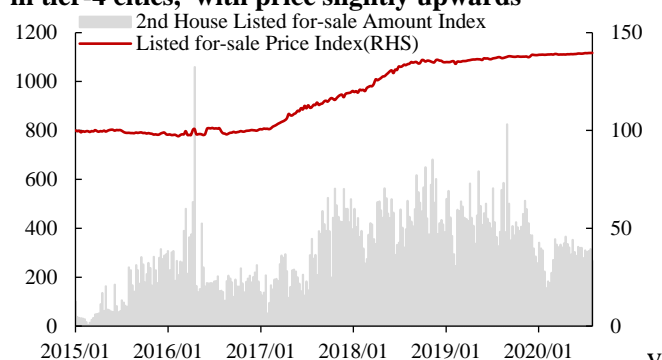
Source: Local Government, CWSI Research; Note: Till 2020/8/7

Chart 21: 2nd house listed for-sale amount index rose in tier-3 cities, with price rising slightly



Source: Local Government, CWSI Research; Note: Till 2020/8/7

Chart 22: 2nd house listed for-sale amount index rose in tier-4 cities, with price slightly upwards



Source: Local Government, CWSI Research; Note: Till 2020/8/7

4. Important Policies and News

4.1 Important Industry Policies News This Week

Table 9: Important Industry Policies News This Week: Fuyang explicitly stopped issuing provident fund loans to employees who purchase the third house

Date	Region / Institution	Summary
2020-08-03	NDRC	Issued the "Notice on Doing a Good Job in the Application of Real Estate Investment Trust Funds (REITs) Pilot Projects in the Infrastructure Sector", focusing on key industries, giving priority to supporting infrastructure projects to make up for shortcomings, and encouraging pilot projects of new infrastructure projects. Mainly include: data center, artificial intelligence, intelligent computing center project; 5G, communication tower, Internet of things, industrial Internet, broadband network, cable TV network project, etc.
2020-08-04	NDRC	Agreed to the "Request for Instructions on Submitting the "Guangdong-Hong Kong-Macao Greater Bay Area (Intercity) Railway Construction Plan" (Draft). The total investment in recent construction projects is about RMB 474.1 bn. It is planned to build 13 intercity railways and 5 hub projects, with a total mileage of about 775 kilometers, forming an intercity railway network with strengthened main axis, regional coverage and hub connections.
2020-08-04	Fuyang	Explicitly stop issuing provident fund loans to employees who purchase the third house. In addition, for the second time that a paid employee applies for a housing provident fund loan to purchase an ordinary owner-occupied house, the down payment ratio shall not be less than 50%, and the loan interest rate shall not be lower than 1.1 times the interest rate of the first housing provident fund personal housing loan in the same period.
2020-08-04	Haikou	Will severely crack down on violations of real estate properties, such as reluctant sales of real estate, breaking into parts, marketing hunger, and hiring people to queue up.
2020-08-05	Wuhan	Wuhan Real Estate Group and the Hubei Branch of China Development Bank signed a cooperation agreement to establish a cooperative relationship in shed reform, infrastructure construction, and industrial poverty alleviation, and provide financial guarantee for urban renewal projects.
2020-08-06	Central Bank	Released the China Monetary Policy Implementation Report for the 2Q2020, stating that it firmly adheres to the positioning of housing for living, not for speculation, insists on not using real estate as a short-term economic stimulus, and insists on stabilizing land prices, housing prices, and expectations, maintaining the continuity, consistency, and stability of the real estate financial policy, and implement the real estate financial prudential management system.

Source: Wind, Government website, CWSI Research

4.2 Key 2020H1 results announced this week

Table 10: Key 2020H1 results announced this week

Company	RIC	Revenue		Net profit attributable to parent	
		(RMB bn)	YoY	(RMB bn)	YoY
Property Management					YoY at least
GreenTown Services	2869.HK	-	-	-	50.0%
CG Services	6098.HK	-	-	-	50.0%

Source: Wind, company announcements, CWSI Research

4.3 Key 2020H1 sales performance announced this week

Table 11: Key 2020H1 sales performance announced this week

Company	RIC	Jan-Jul contracted sales		Jan-Jul contracted GFA		Jul contracted sales		Jul contracted GFA	
		(RMB bn)	YoY	(000 sqm)	YoY	(RMB bn)	YoY	(000 sqm)	YoY
EverGrande	3333.HK	399.1	23.9%	44019	46.6%	50.3	24.4%	5387	40.4%
Vanke	000002.SZ	379.5	-0.7%	24710	0.3%	59.0	22.5%	3940	25.7%
PRE	600048.SH	273.2	-2.3%	18145	-0.5%	48.6	79.8%	3222	71.9%
Sunac	1918.HK	247.5	-3.1%	17762	1.5%	52.3	27.0%	3728	34.2%
COLI	0688.HK	193.5	0.1%	10763	0.8%	21.5	23.7%	1220	-16.6%
Shimao	0813.HK	139.4	15.8%	7935	18.6%	29.0	44.6%	1637	44.9%
Longfor	0960.HK	132.1	3.1%	7780	1.5%	21.0	4.9%	1234	6.6%
Jinmao	0817.HK	124.3	34.0%	6679	60.1%	21.4	49.8%	1201	102.3%
Gemdale	600383.SH	122.6	22.1%	5919	18.9%	20.9	41.6%	1070	53.4%
Future Land	601155.SH	118.5	-9.4%	10754	-15.3%	21.0	14.6%	1979	-10.4%
Yango	000671.SZ	108.0	1.8%	8369	0.0%	-	-	-	-
CIFI	0884.HK	102.7	-0.3%	6428	8.2%	22.0	51.1%	1532	79.3%
Zhonganconstruction	000961.SZ	99.2	3.4%	7318	-3.4%	17.8	20.9%	1227	9.7%
Zhongliang	2772.HK	79.6	6.3%	6343	-1.8%	11.9	6.3%	933	-20.1%
GreenTown	3900.HK	78.7	38.1%	3120	35.1%	12.1	65.8%	470	51.6%
Ronshine	3301.HK	72.5	4.2%	3179	-4.7%	12.1	-5.8%	606	13.2%
Agile	3383.HK	65.7	0.3%	4812	4.7%	10.6	49.2%	763	45.1%
R&F	2777.HK	61.8	-12.7%	5264	-18.8%	10.7	2.0%	999	4.0%
Aoyuan	3883.HK	60.4	0.2%	-	-	9.6	43.0%	-	-
Midead	3990.HK	58.7	8.7%	5327	3.2%	-	-	-	-
Risesun	002146.SZ	56.0	4.9%	5041	3.2%	7.7	14.2%	699	6.5%
Yuzhou	1628.HK	53.9	56.0%	3286	43.9%	11.0	82.0%	676	57.2%
BJ Capital Development	600376.SH	52.2	2.1%	1806	0.9%	7.8	26.8%	282	-18.4%
Sino-Ocean	3377.HK	50.9	-25.1%	2669	-18.1%	9.0	15.7%	483	18.3%
China SCE	1966.HK	47.8	13.2%	3354	-1.1%	7.7	48.9%	624	46.8%
YueXiu	0123.HK	44.0	8.0%	1782	-3.1%	6.4	67.5%	263	33.2%
Times	1233.HK	40.5	9.9%	2907	18.5%	7.9	41.2%	565	44.9%
PowerLong	1238.HK	39.0	11.3%	2548	19.0%	7.5	27.9%	501	39.9%
BJ Capital Land	2868.HK	37.0	-7.0%	1105	-35.8%	3.3	17.9%	108	-10.7%
Dexin	2019.HK	31.3	23.8%	1452	-1.0%	5.6	60.9%	237	8.7%
Poly PPT	0119.HK	22.9	-0.9%	1264	-1.9%	-	-	-	-
Fantasia	1777.HK	22.3	32.5%	1662	15.1%	4.8	30.9%	308	-5.4%
Modern Land	1107.HK	18.2	-5.5%	1763	-6.4%	4.0	53.9%	402	54.7%
Jingrui	1862.HK	9.7	-15.9%	423	-20.2%	2.0	47.8%	104	103.9%
Yincheng	1902.HK	6.9	-21.0%	379	-32.9%	0.8	-5.4%	44	-11.5%
Sunshine 100	2608.HK	3.8	-15.0%	320	-1.8%	1.4	100.9%	111	119.1%
Country Garden	2007.HK	-	-	-	-	54.3	27.5%	6370	33.4%
KWG	1813.HK	-	-	-	-	9.2	37.5%	599	54.8%

Source: Wind, company announcements, CWSI Research; Note: Country Garden and R&F by attributable scale

4.4 Company news and announcements

Table 12: Company news and announcements: Sunac proposed to spin off company subsidiary Sunac Services to be listed on the main board of the HKEX

Date	Company	Summary
2020-08-04	KWG	Issued USD 200 mn 5.95% senior notes due 2025.
2020-08-04	Longfor	Planned to issue corporate bonds not exceeding RMB 3 bn, including 5-year 3.3%-4.3% corporate bonds and 7-year 3.8%-4.8% corporate bonds.
2020-08-04	OCT HOLDING	As of July 31, 2020, the company has repurchased approximately 140 mn shares of the company for c. RMB 900 mn, accounting for 1.75% of the company's total share capital.
2020-08-04	BRC	In July 2020, the company obtained a land parcel in Haimen City for about RMB 920 mn, with a land area of about 39,000 sqm, and a 100% project equity ratio.
2020-08-04	Joy City	The indirect wholly-owned subsidiary intends to acquire an 8.36% stake in Taiwan Hotel Co., Ltd. from the company's controlling shareholder COFCO for c. RMB 83.70 mn. The target company is mainly engaged in investing in the Beijing Waldorf Astoria Hotel in Beijing.
2020-08-04	Risesun	In July 2020, the company obtained 3 real estate projects in Shijiazhuang, Liaocheng and Taiyuan.
2020-08-04	Vanke	In July 2020, the company obtained 29 real estate projects in Huizhou, Zhuhai, Shaoxing, Hangzhou, Ningbo, etc.
2020-08-05	CIFI	Issued additional USD200 million 5.95% green senior notes due 2025 (to be consolidated and form a single class with the USD 300 million 5.95% green senior notes due 2025 issued on 20 July 2020).
2020-08-05	Zhongnanconstruction	In July 2020, the company obtained 13 real estate projects in Nanjing, Wuxi, Changzhou, Nantong, etc.
2020-08-05	Zhongnanconstruction	Issued USD 200 mn 9.0% senior unsecured fixed-rate bonds with a maturity of 364 days.
2020-08-05	FINANCIAL STREET	Issued RMB 2 bn corporate bonds with a maturity of no more than 5 years.
2020-08-05	Gemdale	In July 2020, the company obtained 8 real estate projects in Qingdao, Shenyang, Ningbo, Jinzhong, Handan and Kunshan.
2020-08-05	BJ Capital Land	In July 2020, the company obtained 1 real estate project in Fengtai District, Beijing.
2020-08-06	Central China	Issued USD 300 mn 7.25% senior notes due 2024.
2020-08-06	Yuzhou	Issued USD 300 mn 7.85% green senior notes due in 2026.
2020-08-06	Seazen	Issued USD 250 mn 6.0% senior notes with a maturity of 4 years.
2020-08-06	Risesun	Issued RMB 1.12 bn 7.18% notes with a maturity of 3 years.
2020-08-06	Times	Issued RMB 500 mn 5.68% domestic bonds with a maturity of 4 years.
2020-08-06	Aoyuan	The issuance of RMB 1.18 bn 5.65% domestic bonds with a 5-year maturity was approved by CSRC.
2020-08-06	Future Land	In July 2020, the company obtained 9 real estate projects in Nanjing, Yangzhou, Nantong, Wuhan, Changsha, Zhengzhou, Chongqing and Urumqi.
2020-08-06	COLI	In July 2020, the company obtained 11 real estate projects in Shenyang, Changchun, Taiyuan, Beijing, Nanjing and Guangzhou.
2020-08-06	YueXiu	In July 2020, the company obtained 1 real estate project in Chengdu.
2020-08-07	Sunac	Proposed to spin off company subsidiary Sunac Services to be listed on the main board of the HKEX.



2020-08-07	CFLD	The indirect wholly-owned subsidiary intended to issue corporate bonds with a maturity of no more than 10 years and no more than RMB 8 bn; planned to carry out financing for asset securitization projects with a maturity of no more than 10 years and no more than RMB 1.5 bn.
2020-08-07	PRE	In July 2020, the company obtained 9 real estate projects in Xi'an, Taiyuan, Jinzhong, Ganzhou, Jining and Shenyang.
2020-08-07	BJ Capital Development	In July 2020, the company obtained 4 real estate projects in Changshu.
2020-08-07	Yango	In July 2020, the company obtained 5 real estate projects in Guangzhou, Xi'an, Shenyang and Quanzhou.

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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