

This Week in China

Real estate GPM: What's the trend?

Topic of the week:

What is the industry GPM trend? Which developers perform better in GPM? Will the downward trend in GPM and the differentiation among developers continue?

The entry of low gross profit projects into the settlement period is the main reason for the decline in GPM in the current industry, remote expansion has also brought certain pressure on GPM of developers. The average GPM of mainstream listed developers has declined since 2019, decreasing by 2.6 pct YoY to 29.6% in 2020H1. The overall gross profit of real estate projects with land obtained from mid-2016 to 2018Q3 was relatively low, which has put a certain pressure on current GPM. After 2016, the average listed price of residential land increased faster than ASP. In Dec 2016, the average listed price of residential land and the average residential price increased by 40.1% and 18.9% from Jan, respectively, and the monthly residential land premium rate was higher than 50% from Apr to Nov 2016, and has not fell below 30% until Sep 2017. On the other hand, in developers' process of remote expansion, some endowment advantages are difficult to replicate, judgments on new markets may be biased, and some products are difficult to achieve expected premiums, putting pressure on gross margins.

Revenue composition, land acquisition model and product positioning have diverged in the direction and range of changes in GPM of listed developers. In terms of revenue composition, some non-development businesses with higher GPM can offset the decline in GPM of development businesses. In 2020H1, GPM of Jinmao's property development, leasing and hotel businesses were 33%, 86%, and 34%. **In terms of land acquisition models,** counter-cyclical mode can protect developers' profit space; commercial-residential collaboration mode enables developers to acquire land at low premiums, in 2020H1, 54% of Powerlong's newly acquired GFA were obtained through commercial + residential cooperation, and the total premium rate was only 8.8%; urban renewal projects own sufficient profit margin, as of 2020H1, the land cost of Kaisa's urban renewal projects in Shenzhen is c. RMB 14100 / sqm, while the ASP is more than RMB 40000 / sqm.

The downward trend of industry GPM will not change in the short term; the differentiation between developers may ease, but the differentiation will continue. The factors that drive the GPM downward still exist at present and will gradually be reflected in the financial reports of developers in the next one to two years. Some developers that are currently underperforming have formulated more cautious investment strategies in recent years. However, some capabilities in commercial operation and urban renewal development will constitute unique moats for developers and will continue the differentiation of profitability.

Data points:

As of Sep 4th, new house transaction area in 42 major cities this week decreased 3% WoW, and cumulative transaction area in 2020 fell by 4% YoY.

As of Sep 4th, saleable area (inventory) in 13 major cities this week decreased 1% WoW; average inventory period was 10.2 months, average change was -2%.

As of Sep 4th, second-hand housing transactions in 15 major cities this week decreased 11% WoW, and cumulative transaction area in 2020 fell 4% YoY.

Suggestion:

This week, Dongguan and Hangzhou have increased their control, while buyers who meet the conditions in the Chongqing Real Estate Fair can enjoy a 20% discount on mortgage loan down payment. The regulation of some popular cities may continue to guide the healthy development of the industry, and different policy attitudes in various regions may bring certain structural opportunities to the industry. Maintain "Overweight" rating.

Overweight

(Maintain)

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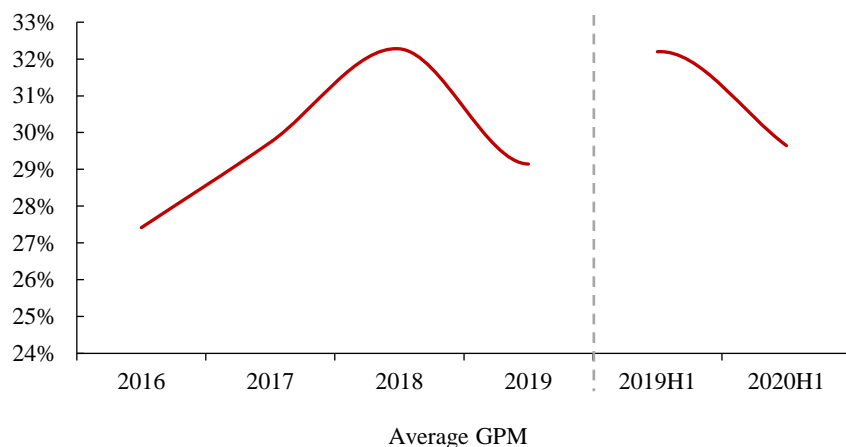
1. Real estate GPM: What's the trend?

In the 2020 interim results, developers' GPM is one of the key concerns of investors. Most of the 32 mainstream listed developers showed declined 2020H1 GPM compared with the same period last year. What is the industry GPM trend? Which developers perform better in GPM? Will the downward trend in GPM and the differentiation among developers continue?

1.1 What is the industry GPM trend?

GPM of the real estate industry has declined. GPM of the 32 mainstream listed developers increased in 2016-2018, and has declined since 2019. The average GPM for FY2019 decreased by 3.1 pct YoY to 29.1%, and the average GPM for 2020H1 decreased by 2.6 pct YoY to 29.6%.

Chart 1: The average GPM of the industry has declined since 2019



Source: Wind, CWSI Research

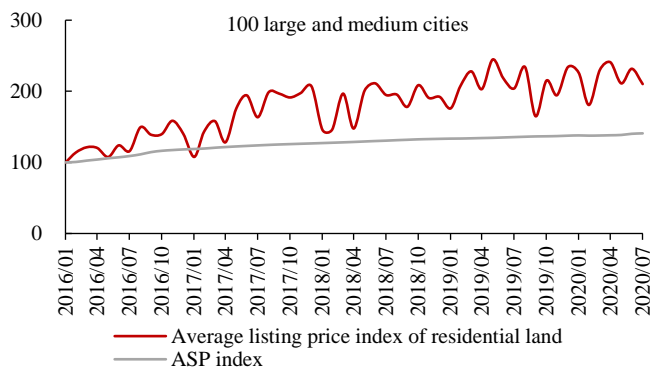
The entry of low gross profit projects into the settlement period is the main reason for the decline in GPM in the current industry. Under the pre-sale system of real estate projects, the development projects of developers will be delivered and settled approximately 2 years after the pre-sale. **The overall gross profit of real estate projects with land obtained from mid-2016 to 2018Q3 was relatively low. A large number of above-mentioned projects will enter the settlement period from about 2019, which has put a certain pressure on the profitability shown in the current financial statements.**

Starting from 2016Q2, under the environment of loose monetary policy and the down payment ratio once again, the commercial housing and land market has

become hot. Under the environment of several RRR cuts and interest rate cuts in 2015 and another down payment ratio in Feb 2016, the commercial housing and land markets in all tiers of cities have become more popular since 2016Q2; however, popular cities began to regulate in Mar 2016, and many cities introduced purchase restriction policies in Sep, which brought certain pressure on the continued sharp rise in housing prices. After 2016, the average listed price of residential land increased faster than ASP. In Dec 2016, the average listed price of residential land and the average residential price increased by 40.1% and 18.9% from Jan, respectively, and the profit margins of real estate projects has narrowed. At the same time, the rise in land heat has brought about a high premium rate, which has further pressured the profit space of developers. The monthly residential land premium rate of 100 large and medium cities was higher than 50% from Apr to Nov 2016, and has not fell below 30% until Sep 2017.

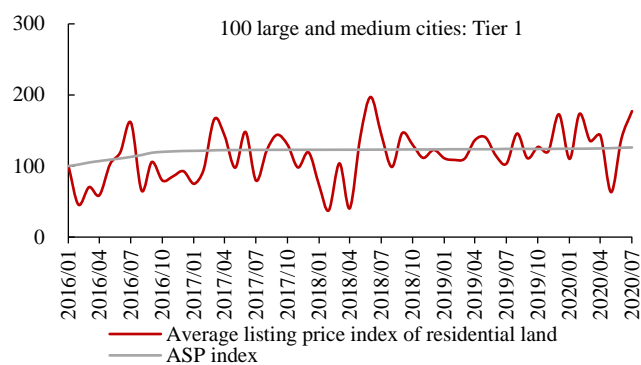
Since 2018Q3, the tone of "housing for living, not for speculation" has been stable, financing policies have been tightened, and the premium rate in the land market has declined. However, the increase in the average listing price of residential land is still higher than the increase in housing prices. In Jul 2018, the Politburo meeting of the Central Committee first proposed “resolutely curbing the rise in housing prices”; in Jul 2019, the Politburo meeting of the Central Committee first proposed “not using real estate as a short-term means of stimulating the economy”, and the industry maintained the positioning of “housing for living, not for speculation” . In terms of financing, in 2018 and 2019, the top level has tightened the financing of developers' overseas financing and trust channels. Under the combined effect of the above factors, from Jul 2018 to Jul 2020, the average premium rate of residential land transactions in 100 cities was only 13.2%, which was much lower than the average of 42.4% from Apr 2016 to Jun 2018. **However, despite the decline in the land market heat, the average price increase of residential land listings is still higher than the increase in housing prices.** Taking the value of Jan 2016 as 100, the average monthly difference between the average listed residential land price index and the ASP index c. 39.0 pct from Apr 2016 to Jun 2018, and from Jul 2018 to Jul 2020, it was as high as 73.1 pct. The average listed price of residential land in 100 large and medium cities grew faster than ASP in recent years.

Chart 2: The average listed price of residential land in 100 large and medium cities grew faster than ASP



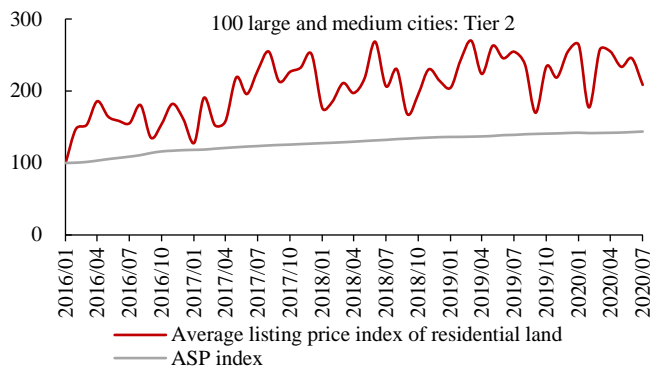
Source: Wind, CWSI Research; note: take Jan 2016 as 100

Chart 3: The average price growth of residential land in tier-1 cities is similar to ASP



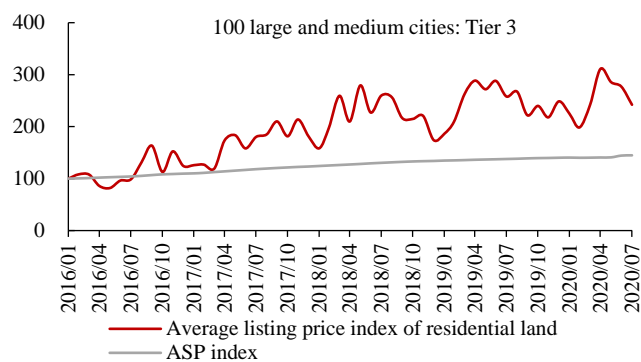
Source: Wind, CWSI Research; note: take Jan 2016 as 100

Chart 4: The average listed price of residential land in tier-2 cities has grown faster than ASP



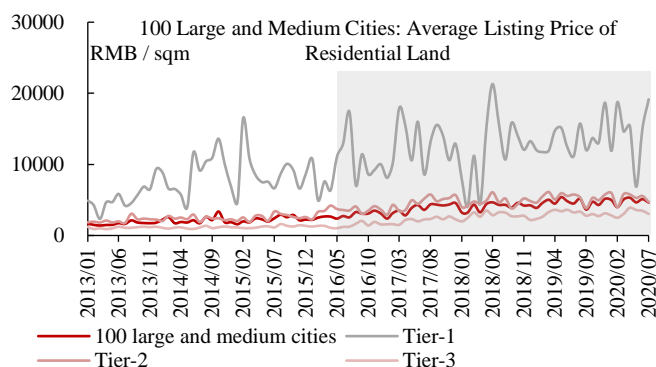
Source: Wind, CWSI Research; note: take Jan 2016 as 100

Chart 5: The average listed price of residential land in tier-3 cities has grown faster than ASP



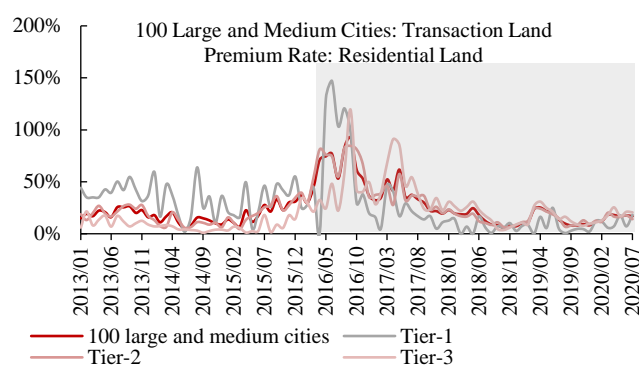
Source: Wind, CWSI Research; note: take Jan 2016 as 100

Chart 6: The average listed price of residential land continued to rise



Source: Wind, CWSI Research

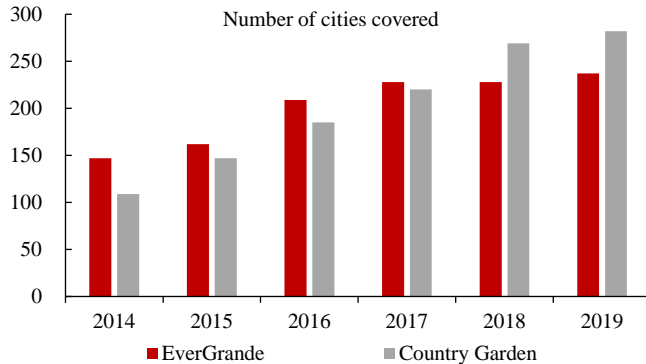
Chart 7: Since mid-2016, the premium rate of residential land has been high



Source: Wind, CWSI Research

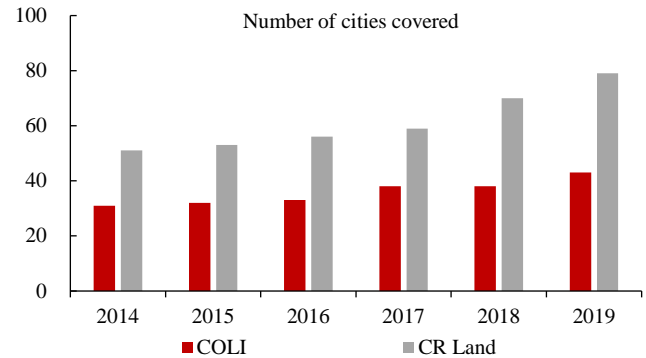
Remote expansion has also brought certain pressure on GPM of developers. Scale is still a crucial competitiveness for developers. For developers of all sizes and product positionings, remote expansion is an important way to increase sales. Developers with large sales scales and a large number of cities covered such as Country Garden and Evergrande, have continued to expand into new cities; developers with relatively high-end product positioning such as COLI and CR Land, although the number of cities they covered is relatively small, they have continued to increase the number in recent years. **However, there may be some factors in the process of remote expansion that pressure the GPM of developers:** 1) The endowment advantages of some developers in advantageous areas (such as rich resources of urban renewal projects in the GBA) are difficult to carry out large-scale remote replication, resulting in declined GPM in the process of remote expansion; 2) There may exist a certain deviation in the market judgment of the newly entered cities (especially some low-tier cities with shed reform monetization weakening, huge city number and poor city data disclosure), which makes developers difficult to achieve the expected profit margin; 3) The product line of some developers makes it difficult to reduce construction and installation costs during the expansion into low-tier cities, thus making it difficult to achieve the expected premium in new cities.

Chart 8: Evergrande and Country Garden already have many cities covered, and the numbers continued to increase



Source: Company announcements, CWSI Research

Chart 9: COLI and CR Land have covered relatively few cities, but the numbers have continued to increase in recent years

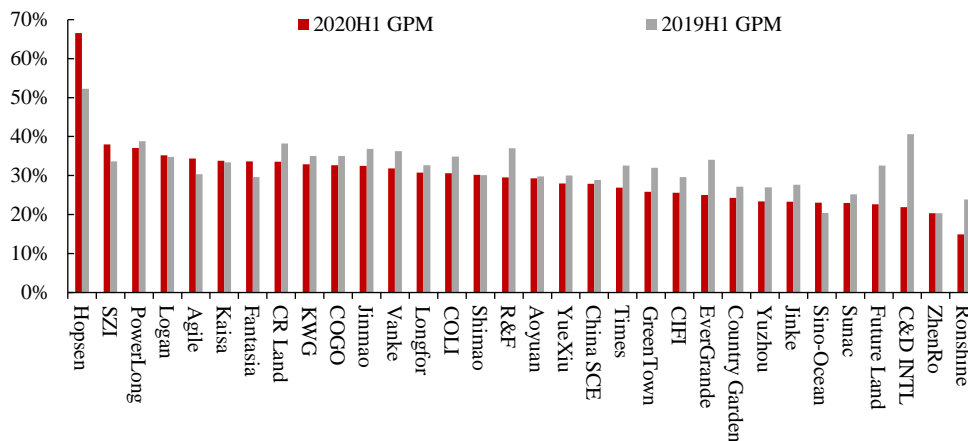


Source: Company announcements, CWSI Research ; note: exclude COGO

1.2 Which developers perform better in GPM?

GPM of most mainstream listed developers in 2020H1 declined, and the extent of decline is different. Under the combined effect of the aforementioned factors, in 2020H1, among 32 mainstream listed developers, GPM of 24 companies has declined to varying degrees. The rate of decrease in the GPM of each developer is not the same, ranging from 0.01% to 18.7%. At the same time, there are still 8 companies whose GPM has increased. Hopson showed the largest increase from 52.2% in 2019H1 to 66.6% in 2020H1. The direction and range of changes in GPM of listed developers have shown a certain divergence.

Chart 10: There is a certain divergence in the direction and extent of GPM of listed developers in 2020H1

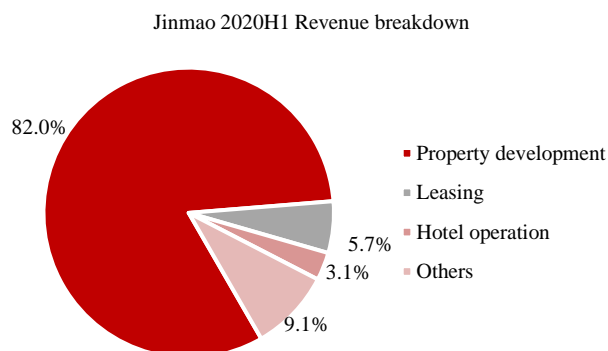


Source: Wind, CWSI Research

The reasons for the differentiation of GPM mainly include differences in three factors: 1) revenue composition; 2) land acquisition mode; 3) product positioning. Although most of the developers' income is mainly property development, some businesses with higher GPM can improve the overall GPM. As far as the property development business is concerned, its GPM is determined by project costs and ASP: project costs are mainly land prices and construction and installation costs, and between them, the larger difference between developers shows in the land cost, and the land acquisition mode is an important factor leading to the difference in land cost; ASP is affected by local price restrictions and the product positioning of developers.

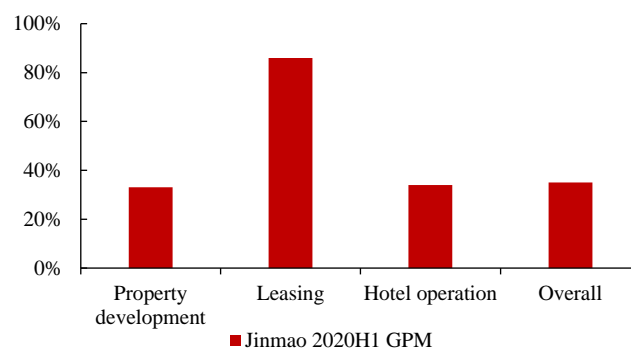
In terms of revenue composition, some non-development businesses with higher GPM can offset the decline in GPM of development businesses. In 2020H1, Jinmao's property development contributed only about 82% of its revenue. In addition, property leasing and hotel operations contributed about 6% and 3% respectively; the gross profit margins of each business were different, and the gross profit margins of the aforementioned businesses were 33%, 86%, and 34%. Property leasing and hotel operations, which have higher GPM relative to property development, can increase the company's overall GPM. The difference in revenue structure allows some developers to achieve a more stable GPM performance through businesses with relatively higher GPM.

Chart 11: Property development sector contributed 82% of Jinmao's 2020H1 revenue



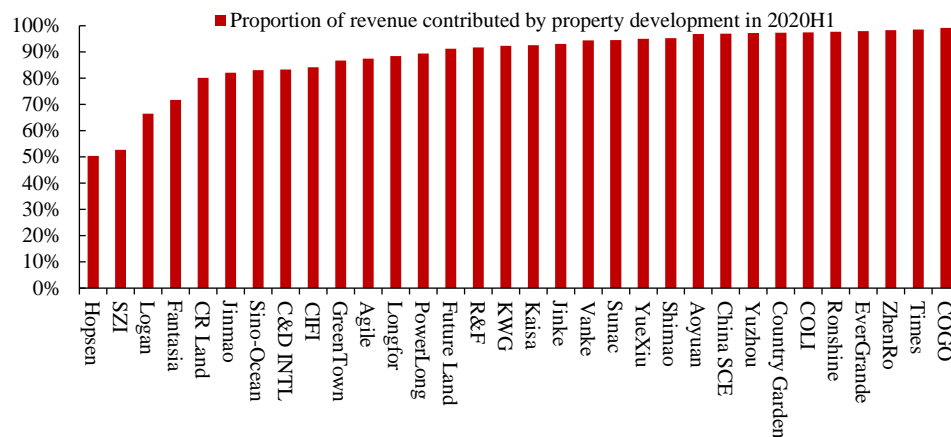
Source: Company announcements, CWSI Research

Chart 12: Leasing and hotel sector had higher GPM than property development sector



Source: Company announcements, CWSI Research; note: After restoring the impact of the 2019 equity transaction

Chart 13: In 2020H1, property development business contributes most of the income of most developers

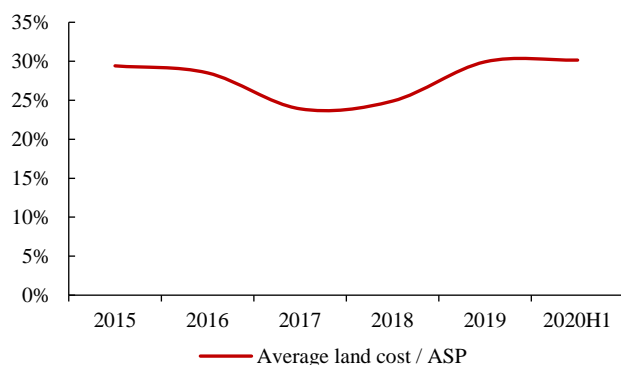


Source: Wind, CWSI Research

In terms of land acquisition models, some companies can make land costs more reasonable through characteristic models.

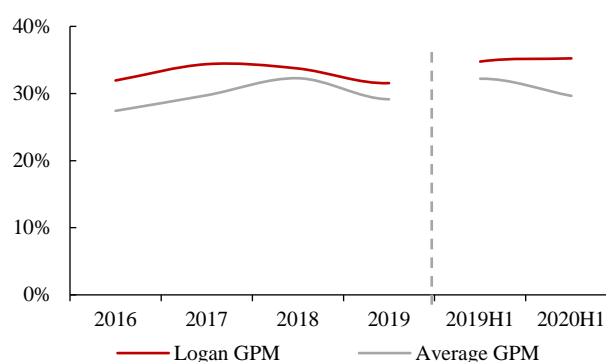
Counter-cyclical land acquisition: grasp the real estate cycle nodes. From 2014 to 2016, before the rapid increase in the ASP of commercial housing in Shenzhen, Logan made a forward-looking layout of four Shenzhen's TOD projects (Carat Complex, The Masterpiece, Acesite Mansion, Acesite Park), with a total investment of RMB 31 bn and the total value exceeds RMB 100 bn, and the average GPM is higher than 40%; since the second half of 2016, the company successfully avoided the high point of the land cycle and obtained land reserves of more than RMB 300 bn through M&A and urban renewal, of which 90% located in the GBA. The company's grasp of the market cycle has made the company's total land cost as a percentage of the average sales price relatively reasonable in recent years, reaching less than 30% in 2015-2019 and rose slightly to 30.2% in 2020H1, which fully protected the company's profit space that Logan's GPM in recent years are higher than the industry average.

Chart 14: Logan's average land cost/ASP in recent years is relatively reasonable



Source: Company announcements, CWSI Research

Chart 15: Logan's GPM has been higher than the industry average in recent years

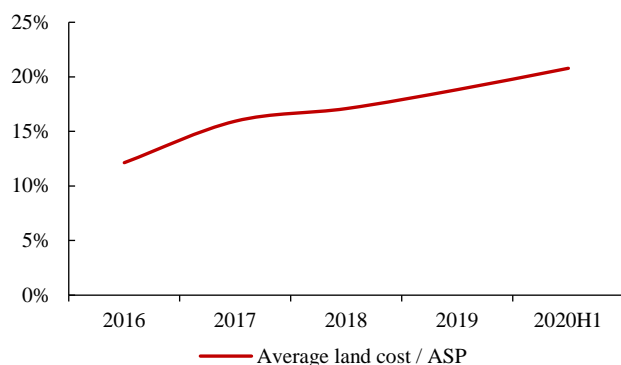


Source: Wind, CWSI Research

Commercial-residential collaboration: Acquire land at low premiums through construction of complexes. The development of commercial + residential complex is more in line with the demands of local economic development, so the commercial-residential coordination model can effectively enable developers to obtain land at a lower price. Taking Powerlong as an example, its coverage is mainly located in the core cities of the Yangtze River Delta, where the land market is hot. The commercial + residential cooperation form enables it to avoid fierce land competition to a certain extent and obtain land at a relatively reasonable price. In FY2019, 85.0% of Powerlong's newly acquired GFA were located in the Yangtze River Delta, and 68.0% of the new land investment was realized in the form of commercial + residential cooperation, with a total premium rate of only 7.8%; in 2020H1, 95.9% of its newly acquired GFA were located in the Yangtze River Delta, 54% were obtained in the form of commercial + residential cooperation, and the total premium rate was only 8.8%.

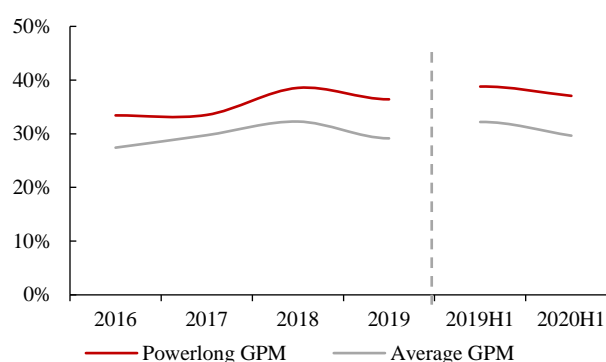
Developers that can obtain high-quality land at a low premium rate have a comparative advantage over their industry peers in GPM. The total average land cost of Powerlong accounted for less than 20% of its ASP in 2016-2019, though it slightly increased to 20.8% in 2020H1, the profit margin of the company is still sufficient.

Chart 16: Powerlong's land cost accounts for a relatively low proportion of its ASP



Source: Company announcements, CWSI Research

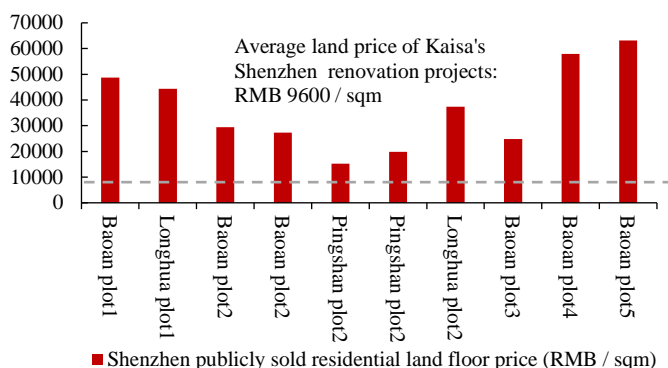
Chart 17: Powerlong's GPM has been higher than the industry average in recent years



Source: Wind, CWSI Research

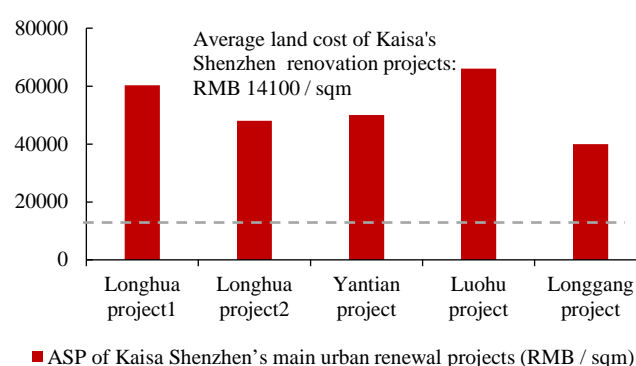
Urban renewal: The profit margin of a single project is sufficient and the resource endowment advantage is prominent. In recent years, tier-1 cities represented by Shenzhen have provided fewer residential land plots, and urban renewal has become an important way for developers to obtain core urban land. In terms of the gross profit of a single project, the land cost of urban renewal projects is usually significantly lower than the cost of publicly transferred net land, and there is no significant ASP gap between urban renewal projects and non-urban renewal projects, so even considering the construction and installation costs of relocating houses, the GPM of urban renewal projects is still considerable. Take Kaisa as an example, as of 2020H1, the land cost of its urban renewal projects in Shenzhen is about RMB 14100 / sqm (including the average land price of RMB 9600 / sqm and the construction and installation cost of the relocation house of RMB 4500 / sqm), and the ASP is more than RMB 40000 / sqm.

Chart 18: Kaisa's Shenzhen urban renewal projects have an advantage in land price compared with public transfer



Source: Company announcements, Wind, CWSI Research ; note: excluding construction and installation cost of the relocation house

Chart 19: Kaisa's main urban renewal projects on sale in Shenzhen have sufficient profit margins



Source: Company announcements, CWSI Research ; note: including construction and installation cost of the relocation house

Table 1: The characteristic land acquisition model can help developers control land costs, thereby ensuring project profit margins

land acquisition model	Summary	Examples
Counter-cyclical land acquisition	Grasp the real estate cycle node	Logan
Commercial-residential collaboration	Acquire land at low premiums through construction of complexes	Powerlong, Future Land
Urban renewal	The cost of land is usually significantly lower than the publicly sold net land price	Kaisa

Source: Company announcements, CWSI Research

In terms of product positioning, rigid-need products bear little impact from price limit. As the 2017 government work report put forward “curb the rapid rise in housing prices in hot cities (遏制热点城市房价过快上涨)” and the July 2018 Politburo meeting put forward “resolutely curb housing price increases (坚决遏制房价上涨)”, the main tone of the industry in recent years has been steady development. Under the policy guidance of stabilizing housing prices, price-limiting policies in many places have put greater pressure on the pricing of high-end products; high-land price projects are difficult to obtain the expected sales price, thus compressing the profit margin of the projects.

1.3 Will the downward trend in GPM and the differentiation of developers continue?

The downward trend of industry GPM will not change in the short term. As mentioned above, the current decline in industry GPM is caused by the difference in the growth rate of land prices and ASP after 2016 and the expansion of developers in different places. The above differences still exist at present and will gradually be reflected in the financial reports of developers in the next one to two years. Under the current industry tone, housing prices are expected to remain stable, and developers’ demand for inventory replenishment and demand for scale will jointly keep the land market a certain degree of enthusiasm, and developers’ land cost growth may continue to be higher than that of commercial housing ASP, bringing downward pressure on GPM.

The differentiation between developers may ease, but the differentiation will continue. Even if the characteristic land acquisition model can keep the land premium rate of some developers at a low level, the rising average listing price of residential land and the stable commercial housing prices will still put pressure on GPM of the above-mentioned developers. At the same time, some developers that are currently underperforming took more land in 2016-2017 and have formulated more cautious

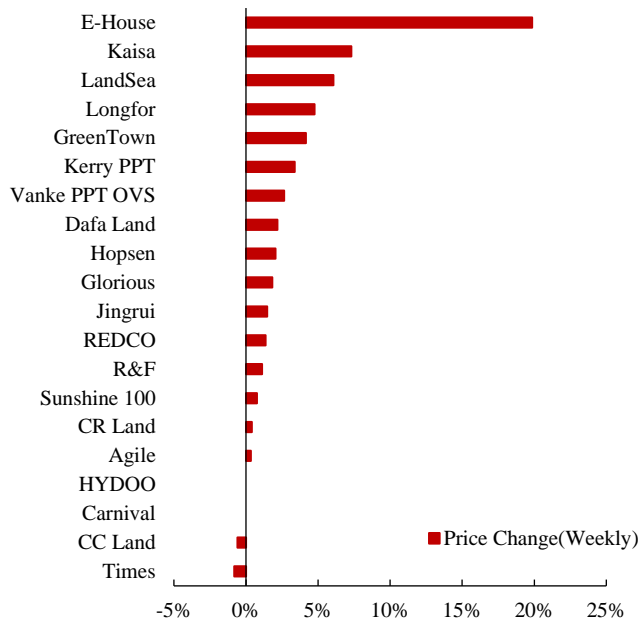
investment strategies in recent years. Therefore, there may be room for improvement in their subsequent GPM, and the differentiation of GPM among developers may ease in the future. However, commercial and residential collaboration requires strong commercial development and operation capabilities, and the promotion of urban renewal projects also requires a long time frame and an experienced team. The above capabilities constitute unique moats for developers and will continue the differentiation of profitability.

2. Sector Performance

2.1 Performance of developer sector

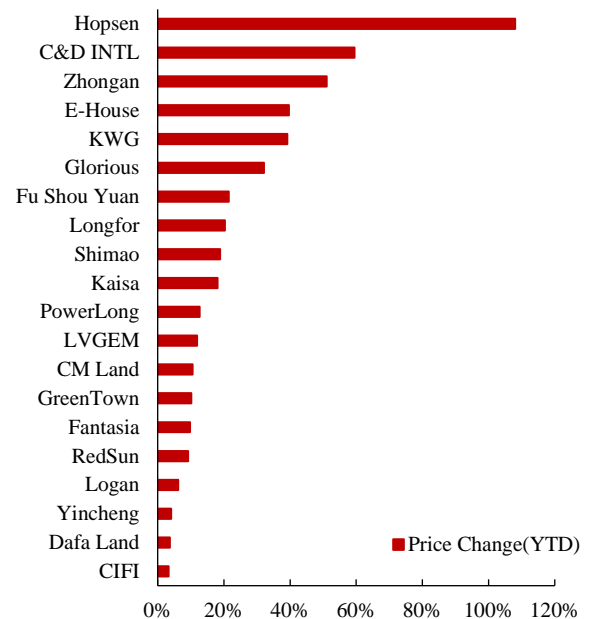
This week, E-House, Kaisa and LandSea had larger price increase than peers. Hopsen, C&D INTL and Zhongan had better share price performance, YTD.

Chart 20: This week, E-House, Kaisa and LandSea had larger price increase than peers



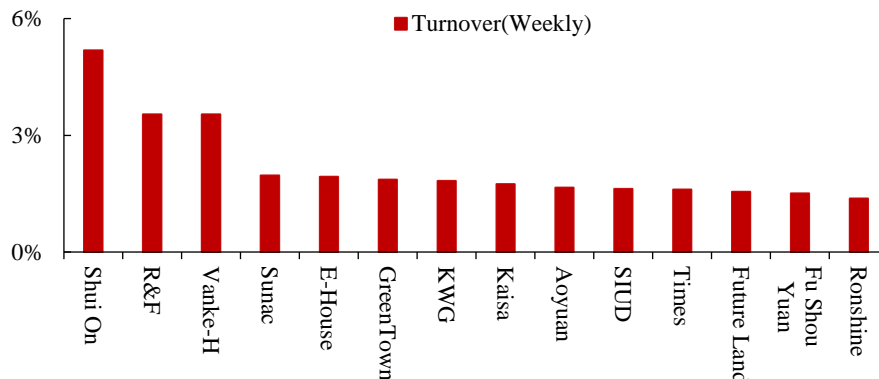
Source: Wind, CWSI Research

Chart 21: Hopsen, C&D INTL and Zhongan had better share price performance, YTD



Source: Wind, CWSI Research

Chart 22: Shui On, R&F and Vanke-H were most actively traded this week

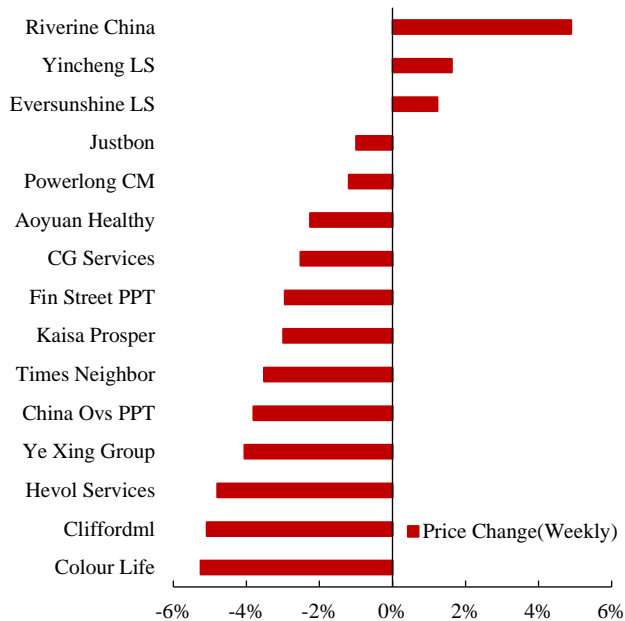


Source: Wind, CWSI Research

2.2 Performance of property service sector

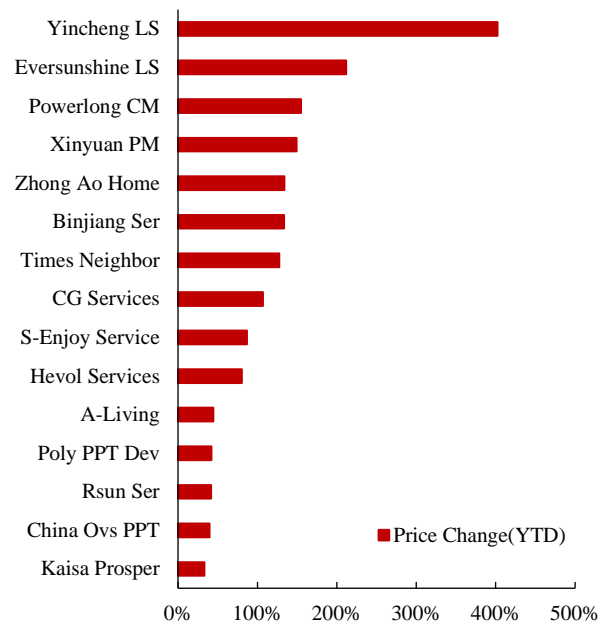
This week, Riverine China, Yincheng LS and Eversunshine LS had larger price increase than peers. Yincheng LS, Eversunshine LS and Powerlong CM had better share price performance YTD.

Chart 23: This week, Riverine China, Yincheng LS and Eversunshine LS had larger price increase than peers



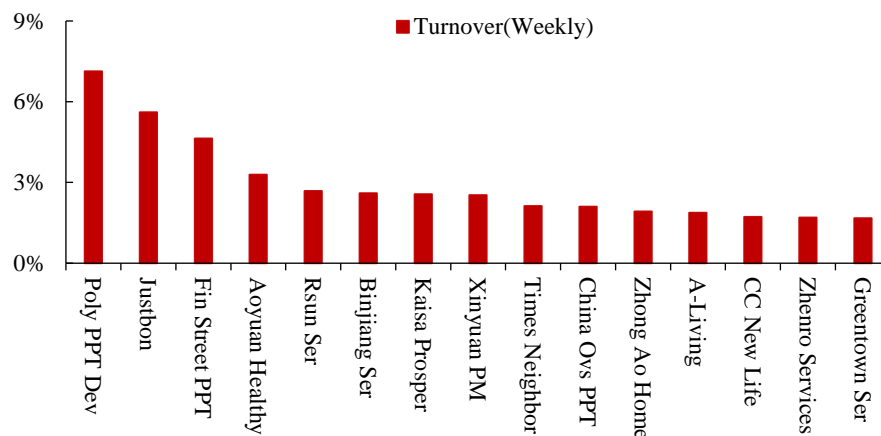
Source: Wind, CWSI Research

Chart 24: Yincheng LS, Eversunshine LS and Powerlong CM had better share price performance YTD



Source: Wind, CWSI Research

Chart 25: Poly PPT Dev, Justbon and Fin Street PPT were most actively traded this week



Source: Wind, CWSI Research

3. Major cities transaction performance

3.1 New house transaction data

Table 2: Major cities new house transactions volume decreased WoW this week

	Last 7 days			Last 30 days			Month to date			Year to date				
City & Region	sqm	wow	yoy	sqm	000	mom	yoy	sqm	000	mom	yoy	sqm	000	yoy
Beijing	233,598	-23%	69%	982	47%	70%		141	53%	47%		4,389	-11%	
Shanghai	410,900	8%	28%	1,492	14%	25%		198	19%	22%		8,179	-13%	
Guangzhou	257,527	-7%	69%	1,081	13%	57%		117	12%	85%		5,776	-5%	
Shenzhen	80,926	3%	29%	378	9%	43%		50	-22%	35%		2,457	2%	
Tier 1	982,951	-6%	46%	3,934	20%	44%		507	19%	41%		20,801	-9%	
Tier 2	2,875,966	5%	16%	12,307	0%	25%		1,767	0%	18%		77,722	-1%	
Tier 3	2,443,453	-9%	10%	11,278	1%	21%		1,165	-24%	-11%		74,672	-5%	
Beijing	233,598	-23%	69%	982	47%	70%		141	53%	47%		4,389	-11%	
Qingdao	330,264	-12%	17%	1,470	-7%	21%		187	18%	9%		9,797	9%	
Jinan	212,539	2%	16%	987	-11%	28%		116	-9%	12%		7,221	7%	
Dongying	61,036	-38%	52%	662	21%	195%		27	-71%	-10%		3,045	145%	
PBR	837,437	-15%	30%	4,102	5%	47%		471	0%	17%		24,452	12%	
Shanghai	410,900	8%	28%	1,492	14%	25%		198	19%	22%		8,179	-13%	
Nanjing	241,600	46%	10%	884	-9%	35%		220	17%	33%		6,305	28%	
Hangzhou	206,967	114%	47%	726	3%	33%		185	137%	70%		5,870	17%	
Suzhou	198,000	-3%	14%	822	2%	10%		136	29%	16%		7,594	11%	
Wuxi	278,400	149%	52%	646	-2%	-8%		0	-100%	-		3,979	-20%	
Yangzhou	47,982	7%	109%	264	-12%	119%		48	-7%	121%		1,564	-1%	
Jiangyin	96,865	8%	20%	306	30%	35%		32	60%	2%		1,903	-5%	
Wenzhou	187,747	-29%	-9%	1,010	22%	7%		70	-13%	-45%		7,821	-7%	
Jinhua	57,312	38%	143%	208	-27%	65%		26	-28%	116%		1,582	24%	
Changzhou	91,597	10%	92%	319	-3%	49%		48	33%	232%		2,108	-42%	
Huaian	75,122	-9%	-31%	394	-7%	-4%		51	-12%	-29%		2,941	-14%	
Lianyungang	145,730	1%	-39%	602	-16%	-15%		89	-15%	-52%		4,193	-1%	
Shaoxing	26,235	-29%	20%	244	11%	72%		11	-57%	-48%		1,674	5%	
Zhenjiang	155,289	-18%	13%	707	64%	3%		77	11%	5%		3,965	-24%	
Jiaxing	56,508	-31%	53%	322	-28%	107%		15	-88%	-34%		2,134	15%	
Wuhu	56,368	6%	23%	241	6%	33%		32	4%	13%		1,352	1%	
Yancheng	140,412	44%	59%	450	62%	59%		0	-100%	-100%		2,375	-3%	
Zhoushan	28,203	-20%	16%	111	-9%	5%		9	3%	-17%		894	10%	
Chizhou	14,292	-9%	-47%	80	-3%	-8%		9	71%	-65%		589	-34%	
Ningbo	184,453	-13%	-9%	923	21%	33%		130	-19%	23%		5,320	-1%	
YRD	2,699,981	11%	15%	10,754	6%	20%		1,386	-18%	1%		72,344	-4%	
Guangzhou	257,527	-7%	69%	1,081	13%	57%		117	12%	85%		5,776	-5%	
Shenzhen	80,926	3%	29%	378	9%	43%		50	-22%	35%		2,457	2%	
Fuzhou	126,150	80%	52%	336	50%	32%		75	181%	18%		1,505	-16%	
Dongguan	158,693	-38%	71%	840	3%	73%		76	-10%	93%		4,236	24%	
Quanzhou	35,899	-32%	-44%	228	-34%	-16%		15	-60%	-60%		1,674	-30%	
Putian	29,215	-30%	-24%	179	70%	32%		10	-15%	-36%		1,075	-23%	
Huizhou	84,910	41%	64%	319	-26%	35%		59	30%	94%		1,937	8%	
Shaoguan	31,712	-41%	-22%	151	-3%	-9%		16	12%	-33%		1,142	6%	
Foshan	288,968	16%	14%	1,113	3%	10%		158	48%	67%		7,741	-18%	
Jiangmen	24,169	-25%	-20%	119	-17%	11%		8	-33%	112%		856	14%	
PRD & Southern China	1,118,169	-5%	29%	4,745	3%	31%		584	15%	43%		28,401	-7%	
Taian	82,009	-6%	36%	316	32%	56%		43	59%	25%		1,539	-10%	

Northern China	82,009	-6%	36%	316	32%	56%	43	59%	25%	1,539	-10%
Wuhan	471,112	-2%	-6%	2,101	-8%	2%	278	53%	8%	9,812	-32%
Yueyang	36,366	-21%	-14%	197	-48%	8%	15	-56%	-45%	1,541	21%
Baoji	56,874	-37%	27%	348	-22%	-14%	28	-48%	6%	2,234	7%
Ganzhou	164,972	-19%	15%	802	1%	14%	100	-29%	-9%	5,415	-8%
Central China	729,325	-11%	-1%	3,448	-12%	3%	421	2%	0%	19,001	-20%
Chengdu	515,406	17%	82%	2,372	17%	60%	429	9%	94%	14,769	13%
Liuzhou	155,122	-24%	34%	594	33%	16%	55	17%	-14%	4,155	3%
Nanning	164,920	-51%	-49%	1,186	-20%	16%	50	-71%	-80%	8,535	-9%
Western China	835,448	-15%	16%	4,152	5%	37%	534	-13%	-1%	27,459	4%
Total	6,302,369	-3%	17%	27,518	3%	26%	3,439	-7%	8%	173,196	-4%
Num. of cities Up		17	30		22	35		21	25		20
Num. of cities Down		25	12		20	7		19	15		22

Source: Local governments, CWSI Research; Note: Till 2020/9/4

Table 3: Major cities inventory period was 10.2 months this week

City	Inventory (sqm 000)	wow	yoy	Inventory period	Last week	wow	yoy
Beijing	11,574	-1%	34%	11.8	12.8	-8%	-21%
Shanghai	7,105	-2%	-10%	4.8	5.2	-8%	-28%
Guangzhou	8,087	-2%	5%	7.5	7.8	-4%	-33%
Shenzhen	2,432	-1%	12%	6.4	6.1	5%	-22%
Tier 1 Average		-2%	10%	7.6	8.0	-4%	-26%
Hangzhou	3,560	1%	36%	4.9	5.5	-11%	3%
Nanjing	6,087	1%	30%	6.9	6.6	4%	-4%
Suzhou	6,914	0%	37%	8.4	8.3	1%	24%
Fuzhou	6,386	0%	76%	19.0	23.9	-20%	33%
Jiangyin	4,551	3%	18%	14.9	17.8	-16%	-13%
Wenzhou	11,205	-1%	25%	11.1	11.2	-1%	17%
Quanzhou	7,156	-1%	8%	31.3	26.0	20%	28%
Ningbo	2,679	-2%	6%	2.9	2.8	2%	-21%
Dongying	1,714	-2%	13%	2.6	2.4	8%	-62%
Overall Average		-1%	22%	10.2	10.5	-2%	-8%

Source: Local governments, CWSI Research; Note: Till 2020/9/4; Average WoW and average YoY are defined as average change of each city

3.2 Second-hand house transaction and price data

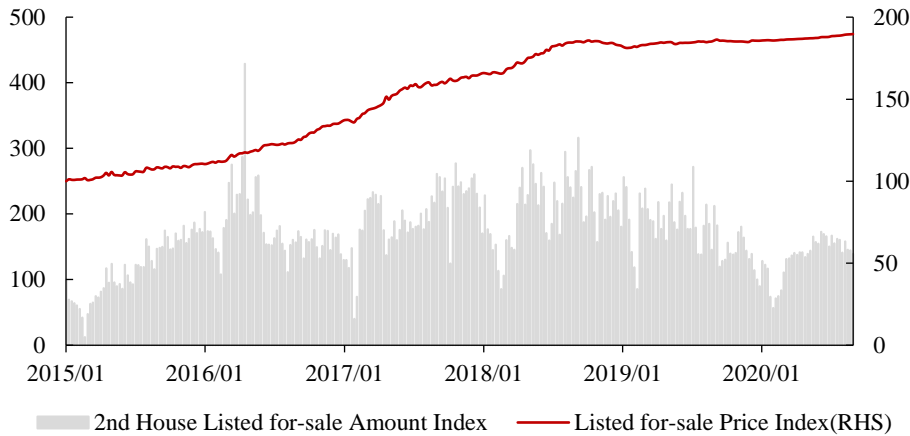
Table 4: Major cities Second-hand house transaction volume, Jinhua rose significantly YTD

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	366,895	4%	51%	1,515	4%	44%	231	37%	42%	9,081	6%
Shenzhen	165,861	-19%	38%	970	-5%	76%	129	-4%	44%	5,899	57%
Hangzhou	145,247	32%	72%	514	-14%	32%	73	6%	66%	3,744	9%
Nanjing	214,481	-15%	13%	1,085	-9%	29%	169	26%	28%	6,558	40%
Chengdu	86,366	-14%	-56%	419	-9%	-50%	66	5%	-54%	3,448	-54%
Qingdao	117,481	-10%	27%	569	-4%	36%	84	16%	15%	3,563	17%
Wuxi	198,011	2%	58%	771	18%	28%	69	-10%	-27%	4,378	7%
Suzhou	113,812	-16%	-24%	585	-5%	-29%	89	29%	-26%	3,906	-47%
Xiamen	61,144	-20%	8%	353	-9%	46%	42	-9%	11%	2,261	-17%
Yangzhou	16,362	-40%	-29%	105	-4%	11%	12	-22%	-34%	709	-5%
Yueyang	13,561	-22%	-13%	75	-10%	5%	10	-9%	-14%	449	-12%
Nanning	24,049	-67%	-70%	267	-7%	-30%	7	-82%	-89%	1,752	-15%
Foshan	153,618	-15%	37%	750	4%	65%	109	18%	32%	3,903	-6%
Jinhua	32,795	-46%	2%	210	-34%	47%	24	-30%	-17%	1,754	74%
Jiangmen	16,180	-14%	391%	88	-10%	43%	11	-9%	294%	544	-16%
Total	1,725,862	-11%	13%	8,276	-4%	19%	1,127	8%	2%	51,948	-4%
Num. of cities Up		3	10		3	12		7	8		7
Num. of cities Down		12	5		12	3		8	7		8

Source: Local governments, CWSI Research; Note: Till 2020/9/4

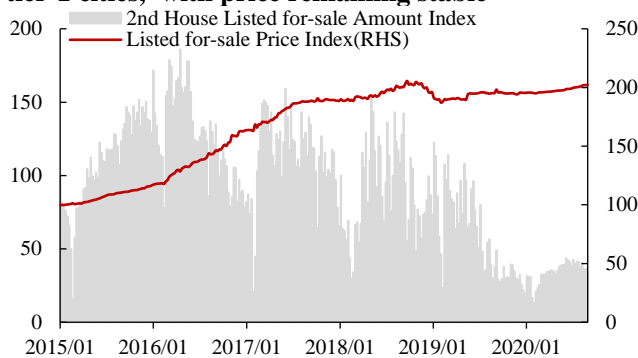


Chart 26: 2nd house listed for-sale price index rose slightly recently



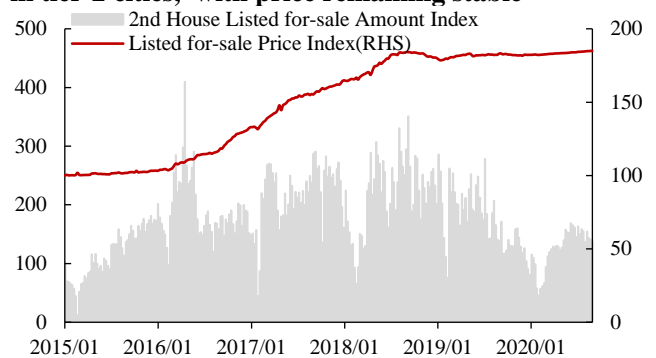
Source: Local Government, CWSI Research; Note: Till 2020/8/30

Chart 27: 2nd house listed for-sale amount index rose in tier-1 cities, with price remaining stable



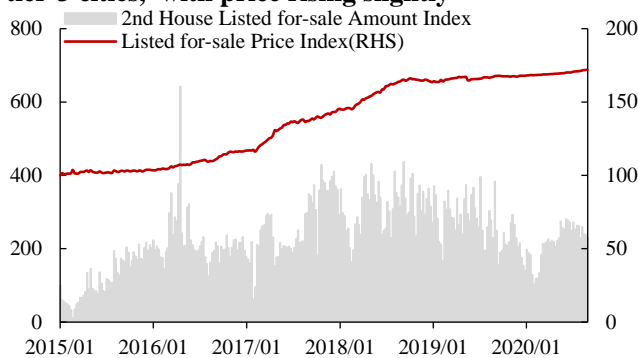
Source: Local Government, CWSI Research; Note: Till 2020/8/30

Chart 28: 2nd house listed for sale amount index rose in tier-2 cities, with price remaining stable



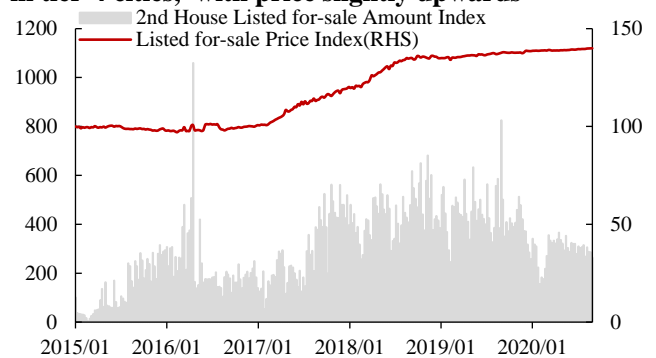
Source: Local Government, CWSI Research; Note: Till 2020/8/30

Chart 29: 2nd house listed for-sale amount index rose in tier-3 cities, with price rising slightly



Source: Local Government, CWSI Research; Note: Till 2020/8/30

Chart 30: 2nd house listed for-sale amount index rose in tier-4 cities, with price slightly upwards



Source: Local Government, CWSI Research; Note: Till 2020/8/30

4. Important Policies and News

4.1 Important Industry Policies News This Week

Table 5: Important Industry Policies News This Week: Dongguan and Hangzhou increased real estate regulation

Date	Region / Institution	Summary
2020-09-03	Chongqing	During the Liangjiang New District Real Estate Trade Fair (August 28th to October 31st), those who purchased the newly-built commercial houses of the participating projects and signed the Chongqing commercial house purchase and sale contract online, can enjoy a 20% discount on the down payment of bank mortgage loans provided that they are in compliance with the bank's credit policy and are the first mortgage.
2020-09-03	Dongguan	For commercial housing that has been signed online from 0:00 on April 11, 2017 to 24:00 on July 24, 2020, it is necessary to obtain a real estate certificate for 2 years before it can be traded and transferred (including gifted).
2020-09-04	Hangzhou	It takes three years for settlements through parents relying on adult children before the family can be treated as an independent house-buying family to purchase newly-built commercial housing and second-hand housing within the scope of the city's purchase restrictions.

Source: Wind, Government website, CWSI Research

4.2 Key sales data announced this week

Table 6: Key sales data announced this week

Company	RIC	Jan-Aug contracted sales		Jan-Aug contracted GFA		Aug contracted sales		Aug contracted GFA	
		(RMB bn)	YoY	(000 sqm)	YoY	(RMB bn)	YoY	(000 sqm)	YoY
EverGrande	3333.HK	450.6	21.8%	49343	42.9%	51.5	7.7%	5324	18.5%
Vanke	000002.SZ	438.2	2.8%	28939	5.6%	58.7	33.1%	4229	52.5%
Sunac	1918.HK	311.8	1.7%	22339	6.3%	64.2	25.3%	4577	30.1%
COLI	0688.HK	222.3	2.1%	12132	-0.4%	28.8	17.6%	1368	-9.0%
Shimao	0813.HK	169.0	19.0%	9630	22.0%	29.6	37.3%	1695	41.0%
Jinmao	0817.HK	145.8	34.7%	7690	57.2%	21.5	39.2%	1011	40.4%
Future Land	601155.SH	139.1	-8.9%	12800	-14.7%	20.6	-15.9%	2045	-10.8%
CIFI	0884.HK	128.3	9.9%	8244	19.3%	25.6	86.0%	1817	88.1%
Zoona	000961.SZ	119.5	7.6%	8891	2.1%	20.3	34.2%	1572	37.7%
Zhongliang	2772.HK	96.5	12.3%	7717	-7.2%	16.9	53.6%	1374	22.7%
Ronshine	3301.HK	84.5	5.0%	3791	-0.8%	12.0	10.1%	612	31.3%
ZhenRo	6158.HK	81.9	3.4%	5323	3.9%	12.3	17.2%	766	9.8%
Agile	3383.HK	77.7	2.5%	5664	5.1%	12.0	17.8%	852	8.7%
R&F	2777.HK	72.6	17.6%	6239	18.5%	10.9	1.5%	976	-2.4%
Midead	3990.HK	71.8	18.3%	6401	9.7%	-	-	-	-
Aoyuan	3883.HK	71.3	5.0%	-	-	10.9	41.0%	-	-
Risesun	002146.SZ	66.2	8.3%	5969	5.5%	10.2	31.3%	928	19.9%
Central China	0832.HK	56.8	4.9%	7920	-3.0%	8.0	-14.4%	1142	-20.6%
YueXiu	0123.HK	51.7	17.0%	2089	3.0%	7.7	132.0%	307	69.0%
Times	1233.HK	49.4	22.1%	3529	21.4%	8.9	13.2%	622	10.1%
BJ Capital Land	2868.HK	40.9	-4.0%	1235	-32.8%	3.9	30.5%	-	44.4%
Dexin	2019.HK	38.1	31.1%	1705	3.4%	6.7	81.2%	130	39.0%
Fantasia	1777.HK	27.4	38.4%	2016	17.9%	5.1	71.2%	354	32.5%
Modern Land	1107.HK	22.4	1.6%	2155	3.2%	4.2	51.9%	392	51.6%
Yincheng	1902.HK	8.6	-10.6%	467	-23.5%	1.7	87.0%	87	81.1%
Country Garden	2007.HK	-	-	-	-	60.9	30.1%	7120	37.9%
KWG	1813.HK	-	-	-	-	9.6	55.8%	657	92.1%

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

4.3 Company news and announcements

Table 7: Company news and announcements: ZhenRo issued USD 350 mn 7.35% senior notes due 2025; LandSea planned to spin off Landsea Homes and list it on Nasdaq

Date	Company	Summary
2020-08-31	GreenLand	The company's wholly-owned subsidiary acquired 66% of the equity of Guangxi Construction Engineering Group Co., Ltd. for c.3.58 bn.
2020-08-31	Country Garden	Redeemed USD 750 mn 7.25% senior notes due 2021.
2020-09-01	Justbon	Since June 30, the company has acquired three property management service providers in Sichuan, Jiangsu, and Shandong for RMB c.120 mn. After the completion of the acquisition, the company's GFA under management will increase by 5.02 mn sqm.
2020-09-01	LandSea	Planned to spin off Landsea Homes and list it on Nasdaq.
2020-09-02	Vanke	In August 2020, the company obtained 13 development projects and 3 logistics real estate projects in Shenzhen, Zhongshan, Hefei, etc.
2020-09-02	Risesun	In August 2020, the company obtained 2 real estate projects in Lu'an and Changsha.
2020-09-03	YueXiu	In August 2020, the company obtained 2 real estate projects in Guangzhou and Foshan.
2020-09-04	Zoina	In August 2020, the company obtained 1 real estate project in Changzhou.
2020-09-04	ZhenRo	Issued USD 350 mn 7.35% senior notes due 2025.
2020-09-04	BRC	In August 2020, the company obtained 7 real estate projects in Shangrao, Changzhou, Nanning, Kunming, Taian, Taiyuan and Shijiazhuang.
2020-09-04	COLI	In August 2020, the company obtained 5 real estate projects in Beijing, Chengdu, Harbin and Haikou.
2020-09-04	CFLD	The company's subsidiary company acquired 2 plots in Jiashan County, Jiaxing City with a total land area of c.67,000 sqm for c. RMB 23.547 mn.
2020-09-04	Future Land	In August 2020, the company obtained 10 real estate projects in Tianjin, Chongqing, Changsha, Kunming, etc.

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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Hold – Describes stocks that we expect to provide a relative return of between -10% and +5%.

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

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