

This Week in China

Real estate sector's year-end opportunities

Topic of the week:

More moderate policy margins are the main reason for the year-end opportunities in the sector, and the expected price decline is a key variable. In 4Q of the past few years, the industry has often been in a downward phase of fundamentals. Therefore, the marginal improvement of policies and expectations is the main reason for the start of the real estate market at this time. **After the "731" in 2018, the real estate industry's regulatory framework has undergone significant changes, and the expected decline in ASP has become a regulatory downside risk.** From the perspective of time, the top-level meeting is held at the end of every July. Naturally, the policy tone will be relatively strict at this time. After the year-end expectation of falling ASP is gradually formed, local governments often introduce some measures to stabilize market expectations.

Local control policies have deviated, and the current expected performance of ASP has made the policy likely to remain stable. The popularity of core cities with higher exposure and greater impact on the overall market is still high, and there is not much room for policy adjustment at this time. The MOHURD symposium held by Han Zheng also dispelled some ambiguous policy expectations. **It is worth noting that there has been a significant deviation between ASP and rents after the epidemic, reflecting that middle- and high-income groups are significantly less affected than low- and middle-income groups.** The expected increase in house prices also confirms this phenomenon. Therefore, the policy is likely to remain stable at the end of the year, and it is not ruled out that some popular cities may tighten their regulation.

Economic recovery and allocation demand boosts sector valuations, and the trending market still awaits the change in ASP expectations. The real estate sector, as a typical procyclical and low-value sector, can naturally benefit from the overall economic recovery. On the other hand, the estimated PE ratio of some domestic developers in 2021 is close to the extremely low level of 2x; **although the valuation quantile is not the core factor that determines the undervaluation of the real estate sector, some of the targets with higher dividend yields and stable growth still has a good allocation value.** Of course, the income differentiation of different income groups and the current relatively high housing prices may affect the adjustment space of the policy at the end of the year. Therefore, this round of the year-end opportunities may be weaker than in previous years, and the trend of the market is still waiting for the expected change in ASP expectations.

Data points:

As of Dec 4th, new house transaction area in 42 major cities this week decreased 2% WoW, and cumulative transaction area in 2020 increased 1% YoY.

As of Dec 4th, saleable area (inventory) in 13 major cities this week increased 1% WoW; average inventory period was 12.1 months, average change was -1%.

As of Dec 4th, second-hand housing transactions in 15 major cities this week decreased 8% WoW, and cumulative transaction area in 2020 fell 1% YoY.

Suggestion:

Affected by the downward adjustment of growth expectations by some developers and the seminar of the MOHURD, the real estate sector experienced a certain decline this week. However, despite the limited overall growth, some developers can still achieve relatively rapid growth relying on their model characteristics. November sales data confirms the increase in internal differentiation among developers. The current low valuations and substantial dividend rates of the aforementioned companies provide investors with better allocation opportunities. Maintain "Overweight" rating.

Overweight

(Maintain)

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1. Real estate sector's year-end opportunities

In the past few years, the real estate sector has seen considerable growth from the end of the year to the beginning of next year. What is the core logic behind it? What is the impact of recent local policy adjustments? How to view the real estates sector's year-end market opportunities this year?

1.1 The logic behind the real estate sector's year-end opportunities

Judging from the situation in the past few years, the real estate sector has shown a certain inverted U-shaped trend throughout the year. Re-examining the real estate sector trend from 2017 to 2019, we found that the sector tends to be at a stage high from the end of the year to the beginning of next year, and then the sector began to pull back in mid-year. By the end of 3Q and the beginning of 4Q, the stock price of the sector began to rebound, which usually lasted until the beginning of the following year, and cycled again. The industry logic behind it deserves attention and research.

Policy margins tend to be more moderate is the main reason for the sector's year-end market. From a fundamental point of view, the real estate industry has seen a trend of "high to low" in the past few years. 4Q is often in a fundamental downward phase, such as the "survival" slogan and price cuts of leading developers in end-2018. **In addition, the stock price's response to the profit factor has become increasingly insensitive.** Therefore, the policy and its expected marginal improvement is the main reason for the start of the real estate market at this point. For example, in October 2018, Guangzhou relaxed the price limit for commercial housing sales, and then Foshan, Zhuhai, Heze and other places fine-tuned the property market policies; the NDRC also extended the validity period of corporate overseas debt approval documents. At the end of 2019, Shenzhen relaxed its "luxury house tax" collection standard and lifted the restriction on sales of commercial apartments; core cities such as Guangzhou, Foshan, Nanjing, and Hangzhou relaxed the restrictions on talents to settle in and purchase houses in 4Q19. Marginally more moderate policies naturally pushed the sector to perform year-end opportunities.

Table 1: At the end of the year, the policy side became more moderate, and the real estate sector showed certain opportunities

Time	Policies	Direction
Mid-2018	Tightened the monetary resettlement of the shed reform; strengthened the supervision of foreign debts of developers; further tightened regulation in cities such as Hangzhou, Shanghai, and Changsha; the July top-level meeting proposed "resolutely curb housing price rise" (坚决遏制房价上涨)	↓
End-2018 and early 2019	Guangzhou, Foshan, Zhuhai, etc. relaxed policies on price restriction and Hukou; the NDRC extended the validity period of approval documents for corporate overseas debt	↑
Mid-2019	Popular cities such as Suzhou and Xi'an have tightened up regulation; the CBIRC has tightened the financing of real estate trusts; the NDRC has clarified that foreign debts of developers can only be used to repay the old	↓
End-2019 and early 2020	Shenzhen relaxed the "luxury house tax" levy standards and abolished sales restrictions on commercial apartments; Guangzhou, Foshan, Nanjing, Hangzhou and other core cities relaxed restrictions on talents to settle in and purchase houses	↑
Mid-2020	Shenzhen, Dongguan, Hangzhou, Ningbo, Nanjing and other popular cities tightened regulation; Han Zheng held a real estate regulation seminar; "three red lines" related financing supervision	↓

Source: Government websites, People.cn, Xinhuanet, CWSI Research

After the "731" in 2018, the regulatory framework for the real estate industry has undergone significant changes. After 2018, the real estate industry's small cycle evolution and sector trends have both seen significant changes. The main reason is the change in the policy framework after the "731" meeting in 2018. From the empirical formula, after the price index of 70 cities has continuously increased by more than 1% from the previous month, the control policies are often tightened, because the goal of the control policies is "to curb the excessive rise in housing prices (遏制房价过快上涨)". However, the top-level meeting at the end of July 2018 put forward for the first time "resolutely curbing housing price rises (坚决遏制房价上涨)", and the difference in one word reflects the changes in the policy framework. As land price increases have a boosting effect on housing prices and the ASP expectations, the excessively rapid increase in land prices after 2018 has become an upside risk for regulation.

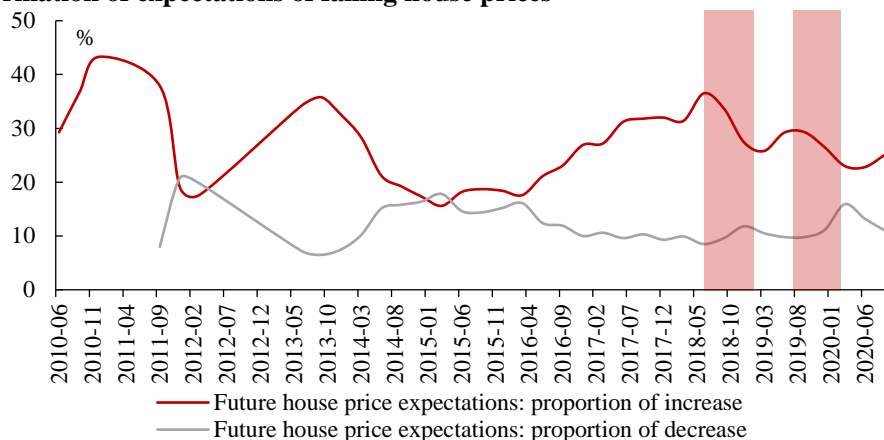
Table 2: After the "731" meeting in 2018, the real estate market policy framework has undergone significant changes

Time	Policy	Original expressions
2010.4	《国务院关于坚决遏制部分城市房价过快上涨的通知》（新国十条）	各地区、各有关部门必须充分认识房价过快上涨的危害性，认真落实中央确定的房地产市场调控政策，采取坚决的措施，遏制房价过快上涨。
2011.1	《国务院办公厅关于进一步做好房地产市场调控工作有关问题的通知》（新国八条）	2011 年各城市人民政府要根据当地经济发展目标、人均可支配收入增长速度和居民住房支付能力，合理确定本地区年度新建住房价格控制目标，并于一季度向社会公布。
2013.2	《国务院常务会议 研究部署继续做好房地产市场调控工作》（新国五条）	各直辖市、计划单列市和除拉萨外的省会城市要按照保持房价基本稳定的原则，制定并公布年度新建商品住房价格控制目标。
2018.7	《中共中央政治局召开会议 分析研究当前经济形势和經濟工作》	下决心解决好房地产市场问题，坚持因城施策，促进供求平衡，合理引导预期，整治市场秩序，坚决遏制房价上涨。

Source: Government websites, Xinhuanet, CWSI Research

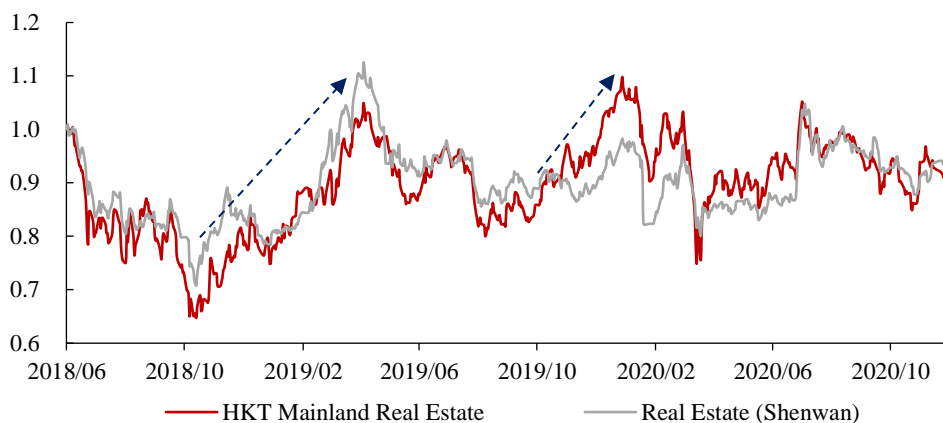
Falling house prices are expected to become a downward risk of regulation, and the real estate sector's year-end opportunities is therefore unfolding. From the perspective of the macro environment and policy objectives, another meaning of "resolutely curbing housing price rises（坚决遏制房价上涨）" is the overall stability of housing prices, because housing price stability is of great significance to the overall economic and financial system stability, and a stable internal environment is also necessary for economic transformation and upgrading, and related content has been discussed in detail in recent working papers of the main leaders of the central bank. From the perspective of time, the top-level meeting will be held at the end of July every year. Naturally, the policy tone will be relatively strict at this time. By the end of the year, after the expectation of falling house prices has gradually formed, local governments will often introduce some measures to stabilize market expectations. For example, in October 2018, Guangzhou eased the price limit measures for commercial housing, only two months after the end of July. Subsequently, the real estate sector started a year-end opportunities that lasted for several months.

Chart 1: The recent marginal relaxation of regulatory policies is mostly after the formation of expectations of falling house prices



Source: Central Bank, CWSI Research

Chart 2: The real estate sector's year-end opportunities tends to appear after the expectation of falling house prices is formed



Source: Wind, CWSI Research; note: take the closing price of 2018/6/6 as the standardized base point

The real estate sector's stock prices are more sensitive to housing price expectations, and sector sentiment is mostly at a low level when housing price decline expectations are formed. In terms of the driving factors of stock prices, investors who play a leading role in asset prices will react faster than other investors, and these investors are more sensitive to the formation of expectations of falling house prices. Therefore, although the attention and sentiment of the sector are often low at the end of the year, the year-end market will start from this point, which is in line with the thinking of reverse investment to some extent.

1.2 What information has been revealed in recent real estate seminars and local policy deviations?

Local control policies have deviated, and the popularity of core cities remains high.

Unlike the past few years, there has been a clear differentiation in local-level policies since 4Q20. Some cities with relatively weak markets, such as Harbin, Zhengzhou, and Zhangzhou, have made some fine-tuning of their regulatory policies; while popular cities such as Xuzhou, Shaoxing, Taizhou, Lishui, and Xi'an have continued to increase regulation since 4Q, and the differentiation between cities has increased significantly, causing a certain deviation in the policy tone between cities at the end of the year. The above phenomenon shows that the popularity of core cities with higher exposure and greater impact on the overall market is still high. At this time, there is not much room for policy adjustments, and the probability of marginal easing of policies is also small.

Table 3: In 4Q20, the property market policies in various places have obviously deviated

Time	City	Policy Summary	Direction
2020.1	Xuzhou	Strengthen the supply of land for commercial housing, strengthen the management of the sales price of commercial housing, strengthen the supervision of decoration behavior and decoration price, implement real estate financial policies, continue to adhere to the policy of restricting commercial housing transactions, and vigorously promote housing guarantees, etc.	↓
2020.1	Shaoxing	Strictly implement the policy of "limiting land prices and competing for supporting construction", strictly implement the "dual filing" system, strictly manage phased sales, strictly regulate market order, and strictly implement main responsibilities, etc.	↓
2020.11	Taizhou	Implement the housing sales restriction policy, and the newly purchased housing (including newly-built commercial housing and second-hand housing) in Taizhou City from the date of implementation of the notice can only be transferred after obtaining the real property certificate for 3 years.	↓
2020.11	Lishui	Strengthen the filing system; for commercial residences that are pre-sold by phases, pre-sale and record prices shall not be increased.	↓
2020.11	Zhengzhou	Encourage and support the choice of diversified resettlement methods such as monetary compensation. If physical resettlement is really needed, the resettlement GFA of physical housing shall not exceed 70 sqm per capita.	↑
2020.11	Zhangzhou	Policies will be introduced to support employees in the districts and college students in purchasing houses.	↑
2020.11	Harbin	Increase the provident fund loan limit, encourage developers to reduce prices and promote sales, give developers incentives for promotions, and allow online signing and filing to be cancelled once, etc.	↑
2020.12	Xi'an	In Xi'an City, households with a housing GFA of 90 sqm or less: For the purchase of a second housing with an GFA of 144 sqm or less, the down payment ratio for commercial loans shall not be less than 40%; for the purchase of a second housing with an GFA of 144 sqm or above, the down payment ratio for commercial loans shall not be less than 50%. There are also corresponding regulations for those who have a housing GFA of more than 90 sqm.	↓

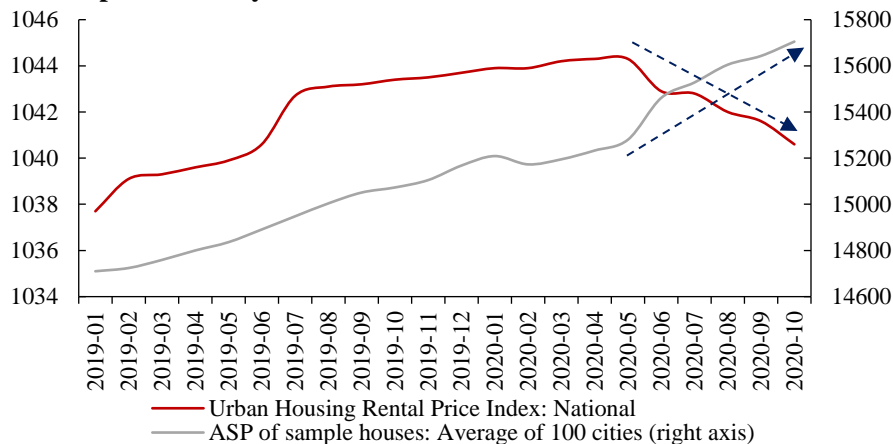
Source: Government websites, People.cn, Xinhuanet, CWSI Research

The meeting of the MOHURD cleared up ambiguous expectations, and the policy continued the tone since the July meeting. According to Xinhua News Agency, Vice Premier Han Zheng of the State Council held a symposium at the MOHURD on December 3, expressing the need to “tighten the string of real estate market regulation at all times, continuously improve the policy toolbox based on actual conditions, and promote the stable and healthy development of the real estate market（时刻绷紧房地产市场调控这根弦，从实际出发不断完善政策工具箱，推动房地产市场平稳健康发展）”. At the symposium at the end of July, it was put forward that “to implement a good real estate financial prudential management system, stabilize the stock, strictly control the increase, and prevent the illegal flow of funds into the real estate market

(要实施好房地产金融审慎管理制度，稳住存量、严控增量，防止资金违规流入房地产市场)”，and then the regulatory authorities introduced the “three red lines”. Related financing regulatory policies. At this point in time, the real estate symposium was held again to continue the previous policy tone and to a certain extent dispel the expectation of loose policy.

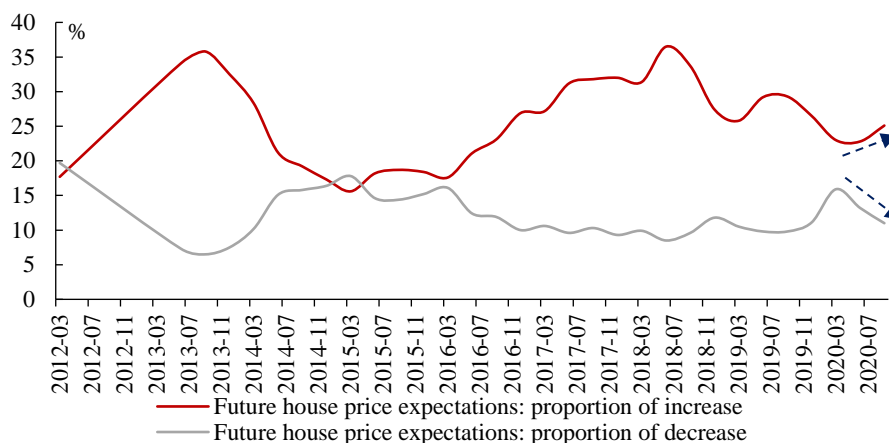
The expected performance of current housing prices makes the policy likely to remain stable. From the perspective of the sales growth rate of the top 100 developers, the cumulative sales growth rate in November continued to increase compared to October, indicating that the market is still at a high level after the epidemic. It is also worth noting that after the 2020 epidemic, the trend of house prices and rents has deviated to a certain extent, the level of housing rents has dropped significantly, and the growth rate of house prices has increased significantly. Since rents more reflect the needs of low- and middle-income groups, while housing prices more reflect the needs of high- and middle-income groups, the above phenomenon indicates that the income and wealth of the main home buyers during the epidemic are relatively unaffected. The expected increase in housing prices also confirms the above logic to a certain extent. Therefore, there is a high probability that the policy will remain stable at the end of this year, and it is not ruled out that some popular cities may tighten regulation.

Chart 3: There has been a certain divergence between housing prices and rents after the epidemic this year



Source: Wind, CWSI Research

Chart 4: The recent ASP is expected to heat up, and the industry policy fabrics will remain stable



Source: Central Bank, CWSI Research

1.3 Summary: real estate sector's year-end opportunities

The economic recovery boosts the valuation of the pro-cyclical sector, and the real estate sector is expected to benefit accordingly. As the epidemic is effectively controlled and vaccine research and development progresses smoothly, China's economy has clearly rebounded from the beginning of the epidemic. According to the investment clock, procyclical sector valuations are expected to be boosted as the economy moves from the recovery phase to the expansion phase. The real estate sector, as a typical procyclical and low-PE sector, can naturally benefit from the overall economic recovery.

Table 4: China's economy is expected to show a significant recovery in 2021

Ratio	2017	2018	2019	2020E	2021E	2022E
Economic						
Real GDP (YoY)	6.90%	6.70%	6.10%	2.00%	8.10%	5.50%
Fixed asset investment (YoY)			5.40%	3.00%	7.00%	5.10%
Retail sales (YoY)			8.00%	-3.20%	12.50%	7.50%
Price index						
CPI (YoY)	1.60%	2.10%	2.90%	2.70%	2.20%	2.30%
PPI (YoY)			-0.30%	-1.90%	1.60%	1.10%
Labour market						
Unemployment rate	3.90%	3.80%	3.60%	3.80%	3.60%	3.60%

Source: Bloomberg, CWSI Research; note: 2020-2022 data is Bloomberg's consensus forecast

Allocation requirements at the end of the year are also expected to promote sector valuation restoration. From the perspective of fund allocation rhythm, investors tend

to allocate more varieties with less crowded transactions at the end of the year to maintain the stability of annual profit and NAV. Due to the combined effect of a variety of reasons, the current valuation of the real estate sector is obviously attractive compared to its performance growth rate. The forecasted PE ratio of some domestic developers in 2021 is close to an extremely low level of 2x. Although the valuation quantile is not the core factor that determines the restoration of the low valuation of the real estate sector, some targets with high dividend yield and stable growth still have good allocation value.

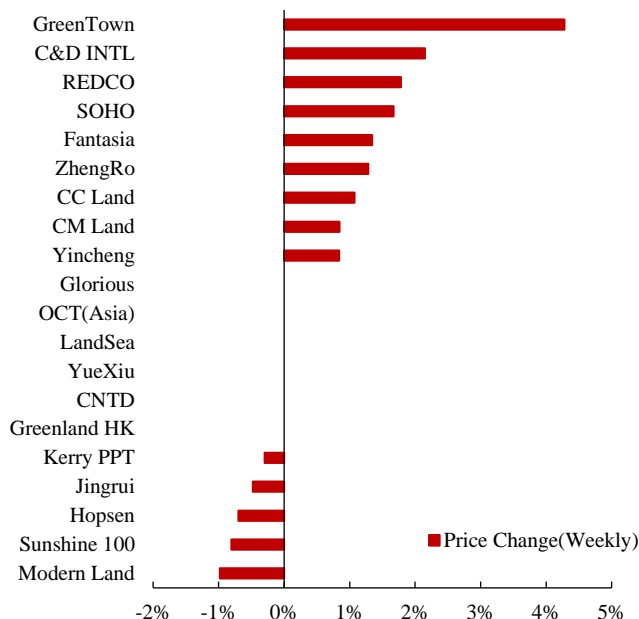
Housing prices are expected to affect the policy tone, and the opportunity may be weaker than in previous years. The difference from previous years is that under the epidemic, the middle- and high-income groups are significantly less affected than the low- and middle-income groups. The popularity of core cities with higher weight and exposure remains high, and housing prices are expected to remain relatively high. The above-mentioned factors have made the policy tone of most core cities remain stable or even continue to tighten. The recent meeting of the MOHURD held by Vice Premier Han Zheng also broke some ambiguous policy expectations. Therefore, this round of year-end opportunities may be weaker than in previous years, and the trend of the market is still waiting for the expected change in housing prices.

2. Sector Performance

2.1 Performance of developer sector

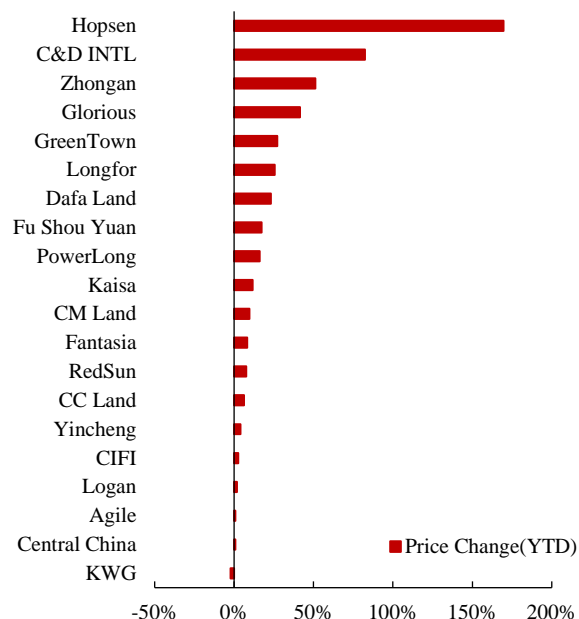
This week, GreenTown, C&D INTL and REDCO had larger price increase than peers. Hopsen, C&D INTL and Zhongan had better share price performance, YTD.

Chart 5: This week, GreenTown, C&D INTL and REDCO had larger price increase than peers



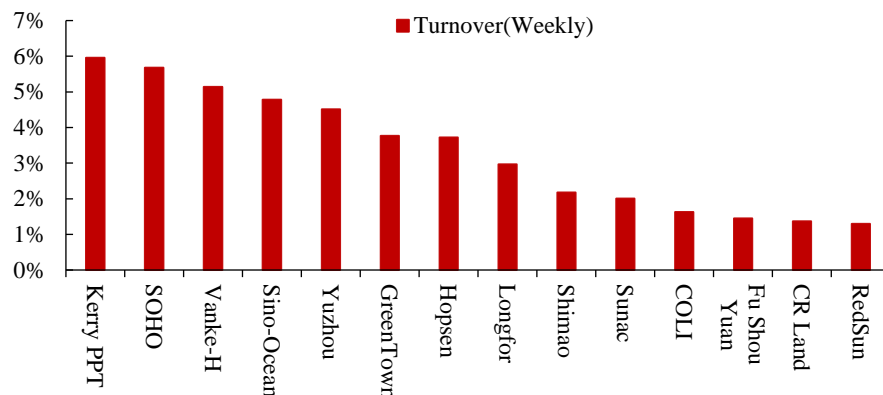
Source: Wind, CWSI Research

Chart 6: Hopsen, C&D INTL and Zhongan had better share price performance, YTD



Source: Wind, CWSI Research

Chart 7: Kerry PPT, SOHO and Vanke-H were most actively traded this week

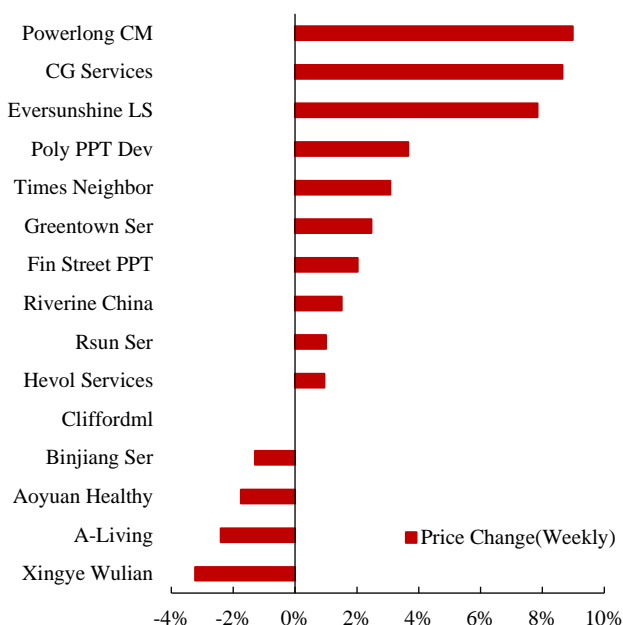


Source: Wind, CWSI Research

2.2 Performance of property management sector

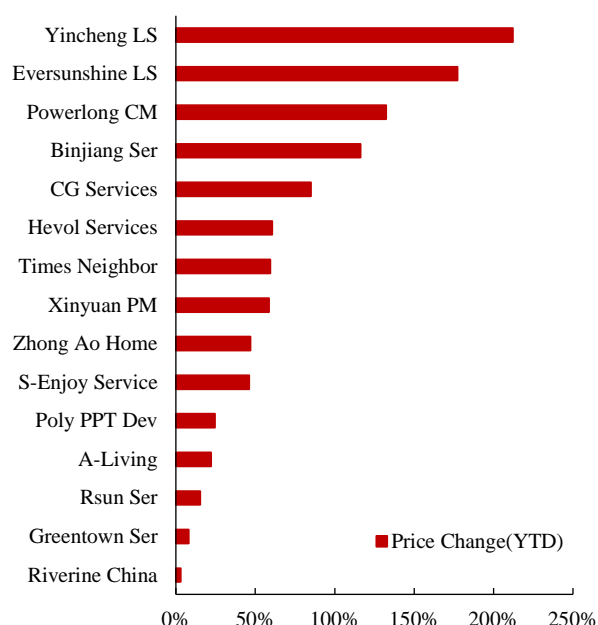
This week, Powerlong CM, CG Services and Eversunshine LS had larger price increase than peers. Yincheng LS, Eversunshine LS and Powerlong CM had better share price performance YTD.

Chart 8: This week, Powerlong CM, CG Services and Eversunshine LS had larger price increase than peers



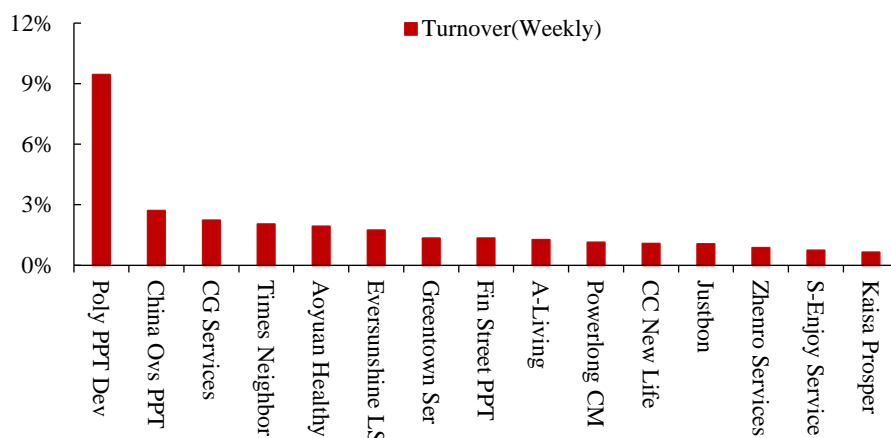
Source: Wind, CWSI Research

Chart 9: Yincheng LS, Eversunshine LS and Powerlong CM had better share price performance YTD



Source: Wind, CWSI Research

Chart 10: Poly PPT Dev, China Ovs PPT and CG Services 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	yoy
Beijing	222,659	-28%	102%	1,002	50%	92%	132	63%	43%	7,002	8%
Shanghai	282,400	6%	9%	1,234	-17%	7%	140	-28%	1%	12,588	-1%
Guangzhou	411,573	3%	132%	1,545	23%	84%	183	583%	207%	10,253	21%
Shenzhen	136,875	-5%	37%	618	24%	81%	88	13%	52%	4,042	25%
Tier 1	1,053,507	-6%	63%	4,398	12%	54%	543	43%	56%	33,885	10%
Tier 2	2,974,553	10%	-10%	11,669	7%	-6%	1,912	30%	12%	111,717	-1%
Tier 3	2,377,928	-13%	5%	11,120	-14%	18%	1,141	-21%	-15%	109,538	1%
Beijing	222,659	↓ -28%	↑ 102%	1,002	↑ 50%	↑ 92%	132	↑ 63%	↑ 43%	7,002	↑ 8%
Qingdao	357,122	↓ -15%	↓ -35%	1,489	↑ 4%	↓ -11%	194	↑ 29%	↓ -13%	14,144	↑ 5%
Jinan	148,421	↓ -48%	↓ -21%	1,010	↓ -8%	↑ 25%	3	↓ -98%	↓ -97%	10,220	↑ 11%
Dongying	66,859	↓ -82%	↑ 105%	813	↑ 56%	↑ 297%	38	↓ -55%	↑ 45%	4,676	↑ 179%
PBR	795,060	↓ -43%	↓ -9%	4,315	↑ 16%	↑ 34%	367	↓ -16%	↓ -17%	36,042	↑ 17%
Shanghai	282,400	↑ 6%	↑ 9%	1,234	↓ -17%	↑ 7%	140	↓ -28%	↑ 1%	12,588	↓ -1%
Nanjing	325,616	↑ 29%	↑ 4%	1,052	↓ -3%	↑ 39%	260	↑ 9%	↑ 49%	9,077	↑ 21%
Hangzhou	208,724	↑ 194%	↓ -36%	741	↑ 19%	↓ -32%	165	↑ 296%	↑ 19%	7,726	↑ 3%
Suzhou	212,974	↑ 8%	↑ 6%	712	↑ 0%	↓ -16%	159	↑ 262%	↑ 15%	9,950	↑ 6%
Wuxi	144,600	↓ -2%	↓ -21%	531	↑ 19%	↓ -7%	0	↓ -100%	-	5,553	↓ -20%
Yangzhou	33,744	↓ -12%	↓ -27%	250	↓ -10%	↑ 25%	34	↓ 0%	↓ -18%	2,365	↑ 14%
Jiangyin	24,013	↓ -8%	↓ -72%	130	↑ 86%	↓ -54%	10	↑ 161%	↓ -58%	2,478	↓ -15%
Wenzhou	380,398	↑ 92%	↑ 74%	1,025	↓ -7%	↑ 7%	118	↓ -21%	↓ -9%	11,139	↓ -3%
Jinhua	38,315	↓ -15%	↓ -3%	223	↓ -5%	↑ 35%	19	↓ -45%	↓ -24%	2,199	↑ 24%
Changzhou	20,418	↓ -63%	↓ -84%	175	↑ 42%	↓ -61%	14	↓ -22%	↓ -82%	2,591	↓ -44%
Huaian	64,516	↓ -32%	↓ -39%	439	↓ -23%	↑ 8%	44	↓ -25%	↓ -32%	4,334	↓ -7%
Lianyungang	132,298	↓ -5%	↑ 5%	568	↓ -18%	↑ 9%	89	↓ -3%	↓ -18%	6,051	↓ -3%
Shaoxing	48,943	↑ 121%	↓ -3%	140	↓ -26%	↓ -32%	39	↑ 52%	↑ 89%	2,267	↑ 5%
Zhenjiang	113,838	↓ -24%	↓ -17%	598	↓ -3%	↑ 7%	49	↓ -13%	↓ -34%	5,878	↓ -18%
Jiaxing	75,914	↑ 81%	↑ 160%	306	↓ -17%	↑ 75%	70	↑ 12%	↑ 401%	3,096	↑ 23%
Wuhu	64,342	↓ -26%	↑ 62%	350	↓ -14%	↑ 155%	31	↓ -52%	↑ 13%	2,402	↑ 31%
Yancheng	110,958	↑ 14%	↑ 74%	420	↑ 5%	↑ 33%	-	-	-	3,613	↑ 7%
Zhoushan	28,529	↑ 4%	↑ 36%	104	↓ -45%	↑ 27%	13	↓ -11%	↑ 20%	1,281	↑ 19%
Chizhou	19,503	↑ 46%	↑ 8%	68	↓ -23%	↑ 5%	15	↑ 28%	↑ 2%	786	↓ -33%
Ningbo	187,216	↑ 30%	↑ 62%	658	↓ -5%	↑ 12%	105	↑ 127%	↑ 53%	7,470	↑ 6%
YRD	2,517,260	↑ 19%	↑ 0%	9,726	↓ -6%	↑ 2%	1,376	↑ 5%	↑ 3%	102,844	↓ -1%
Guangzhou	411,573	↑ 3%	↑ 132%	1,545	↑ 23%	↑ 84%	183	↑ 583%	↑ 207%	10,253	↑ 21%
Shenzhen	136,875	↓ -5%	↑ 37%	618	↑ 24%	↑ 81%	88	↑ 13%	↑ 52%	4,042	↑ 25%
Fuzhou	45,687	↓ -27%	↑ 32%	286	↑ 18%	↑ 110%	23	↓ -38%	↓ -7%	2,544	↑ 4%
Dongguan	276,094	↑ 35%	↑ 121%	847	↑ 10%	↑ 71%	135	↑ 109%	↑ 159%	6,600	↑ 34%
Quanzhou	47,060	↓ -40%	↑ 32%	262	↓ -42%	↑ 51%	23	↓ -47%	↑ 53%	2,752	↓ -12%
Putian	42,536	↓ -24%	↑ 54%	177	↓ -21%	↑ 57%	22	↑ 7%	↑ 153%	1,591	↓ -16%
Huizhou	122,651	↑ 92%	↑ 33%	460	↑ 1%	↑ 34%	122	↑ 70%	↑ 138%	3,024	↑ 14%
Shaoguan	26,749	↓ -27%	↑ 14%	112	↓ -41%	↓ -6%	9	↓ -15%	↓ -12%	1,602	↑ 8%
Foshan	299,647	↓ -8%	↑ 25%	1,314	↓ -9%	↑ 56%	149	↑ 12%	↑ 51%	11,736	↓ -3%
Jiangmen	26,352	↓ -39%	↓ -8%	136	↓ -22%	↑ 27%	8	↓ -23%	↓ -54%	1,313	↑ 23%
PRD & Southern China	1,435,224	↑ 2%	↑ 62%	5,757	↑ 1%	↑ 64%	763	↑ 54%	↑ 93%	45,457	↑ 10%
Taian	67,067	↓ -4%	↑ 43%	300	↓ -23%	↑ 51%	32	↓ -15%	↑ 4%	2,583	↑ 7%
Northern China	67,067	↓ -4%	↑ 43%	300	↓ -23%	↑ 51%	32	↓ -15%	↑ 4%	2,583	↑ 7%
Wuhan	630,693	↑ 3%	↓ -5%	2,561	↓ -3%	↑ 9%	358	↑ 16%	↑ 2%	17,000	↓ -20%
Yueyang	26,184	↓ -34%	↓ -28%	165	↓ -35%	↑ 11%	17	↓ -39%	↑ 9%	2,150	↑ 12%
Baoji	64,876	↑ 58%	↓ -33%	329	↓ -16%	↓ -32%	39	↓ -22%	↓ -48%	3,221	↑ 4%
Ganzhou	150,042	↓ -1%	↓ -19%	654	↓ -36%	↓ -20%	69	↓ -53%	↓ -50%	7,787	↓ -9%
Central China	871,795	↑ 3%	↓ -12%	3,710	↓ -14%	↓ -2%	483	↓ -9%	↓ -17%	30,158	↓ -14%
Chengdu	441,285	↑ 25%	↑ 3%	1,947	↑ 33%	↑ 6%	431	↑ 59%	↑ 26%	20,224	↑ 13%
Liuzhou	133,752	↓ -12%	↑ 3%	590	↓ -39%	↑ 10%	62	↓ 0%	↓ -9%	6,404	↑ 10%
Nanning	144,543	↓ -38%	↓ -58%	843	↑ 6%	↓ -59%	81	↓ -48%	↓ -60%	11,428	↓ -19%
Western China	719,581	↓ -2%	↓ -20%	3,380	↑ 5%	↓ -23%	575	↑ 17%	↓ -6%	38,057	↑ 0%
Total	6,405,988	-2%	3%	27,188	-2%	10%	3,595	9%	6%	255,140	1%
Num. of cities Up		17	25		16	31		18	23		27
Num. of cities Down		25	17		26	11		22	17		15

Source: Local governments, CWSI Research; Note: Till 2020/12/4

Table 6: Major cities inventory period was 12.1 months this week

City	Inventory (sqm 000)	wow	yoy	Inventory period	Last week	wow	yoy
Beijing	12,234	0%	12%	12.2	12.1	1%	-41%
Shanghai	7,217	6%	-5%	5.8	5.0	18%	-11%
Guangzhou	9,325	3%	27%	6.0	6.1	-1%	-31%
Shenzhen	3,018	12%	12%	4.9	4.3	12%	-38%
Tier 1 Average		6%	12%	7.2	6.9	8%	-30%
Hangzhou	4,491	1%	34%	6.1	7.5	-20%	96%
Nanjing	7,130	-3%	30%	6.8	7.1	-5%	-7%
Suzhou	8,590	3%	47%	12.1	14.0	-14%	75%
Fuzhou	6,543	0%	81%	22.8	21.0	9%	-14%
Jiangyin	4,605	0%	13%	35.5	34.5	3%	147%
Wenzhou	12,358	-1%	21%	12.1	13.6	-11%	13%
Quanzhou	6,966	0%	2%	26.6	24.5	9%	-32%
Ningbo	2,589	-6%	-23%	3.9	4.7	-16%	-31%
Dongying	1,688	-2%	5%	2.1	1.9	7%	-74%
Overall Average		1%	20%	12.1	12.0	-1%	4%

Source: Local governments, CWSI Research; Note: Till 2020/12/4; Average WoW and average YoY are defined as average change of each city

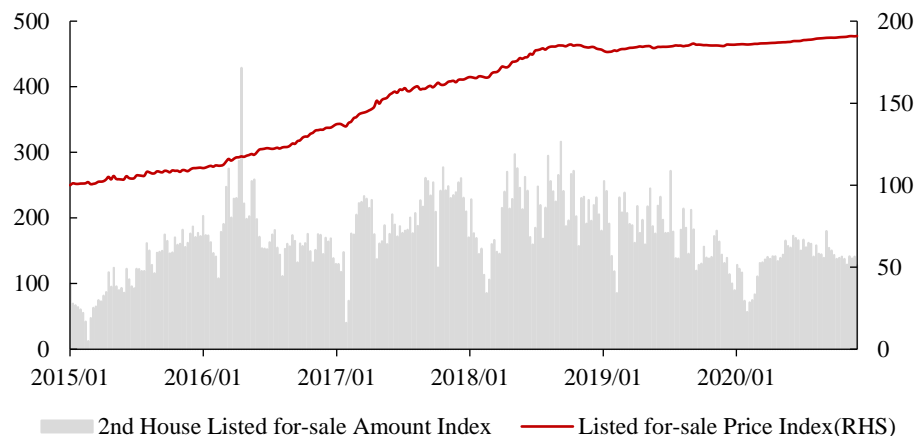
3.2 Second-hand house transaction and price data

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

City	Last 7 days			Last 30 days			Month to date			Year to date	
	sqm	wow	yoy	sqm 000	mom	yoy	sqm 000	mom	yoy	sqm 000	yoy
Beijing	367,302	↓ -3%	↑ 37%	1,620	↑ 22%	↑ 49%	238	↑ 40%	↑ 30%	13,385	↑ 17%
Shenzhen	112,379	↓ -9%	↓ -27%	506	↓ -1%	↓ -27%	88	↑ 42%	↓ -25%	7,567	↑ 35%
Hangzhou	158,274	↓ -1%	↑ 82%	599	↑ 12%	↑ 74%	79	↑ 51%	↑ 91%	5,346	↑ 21%
Nanjing	222,388	↓ -4%	↑ 16%	899	↓ -3%	↑ 6%	164	↑ 34%	↑ 21%	9,323	↑ 35%
Chengdu	44,564	↓ -44%	↓ -81%	330	↑ 17%	↓ -62%	42	↑ 22%	↓ -74%	4,406	↓ -56%
Qingdao	119,442	↓ -2%	↑ 32%	526	↑ 13%	↑ 28%	88	↑ 25%	↑ 23%	5,018	↑ 19%
Wuxi	107,044	↓ -19%	↓ -6%	503	↑ 5%	↓ -15%	82	↑ 34%	↑ 3%	5,815	↓ -1%
Suzhou	104,785	↓ -12%	↓ -9%	547	↑ 13%	↓ -7%	81	↑ 40%	↓ -5%	5,409	↓ -42%
Xiamen	83,221	↓ -9%	↑ 51%	372	↑ 25%	↑ 52%	60	↑ 58%	↑ 38%	3,195	↓ -6%
Yangzhou	18,334	↓ -18%	↓ -2%	96	↓ -9%	↑ 9%	14	↓ -9%	↓ -5%	1,012	↓ -1%
Dongguan	46,779	↑ 7%	↓ -31%	204	↑ 1%	↓ -31%	36	↑ 23%	↓ -28%	2,602	↓ -12%
Nanning	45,433	↓ -17%	↓ -56%	214	↑ 23%	↓ -45%	32	↑ 9%	↓ -61%	2,435	↓ -21%
Foshan	170,555	↑ 3%	↑ 64%	741	↑ 9%	↑ 71%	136	↑ 42%	↑ 80%	6,014	↑ 11%
Jinhua	45,225	↓ -30%	↓ -21%	245	↑ 4%	↑ 3%	32	↓ -25%	↓ -39%	2,425	↑ 60%
Jiangmen	12,210	↓ -50%	↑ 25%	85	↑ 16%	↑ 220%	9	↑ 20%	↑ 4%	781	↓ -3%
Total	1,657,935	-8%	-1%	7,486	10%	5%	1,182	33%	-2%	74,734	-1%
Num. of cities Up		2	7		12	9		13	8		7
Num. of cities Down		13	8		3	6		2	7		8

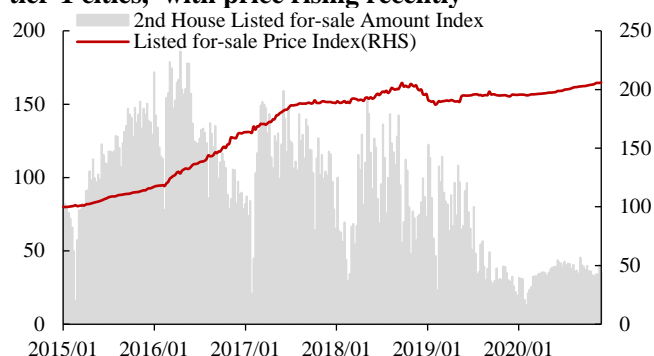
Source: Local governments, CWSI Research; Note: Till 2020/12/4

Chart 11: 2nd house listed for-sale price index rose slightly recently



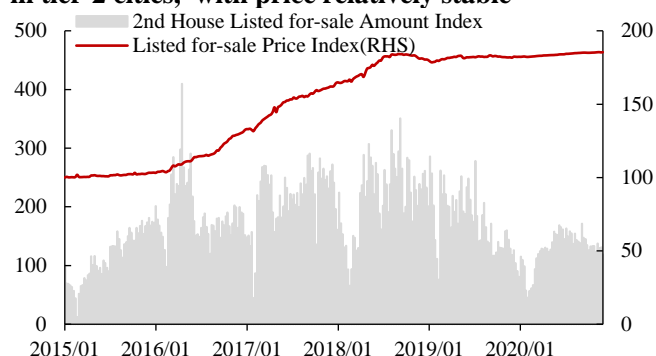
Source: Local Government, CWSI Research; Note: Till 2020/11/29

Chart 12: 2nd house listed for-sale amount index rose in tier-1 cities, with price rising recently



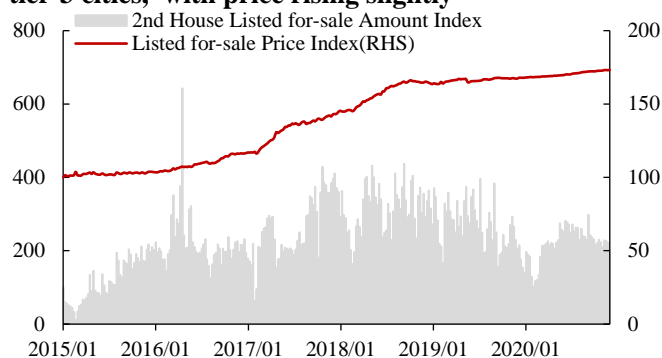
Source: Local Government, CWSI Research; Note: Till 2020/11/29

Chart 13: 2nd house listed for sale amount index rose in tier-2 cities, with price relatively stable



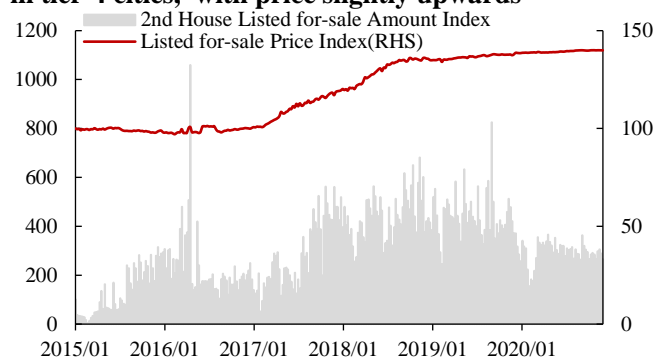
Source: Local Government, CWSI Research; Note: Till 2020/11/29

Chart 14: 2nd house listed for-sale amount index rose in tier-3 cities, with price rising slightly



Source: Local Government, CWSI Research; Note: Till 2020/11/29

Chart 15: 2nd house listed for-sale amount index rose in tier-4 cities, with price slightly upwards



Source: Local Government, CWSI Research; Note: Till 2020/11/29

4. Important Policies and News

4.1 Important Industry Policies News This Week

Table 8: Important Industry Policies News This Week: Guo Shuqing pointed out that real estate is the biggest "gray rhino" in terms of financial risks in China at this stage

Date	Region / Institution	Summary
2020-11-30	Tianjin	Tianjin issued the "Recommendations of the CPC Tianjin Municipal Committee on Formulating the Fourteenth Five-Year Plan for Tianjin's National Economic and Social Development and the Long-term Goals for 2035", proposing that the planning and construction of the Xiong'an New District and the Beijing Sub-center will be promoted, expanding the pilot free trade zone, promoting the functional upgrade of the comprehensive bonded zone, and vigorously developing offshore trade, bonded research and development, automobile trade, bonded maintenance and other international trade formats.
2020-11-30	Shenzhen	Withdrawal of housing provident fund for home purchases in other cities is limited to the purchase of houses in Guangdong Province or where the employees and their spouses are registered.
2020-12-01	Regulatory Authority	Guo Shuqing, party secretary of the Central Bank and chairman of the CBIRC, stated in his article that real estate is the biggest "gray rhino" in terms of financial risks in China at this stage. It is necessary to resolutely curb the real estate bubble and grasp the boundaries of financial innovation.
2020-12-01	Xi'an	Proposed to strengthen the management of pre-sales of commercial housing and give full play to the role of differentiated credit regulation. The down payment ratio of commercial loans for second homes will be raised to up to 70%.
2020-12-01	Wenshan	Adhere to the principle of "housing for living, not for speculation", continue to support the consumption of self-occupied and improved housing, and curb speculative house purchases. At the same time, it is proposed to increase the effective supply of ordinary commercial housing, optimize land supply, strengthen post-approval management, promote the construction of affordable housing, and strengthen real estate market supervision.
2020-12-01	Hainan	The people's governments of cities and counties may adopt the method of renting first and then selling to provide land for all kinds of industrial projects that meet the requirements of the national and Hainan Province industrial policies, excluding commercial residential projects.
2020-12-02	Hebei	Starting from December 15, 2020, Hebei Province will fully launch the housing provident fund for personal housing loans in other places.
2020-12-03	The State Council	Vice Premier Han Zheng of the State Council held a symposium at the MOHURD and emphasized that real estate should not be used as a short-term means of stimulating the economy, and that the string of real estate market regulation should be tightened at all times, and the policy toolbox should be continuously improved based on actual conditions.
2020-12-03	MOHURD	Will promote and support property management companies to actively explore the "property service + elderly care service" model, and effectively increase the effective supply of elderly care services in the home community. At the same time, it is proposed to encourage commercial insurance, funds, trusts, social security funds and other funds to invest in home community pension service projects, and reduce the debt ratio of property service companies.

Source: Wind, Government website, CWSI Research

4.2 Company news and announcements

Table 9: Company news and announcements: Longfor conducts placement financing; Multiple developers carried out debt financing activities

Date	Company	Summary
2020-11-30	Aoyuan Healthy	Terminated the acquisition of the target equity of Zhejiang Liantianmei Enterprise Management Co., Ltd.
2020-11-30	Zhongliang	Issued USD 150mn aggregate principal amount of 8.875% senior notes due 2021 (to be consolidated and form a single class with the USD 50mn 8.875% senior notes due 2021 issued on 23 November 2020)
2020-11-30	Sunac	The Maximum Acceptance Amount for the offer to purchase the outstanding 8.375% senior notes due 2021 shall be USD 320 mn.
2020-12-01	Kaisa	The Purchase Price payable to the Eligible Holders whose notes are accepted for purchase will be equal to US\$1,006 per US\$1,000 principal amount of the 6.75% 2021 Notes and US\$1,018 per US\$1,000 principal amount of the 11.75% 2021 Notes.
2020-12-02	Longfor	The company placed 100 mn shares at HKD 47.0 per share, accounting for approximately 1.66% of the total issued shares and approximately 1.65% of the total shares pending completion of the subscription. The net proceeds from the subscription will be used as the company's general working capital.
2020-12-02	Kaisa	Issued USD 250 mn 6.5% senior notes due 2021.
2020-12-03	Gemdale	In November 2020, the company obtained 4 real estate projects in Kunming, Shenzhen, Lishui and Zhangzhou.
2020-12-03	YueXiu	In November 2020, the company obtained 1 real estate project in 1 city in Yantai.
2020-12-03	Zoina	In November 2020, the company obtained 10 real estate projects in 8 cities including Nanjing, Suzhou and Nantong.
2020-12-03	Risesun	In November 2020, the company obtained 11 real estate projects in 5 cities including Tangshan, Langfang and Lu'an.
2020-12-04	Future Land	In November 2020, the company obtained 13 real estate projects in 10 cities including Nantong, Suqian and Changzhou.
2020-12-04	COLI	In November 2020, the company obtained 4 real estate projects in Nanjing, Harbin, Zhuhai, and Shenzhen.
2020-12-04	E-House	Issued USD 200 mn 7.60% senior notes due 2023.
2020-12-04	Vanke	In November 2020, the company obtained 18 real estate projects in 13 cities including Foshan, Yancheng and Nantong.

Source: Company announcements, CWSI Research

4.3 Key sales data announced this week

Table 10: Key sales data announced this week

Company	RIC	Jan-Nov contracted sales		Jan-Nov contracted GFA		Nov contracted sales		Nov contracted GFA	
		(RMB bn)	YoY	(000 sqm)	YoY	(RMB bn)	YoY	(000 sqm)	YoY
EverGrande	3333.HK	678.7	16.9%	75754	34.5%	46.1	24.3%	5090	31.7%
Vanke	000002.SZ	602.6	5.1%	40253	8.9%	57.5	5.5%	3944	8.2%
Sunac	1918.HK	520.5	4.0%	37512	9.3%	69.4	4.1%	5172	12.3%
COLI	0688.HK	320.9	10.0%	17146	4.8%	34.8	65.2%	1729	56.2%
Shimao	0813.HK	262.8	15.4%	14983	17.3%	31.5	3.3%	1794	0.6%
Future Land	601155.SH	219.9	10.8%	20290	-7.3%	29.1	20.1%	2520	10.4%
Gemdale	600383.SH	205.3	17.2%	10050	12.2%	15.2	12.9%	788	20.3%
Jinmao	0817.HK	200.3	35.1%	10175	49.6%	20.0	63.5%	770	21.0%
Zoira	000961.SZ	195.1	14.1%	14637	9.0%	26.8	13.5%	1953	7.7%
Zhongliang	2772.HK	148.7	13.9%	11866	-4.6%	18.0	12.5%	1442	-3.3%
Ronshine	3301.HK	133.7	6.0%	6224	+2.6%	18.8	10.1%	943	9.3%
ZhenRo	6158.HK	124.8	7.1%	7917	5.5%	15.0	11.4%	925	12.6%
R&F	2777.HK	117.3	-2.6%	9930	-11.4%	14.6	6.5%	1219	-4.5%
Agile	3383.HK	115.8	6.1%	8638	5.1%	11.0	24.3%	857	12.2%
Aoyuan	3883.HK	113.8	12.3%	-	-	15.3	20.6%	-	-
Risesun	002146.SZ	102.2	10.2%	9442	7.8%	17.4	10.0%	1701	13.1%
Sinicdc	2103.HK	98.9	-	7022	-	15.3	-	-	-
China SCE	1966.HK	90.4	28.4%	6461	17.1%	10.2	6.1%	1021	80.8%
Kaisa	1638.HK	90.2	20.1%	5214	27.6%	12.5	4.4%	711	16.2%
YueXiu	0123.HK	84.4	40.0%	3351	19.8%	11.1	42.0%	415	15.8%
Gemdale PPT	0535.HK	64.3	22.5%	2752	5.9%	3.6	19.3%	-	-39.9%
Dexin	2019.HK	55.1	35.0%	2584	13.6%	7.7	64.1%	154	84.0%
Fantasia	1777.HK	43.2	41.5%	2988	8.9%	5.0	21.1%	286	17.3%
Modern Land	1107.HK	37.0	16.4%	3612	18.6%	5.0	42.3%	495	39.5%
Dafa Land	6111.HK	26.3	-	1756	-	-	-	-	-
Jingrui	1862.HK	22.0	6.6%	1023	3.2%	3.1	0.5%	161	0.0%
Yincheng	1902.HK	16.2	-2.4%	921	-1.1%	2.1	16.2%	124	16.2%
KWG	1813.HK	-	-	-	-	12.3	42.1%	723	38.0%
Country Garden	2007.HK	-	-	-	-	57.1	5.0%	6610	9.0%

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

Note:

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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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