

## This Week in China

### C-REITs: Investment value and analysis

#### *Topic of the week:*

**Investment characteristics: equipped with characteristics of stock and bond yields, considerable long-term yields in developed markets.** Similar to stocks and bonds, the investment income of REITs comes from distribution income (similar to stock dividends) and asset price changes. In terms of income distribution, similar to overseas, the income distribution of C-REITs shall not be less than 90% of the annual distributable amount, which provides investors with a relatively stable recurring income. From the perspective of total return, the long-term performance of US REITs is outstanding. According to NAREIT data, the CAGR of equity REITs in the FTSE NAREIT Index for from 1972 to the end of April 2021 reached 11.7%, outperforming the S&P 500, Nasdaq and DJI.

**Investment value: More attention should be paid to the distributable amount rather than net profit. Core competence lies on underlying asset class and operational management capabilities.** 1) **Distributable amount:** The distributable amount of REITs is affected by continuing operations, since it has been adjusted for non-cash and non-recurring items. The increase in NPI comes from the increase in income or the decline in property operating expenses. Based on the experience of overseas REITs such as Link, outstanding asset management, portfolio management and capital control capabilities can bring a premium to REITs. 2) **Valuation:** P/FFO as an important valuation indicator for the comparison among REITs in the US. The calculation method of FFO is similar to the distributable amount of REITs in HK and the Mainland. Similar to the PE of equity assets, the valuation of REITs is also affected by factors such as the underlying asset class (similar to equity assets in different industries) and growth expectations.

**The space for active management of C-REITs with logistics and industrial parks as the underlying assets may be relatively larger, and C-REITs' management capability remains to be seen.** Some of the underlying assets in C-REITs are franchise rights, and the space for active management is relatively small, which is more similar to fixed-income assets. For C-REITs that use logistics and industrial parks as their underlying assets, the ability of active management will have a greater impact on their growth, although the active management capabilities of this batch of C-REITs remain to be seen; on the other hand, in addition to the acquisition of third-party properties, there are also REITs that expand the scale of assets through asset injection (CapitalLand, etc.), the sponsors with potential injectable assets may further support the growth of the corresponding C-REIT.

#### *Data points:*

As of May 28<sup>th</sup>, new house transaction area in 42 major cities this week decreased 10% WoW, and cumulative transaction area in 2021 increased 61% YoY.

As of May 28<sup>th</sup>, saleable area (inventory) in 13 major cities this week decreased 0.2% WoW; average inventory period was 12.6 months, average WoW change was -4%.

As of May 28<sup>th</sup>, second-hand housing transactions in 15 major cities this week increased 2% WoW, and cumulative transaction area in 2020 increased 42% YoY.

#### *Suggestion:*

This week, some tier-1 cities have introduced regulatory policies on the demand side of home purchases. Shenzhen intends to tighten the talent settlement policy, Shanghai strengthens the identification of the number of home purchases, and the Shanghai provident fund will be used for purchases in Suzhou and Jiaxing, etc., may optimize the structure of house buyers, stabilize house price expectations, and further guide the healthy development of housing consumption. Maintain "Overweight" rating.

**Overweight**  
(Maintain)

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## 1. C-REITs: Investment value and analysis

Recently, the first batch of 9 C-REITs has entered the final stage. What are the investment characteristics of C-REITs? How to analyze its investment value?

### 1.1 Investment characteristics: equipped with characteristics of stock and bond yields, considerable long-term yields in developed markets

**Compared with stocks and bonds: investment income also comes from distribution income and asset price changes.** Similar to stocks and bonds, the investment income of REITs comes from distribution income (similar to stock dividends) and asset price changes. The overseas developed REITs market usually requires REITs to distribute a certain percentage of the income to investors. For example, the United States requires 90% of taxable income and Hong Kong requires 90% of the distributable income to be used for distribution. The “Guidelines for Infrastructure REITs” in China also stipulates that the income distribution ratio shall not be less than 90% of the annual distributable amount. According to NAREIT data, in the long run, about half of the total income of US REITs investment comes from dividends, compared to less than one-fourth for the S&P 500.

**REITs in developed markets have considerable long-term yields.** From the perspective of total return, US REITs performed most prominently from the beginning of 2021 to the end of April and the long-term. According to NAREIT data, the CAGR of FTSE NAREIT Index for more than forty years from 1972 to the end of April 2021 reached 11.7%, outperforming the S&P 500, Nasdaq Index and DJI. As far as C-REITs is concerned, the prospectus of Boshi China Merchants Shekou Industrial Park REIT mentioned that “the expected return and the expected risk level are higher than bond funds and currency funds, but lower than stock funds”.

**Table 1: U.S. equity REITs have outstanding long-term average annual compound returns**

Time	FTSE NAREIT		S&P 500	Russell 2000	Nasdaq Composite	Dow Jones Industrial Average
	All REITs	All Equity REITs				
2021: YTD	17.0%	17.1%	11.8%	15.1%	8.6%	11.3%
1-Year	35.5%	33.4%	46.0%	74.9%	58.3%	42.1%
3-Year	13.0%	13.5%	18.7%	15.2%	26.7%	14.5%
5-Year	9.2%	9.3%	17.4%	16.5%	25.2%	16.5%
10-Year	9.6%	9.7%	14.2%	11.6%	18.5%	13.0%
15-Year	7.2%	7.6%	10.3%	9.0%	12.7%	10.3%
20-Year	10.4%	10.7%	8.4%	9.5%	9.9%	8.5%
25-Year	10.2%	10.6%	9.8%	9.2%	10.4%	7.5%
30-Year	10.5%	10.9%	10.6%	10.5%	11.9%	8.6%
35-Year	9.2%	10.2%	11.0%	9.7%	10.8%	8.8%
40-Year	10.1%	11.5%	11.8%	10.4%	11.0%	9.2%
1972 - 2021	9.7%	11.7%	11.0%	-	8.8%	7.7%

Source: NAREIT, CWSI Research; note: for periods ending April 30, 2021; returns in italics are price-only

**Compared with directly holding the underlying assets: stronger liquidity, dispersion and transparency.** The underlying assets of C-REITs include real estate and franchising. Real estate includes industrial parks and logistics, and franchising includes sewage treatment and expressway toll rights. On the one hand, before financing through REITs, the threshold for investors to invest in the above projects is relatively high and the number of investors is relatively small. The development of C-REITs can make it easier for investors to participate in the investment of corresponding projects. On the other hand, compared to directly holding the underlying assets, holding part of the equity in the underlying assets through REITs can bring investors stronger liquidity (more participants and easier trading of shares), diversification (smaller unit share, the same total amount of funds can hold partial shares of multiple projects) and transparency (underlying asset valuation, operating conditions, etc. are regularly disclosed), and may play an important role in the investor's own asset allocation.

**REITs have become an important asset class in some countries and regions.** REITs have gone through decades of development in the United States, Japan, Singapore, Hong Kong, etc., and are important asset classes in the capital markets of the above-mentioned regions. For example, the United States has the earliest and most mature REITs market. As of the end of April 2021, the market value of the components of the FTSE NAREIT US Real Estate Index reached 1.4 trillion US dollars. At present, C-REITs are steadily advancing, and the CSRC has also proposed to "properly and steadily advance the scope of pilot infrastructure public offering REITs". China's REITs are also expected to gradually become an important choice for investors' asset allocation.

## **1.2 Investment value: focus on the underlying asset class and operational capabilities**

### **1.2.1 Distributable amount: an important indicator of REITs**

**When analyzing REITs, more attention should be paid to distributable amount rather than net profit.** Just as stock dividends are based on current profits and dividend payout ratios, and equity asset price changes can be split into earnings and valuations, for REITs, the distribution of income is based on current distributable amounts and distribution ratios, and changes in REITs prices can also adopt corresponding relative valuation method. Different from the financial statements of equity assets, REITs need to disclose the distribution table in addition to the three tables, showing the distributable amount and distribution status.

**The distributable income is obtained by adjusting some non-recurring items and non-cash items in the current net profit.** Take Link, which has the largest market capitalization among H-REITs, as an example. In FY2019/20, the profit attributable to the unitholders of Link (similar to the net profit attributable to parent in the general income statement) was HKD-17.31 bn. Adjust the fair value changes of investment properties attributable to unitholders, the proceeds from the sale of investment properties, related depreciation and amortization, etc., and then add the amount of discretionary distributions, we can get the total distributable amount of HKD5.97 bn. The actual amount distributed during the year was HKD5.97 bn, with a distribution ratio of 100%.

**Table 2: Overview of main items of Link's Income Statement and Distribution Statement for FY 2019/20**

Financial Statement	Items	Link-FY19/20 HKD'm
Consolidated Income Statement	Revenue	10,718
	Property operating expenses	-2,498
	<b>Net property income</b>	<b>8,220</b>
	General and administrative expenses	-416
	Change in fair values of investment properties	-23,948
	Gains on disposals of investment properties	-
	Interest income	183
	Finance costs	-630
	Taxation	-712
	<b>(Loss)/profit for the year, before transactions with Unitholders</b>	<b>-17,303</b>
	Non-controlling interest	-181
	<b>Unitholders</b>	<b>-17,122</b>
Consolidated Statement of Distributions	<b>(Loss)/profit for the year, before transactions with Unitholders attributable to Unitholders</b>	<b>-17,122</b>
	Adjustments:	
	– Change in fair values of investment properties attributable to Unitholders	23,831
	– Deferred taxation on change in fair values of investment properties attributable to Unitholders	-454
	– Change in fair values of derivative components of convertible bonds	-157
	– Change in fair values of financial instruments	-276
	– Gains on disposals of investment properties, net of transaction costs	-
	– Depreciation and amortisation of real estate and related assets	41
	– Other non-cash income	-189
	Discretionary distribution	291
	<b>Total Distributable Amount</b>	<b>5,965</b>
<b>Total distributions for the year</b>	<b>5,965</b>	

Source: Company announcement, CWSI Research

**The first batch of C-REITs also adopted a similar method to calculate the amount available for distribution.** According to the “Guidelines for Infrastructure REITs”, the distributable amount of C-REITs is “a reasonable amount adjusted on the basis of net profit, and the relevant calculation adjustment items include at least the fair value change gains and losses, depreciation and amortization of infrastructure project assets. At the same time, factors such as the sustainable development of the project company, solvency and operating cash flow should be comprehensively considered.” Taking CICC ProLogis Logistics REIT as an example, in the calculation table of the distributable amount during the forecast period, starting from the net profit, the adjustment to the available distribution amount also takes into account depreciation and amortization, asset fair value change gains and losses, the impact of items such as asset disposal gains, etc.

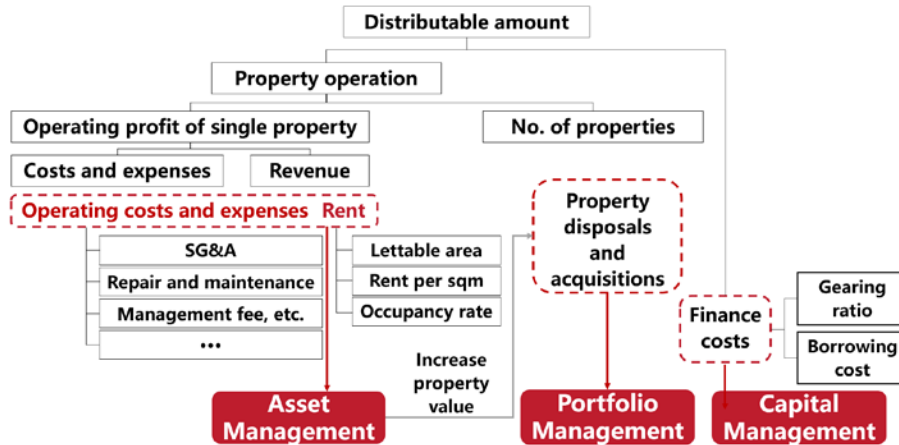
**Table 3: Overview of CICC ProLogis Logistics REIT distributable amount forecast table**

Items	2021E RMB'm	2022E RMB'm
<b>Net profit</b>	<b>32</b>	<b>31</b>
Depreciation, amortization, interest expense, income tax expense	205	206
<b>Profit before tax, interest, depreciation and amortization</b>	<b>237</b>	<b>237</b>
Capital expenditures such as the purchase of infrastructure projects in the current period	-5,618	-
Interest and income tax expenses paid	-18	-20
Changes in items receivable and payable	11	-5
Reasonable future expenditures reserved, including major capital expenditures (such as the normal renewal of fixed assets, renovations, etc.), debt interest within a reasonable period in the future, operating expenses, etc.	-33	-6
Other adjustment items, such as the funds raised from the initial issuance of the infrastructure fund, the cash obtained from the disposal of infrastructure project assets, related adjustments to financial assets, the amount of the project company's deposit funds distribution, etc.	5,670	45
<b>Total distributable amount</b>	<b>250</b>	<b>252</b>
<b>Total distributions for the year estimate</b>	<b>250</b>	<b>252</b>

Source: Prospectus, CWSI Research

**Net property income, SG&A, etc. affect the amount available for distribution. Asset management, portfolio management and capital management capabilities are the key competitiveness of REITs.** It can be seen that the distributable amount of REITs is affected by continuing operations (reflected in the net property income, various rates, etc.), because it has adjusted non-cash items (such as depreciation and amortization, changes in the fair value of investment properties, etc.) and non-recurring items (such as disposal income). The increase in net property income comes from the increase in income or the decline in property operating expenses. In terms of income, taking REITs whose underlying assets are operating real estate as an example, the increase in income may come from the increase in lettable area (upgrade and transformation of existing properties, injection of new properties, etc.), increase in rent per lettable area and occupancy rate (may come from the improvement of asset management level, tenant adjustment, etc.). The decline in property operating expenses and the decline in various rates are more from the optimization of operating efficiency and cost control. Corresponding to the business model, the asset management, portfolio management and capital control capabilities of REITs are key competitiveness. According to the experience of overseas REITs, excellent active management can bring a premium to REITs.

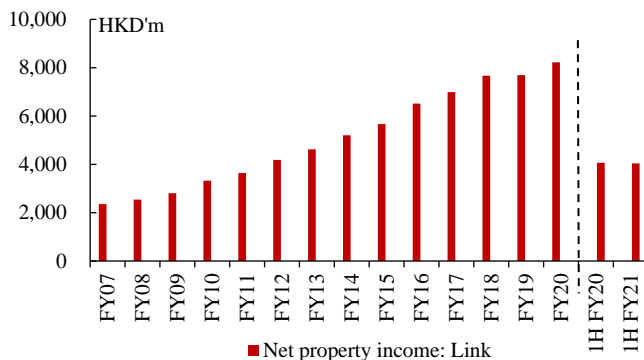
**Chart 1: Asset management, portfolio management and capital management capabilities are the key competitiveness of REITs**



Source: CWSI Research

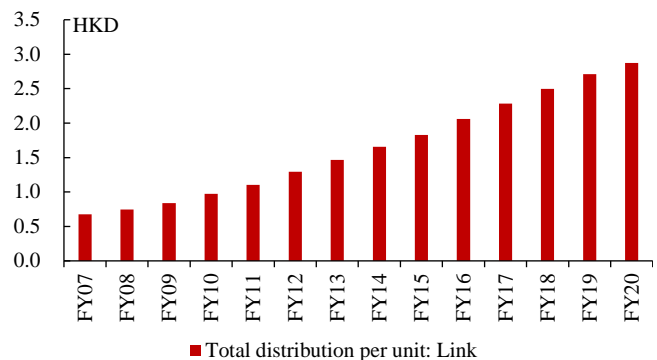
We take Link as an example to illustrate the active management of REITs. Link was spun-listed by the Hong Kong Housing Authority in 2005. The initial property portfolio consisted of 180 properties for retail and parking facilities in public housing estates; the current Link still focuses on essential retail properties, and most of the ground-level Hong Kong properties are located in public housing estates. Link's outstanding active management capabilities have enabled it to continuously increase its net property income and unit fund distribution since its listing, and its long-term share price performance has also been relatively good, which has brought considerable returns to investors.

**Chart 2: Excellent active management drives Link's net property income increase**



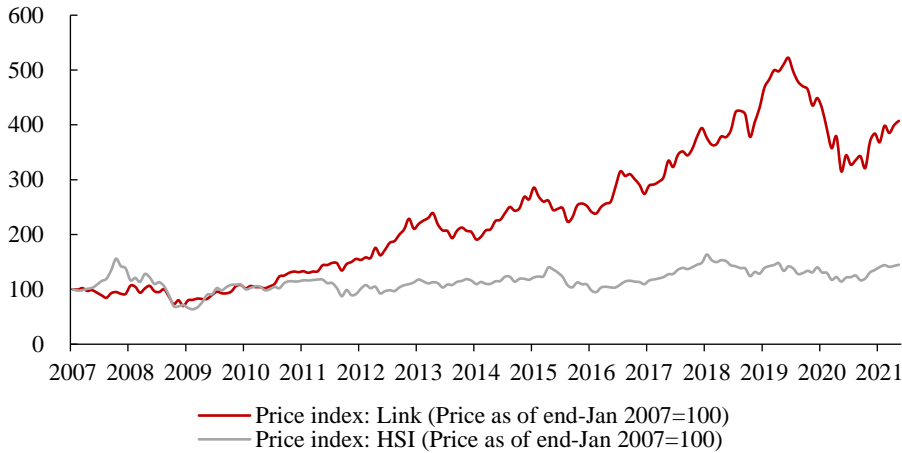
Source: Wind, CWSI Research

**Chart 3: The distribution per unit of Link continued to increase**



Source: Company website, CWSI Research

**Chart 4: Link's stock price has performed well since its listing**



Source: Wind, CWSI Research

**Asset management: Maintain high occupancy rates and rent adjustment rates, increase property values and dispose them at a premium.** 1) In terms of management, Link optimizes tenants and actively operates. On September 30, 2020, the occupancy rate of Link's retail properties in Hong Kong and the Mainland reached 96.1% and 94.7% respectively, and the occupancy rate of office properties in Australia and the United Kingdom was 100%. Excellent operation management also gives Link a certain say in rent increase. In the year ended March 30, 2020, Link's rent reversion rate reached 12.6%. 2) In terms of improvement, Link has achieved an increase in asset value by upgrading property hardware facilities (including revitalizing markets), renovating unused space in the property, and adjusting the size and layout of stores. Link's upgrade project can achieve real-time rental growth in the first lease cycle, and the expected investment return of multiple projects (the expected net property income after the project is completed minus the net property income before the project is implemented, divided by the estimated capital expenditure and rental loss) is greater than 15%, and can record further growth in the second lease cycle and thereafter. As of September 30, 2020, Link has completed 87 asset enhancement projects. Thanks to its excellent asset management, the value of Link's properties has also increased. The 12 properties sold by Link in March 2019 represented a 32.1% premium over the valuation in September 2018.



Chart 5: Stanley Plaza before asset enhancement



Source: Company website, CWSI Research

Chart 6: Stanley Plaza after asset enhancement by Link



Source: Company website, CWSI Research

**Portfolio management: Adhere to the strategic orientation and make good use of capital circulation to create value.** Link usually uses the proceeds from the disposal of properties to repay debts, return capital (repurchase part of the fund shares, discretionary distribution, etc.), regular operations, property development (up to 10% of the total asset value can be used for development projects, and will continue to look for suitable development opportunities in Hong Kong) and new investment opportunities. Since Link has no major sponsor, its acquisition targets are basically third-party properties. When acquiring, Link usually considers: 1) The asset category is mainly large and medium-sized retail properties and Type A office buildings; 2) The city coverage is mainly Hong Kong, tier-1 cities in Mainland China and overseas developed markets; 3) Other factors, including convenient transportation, target customer coverage scale, long-term growth potential, competition, etc.

**Under active portfolio management, the scale of Link's underlying assets has also continued to expand.** Since its listing in 2005, Link has disposed and acquired properties many times to optimize its asset portfolio and lower risks through regional diversification. As of the end of September 2020, the value of Link's underlying assets has increased by nearly 5 times from HKD 34 bn when it was listed in 2005 to approximately HKD 195 bn. Through the disposal of some Hong Kong properties and the acquisition of third-party properties in Mainland China and overseas, Link's underlying assets have lowered a certain degree of risk in geographic location. As of the end of September 2020, 83.0% of its overall property portfolio valuation is located in Hong Kong, 13.2% is located in Mainland China, and 3.8% is located overseas. Excellent asset management and portfolio management capabilities have also driven

Link's continued growth in net property income in recent years, with a YoY growth of 6.9% in FY2020.

**Table 4: Link has acquired properties in Mainland China and overseas several times to optimize its asset portfolio and diversify regional coverage**

Date	City	Acquisition Target
Apr-15	Beijing	EC Mall
Aug-15	Shanghai	Link Square
May-17	Guangzhou	Metropolitan Plaza
Jan-19	Beijing	Roosevelt Plaza
Mar-19	Shenzhen	CentralWalk
Apr-20	Sydney	Office building
Aug-20	London	Office building
Feb-21	Shanghai	Qibao Vanke Plaza

Source: Company announcement, CWSI Research

**Capital management: low borrowing costs, effective management of cash surplus.**

Thanks to its good financial performance and financing environment, Link's financing costs have a significant advantage over C-REITs: as of the end of September 2020, the effective interest rate of the HKD debt portfolio is only 2.84%, with an A2/stable rating by Moody's and an A/stable ratings by S&P and Fitch. In addition, Link is also actively managing cash surplus to increase the return of unitholders. As of the end of September 2020, it has invested HKD 2.7 bn in IG bonds. The average maturity of its bond portfolio is about 2.6 years, and the average yield is 3.5%.

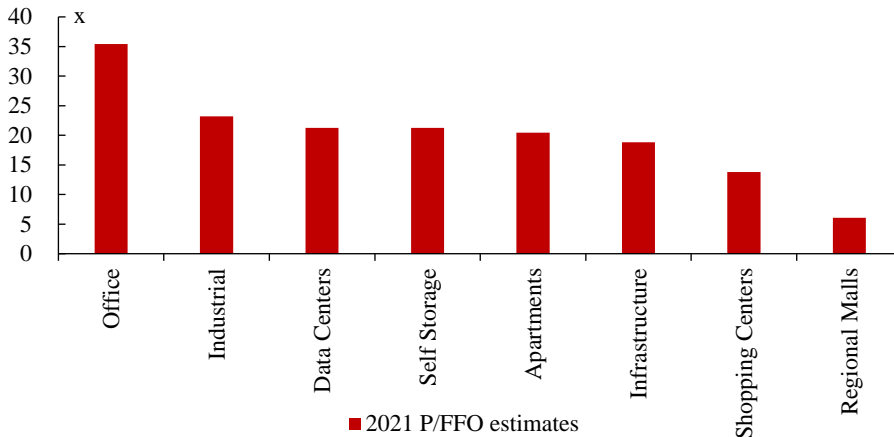
**1.2.2 Valuation: Focus on the underlying asset classes and growth of REITs**

**P/FFO is an important valuation indicator for REITs.** The United States often uses P/FFO as an important valuation indicator for comparison among REITs. According to the definition of NAREIT, FFO is an indicator of net profit adjusted for the depreciation and amortization of real estate-related assets, and the gains from asset disposal. It is similar to the calculation method of the aforementioned Link's distributable income. Similar to the PE of equity assets, the valuation of REITs is also affected by factors such as growth expectations.

**The valuation of REITs is affected by the underlying asset class.** Similar to equity assets in different industries, different types of underlying assets usually have different growth potentials, and therefore there are certain differences in valuation. According to data from NAREIT, as of March 31, 2021, the average 2021 P/FFO estimates of

REITs with office buildings and regional malls as underlying assets is approximately 35.4x and 6.1x, respectively, the valuation difference is large.

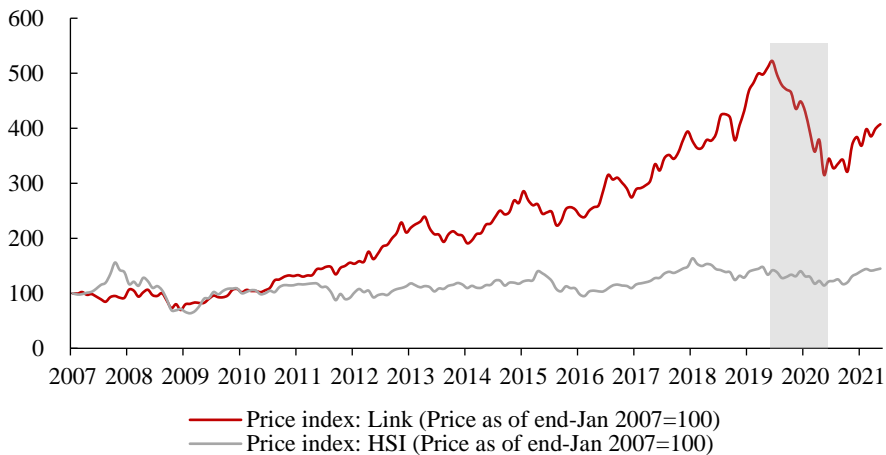
**Chart 7: The underlying asset class has a certain impact on the valuation of REITs**



Source: NAREIT, CWSI Research; note: data as of end-Mar 2021

**Expectations on the growth of REITs will also affect their valuations.** As mentioned earlier, Link's distribution per unit is on the rise, but its share price has fallen sharply after 2019. From June 2019 to May 2020, due to the impact of social events and the COVID-19, Link's expected increase in maintenance costs and expected decline in rental income have driven its valuation and stock price to decline; as the social environment has stabilized and the epidemic situation in the Mainland has been well controlled, Link's stock price has also begun to rebound.

**Chart 8: External events have had a certain impact on Link's growth expectations, leading to a decline in valuation and stock price**



Source: Wind, CWSI Research

### 1.3 Summary: Investment value of C-REITs

**REITs have both the characteristics of stock and bond income and are more flexible than directly holding the underlying assets.** Similar to stocks and bonds, the investment income of REITs comes from distribution income (similar to stock dividends) and asset price changes. From the perspective of total return, the long-term performance of US REITs is outstanding. According to NAREIT data, the CAGR of equity REITs in the FTSE NAREIT Index for from 1972 to the end of April 2021 reached 11.7%, outperforming the S&P 500, Nasdaq and DJI. Compared to directly holding the underlying assets, holding part of the equity in the underlying assets through REITs can bring investors stronger liquidity, diversification and transparency, and may play an important role in the investor's own asset allocation.

**When analyzing REITs, more attention should be paid to distributable amount rather than net profit.** Just as stock dividends are based on current profits and dividend payout ratios, and equity asset price changes can be split into earnings and valuations, for REITs, the distribution of income is based on current distributable amounts and distribution ratios, and changes in REITs prices can also adopt corresponding relative valuation method.

**Asset management, portfolio management and capital management capabilities are the key competitiveness of REITs.** Distributable amount of REITs is affected by continuing operations, because it has adjusted non-cash and non-recurring items (such as disposal income). The increase in net property income comes from the increase in income or the decline in property operating expenses. According to the experience of overseas REITs, excellent active management can bring a premium to REITs.

**P/FFO is an important valuation indicator for REITs.** The United States often uses P/FFO as an important valuation indicator for comparison among REITs. According to the definition of NAREIT, FFO is an indicator of net profit adjusted for the depreciation and amortization of real estate-related assets, and the gains from asset disposal. Similar to the PE of equity assets, the valuation of REITs is also affected by factors such as growth expectations.

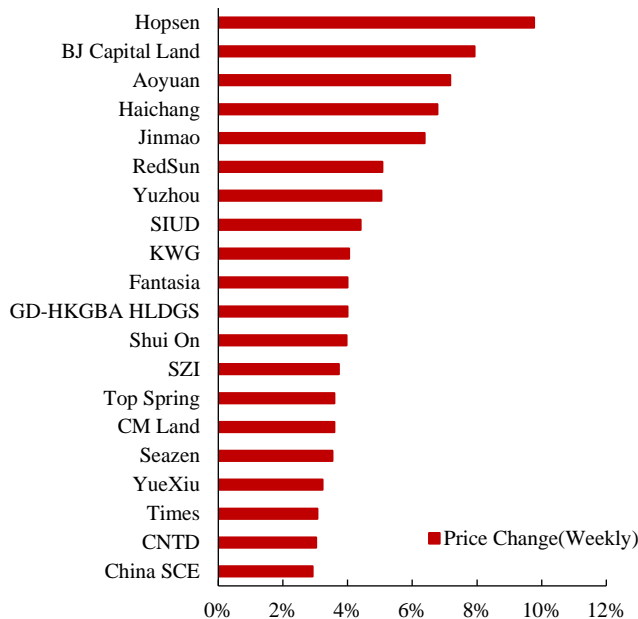
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## 2. Sector Performance

### 2.1 Performance of developer sector

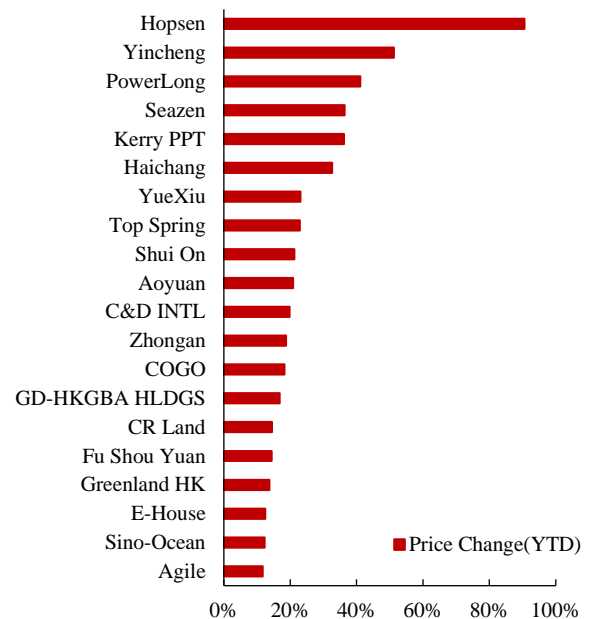
This week, Hopsen, BJ Capital Land and Aoyuan had larger price increase than peers. Hopsen, Yincheng and PowerLong had better share price performance, YTD.

**Chart 9: This week, Hopsen, BJ Capital Land and Aoyuan had larger price increase than peers**



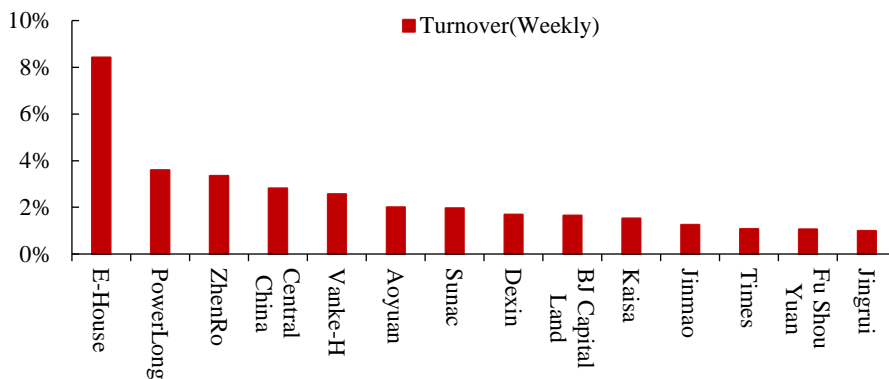
Source: Wind, CWSI Research

**Chart 10: Hopsen, Yincheng and PowerLong had better share price performance, YTD**



Source: Wind, CWSI Research

**Chart 11: E-House, PowerLong and Zhenro were most actively traded this week**

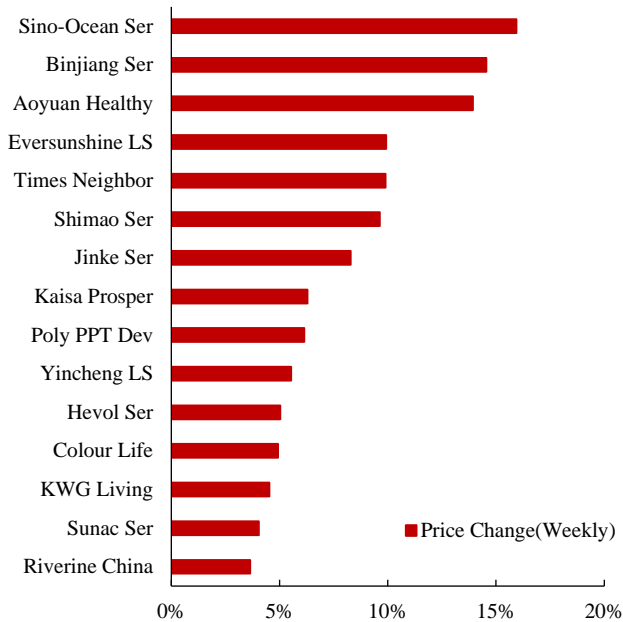


Source: Wind, CWSI Research

## 2.2 Performance of property management sector

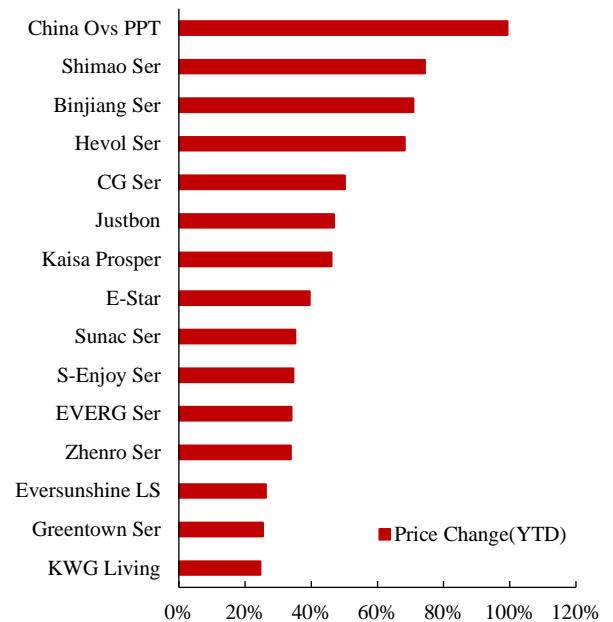
This week, Sino-Ocean Ser, Binjiang Ser and Aoyuan Healthy had larger price increase than peers. China Ovs PPT, Shimao Ser and Binjiang Ser had better share price performance YTD.

**Chart 12: This week, Sino-Ocean Ser, Binjiang Ser and Aoyuan Healthy had larger price increase than peers**



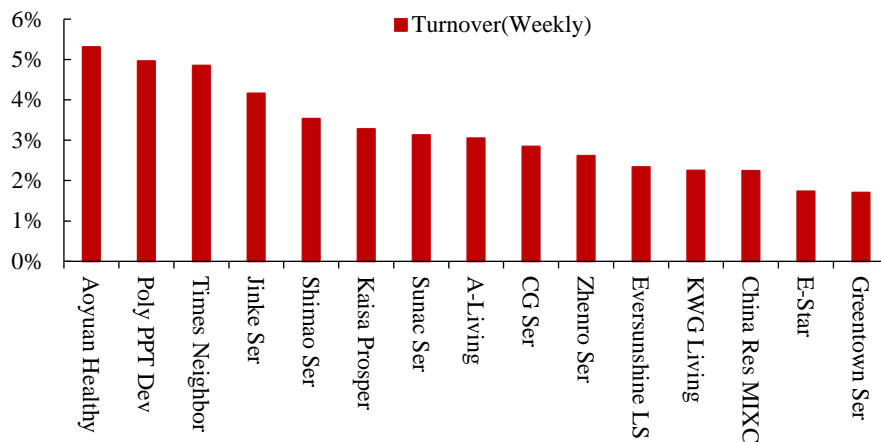
Source: Wind, CWSI Research

**Chart 13: China Ovs PPT, Shimao Ser and Binjiang Ser had better share price performance YTD**



Source: Wind, CWSI Research

**Chart 14: Aoyuan Healthy, Poly PPT Dev and Times Neighbor 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	162,745	-14%	29%	723	-17%	18%	594	-25%	-1%	3,731	88%
Shanghai	290,700	5%	5%	1,157	0%	-1%	990	-10%	-6%	6,363	70%
Guangzhou	228,852	4%	10%	1,066	-8%	47%	936	-12%	44%	5,655	130%
Shenzhen	66,954	4%	-10%	248	-32%	-16%	239	-29%	-12%	2,161	67%
<b>Tier 1</b>	<b>749,251</b>	<b>0%</b>	<b>9%</b>	<b>3,195</b>	<b>-10%</b>	<b>14%</b>	<b>2,760</b>	<b>-16%</b>	<b>7%</b>	<b>17,910</b>	<b>89%</b>
<b>Tier 2</b>	<b>2,684,435</b>	<b>-10%</b>	<b>-15%</b>	<b>12,493</b>	<b>-10%</b>	<b>18%</b>	<b>11,495</b>	<b>-10%</b>	<b>17%</b>	<b>57,300</b>	<b>60%</b>
<b>Tier 3</b>	<b>2,006,313</b>	<b>-13%</b>	<b>-31%</b>	<b>9,961</b>	<b>-4%</b>	<b>-2%</b>	<b>9,006</b>	<b>-4%</b>	<b>-3%</b>	<b>49,103</b>	<b>53%</b>
Beijing	162,745	↓ -14%	↑ 29%	723	↓ -17%	↑ 18%	594	↓ -25%	↓ -1%	3,731	↑ 88%
Qingdao	372,615	↑ 5%	↑ 3%	1,405	↓ -14%	↑ 7%	1,239	↓ -16%	↑ 8%	6,351	↑ 37%
Jinan	372,024	↑ 6%	↑ 19%	1,400	↓ -3%	↑ 15%	1,247	↓ -6%	↑ 12%	4,744	↑ 32%
Dongying	41,152	↓ -18%	↑ 48%	190	↑ 6%	↑ 121%	176	↑ 5%	↑ 529%	1,096	↑ 1%
<b>PBR</b>	<b>948,535</b>	<b>↑ 0%</b>	<b>↑ 14%</b>	<b>3,718</b>	<b>↓ -10%</b>	<b>↑ 15%</b>	<b>3,256</b>	<b>↓ -13%</b>	<b>↑ 13%</b>	<b>15,922</b>	<b>↑ 41%</b>
Shanghai	290,700	↑ 5%	↑ 5%	1,157	↓ 0%	↓ -1%	990	↓ -10%	↓ -6%	6,363	↑ 70%
Nanjing	260,933	↓ -26%	↑ 43%	1,445	↓ -15%	↑ 49%	1,354	↓ -14%	↑ 41%	6,563	↑ 103%
Hangzhou	334,857	↑ 20%	↑ 82%	1,253	↑ 13%	↑ 74%	1,160	↑ 9%	↑ 76%	5,230	↑ 84%
Suzhou	416,422	↑ 62%	↓ -31%	1,188	↑ 19%	↑ 9%	1,076	↑ 20%	↑ 5%	4,608	↑ 35%
Wuxi	124,700	↓ -22%	↓ -1%	644	↑ 33%	↑ 53%	644	↑ 33%	↑ 53%	2,573	↑ 46%
Yangzhou	52,496	↓ -34%	↑ 99%	244	↓ -6%	↑ 53%	244	↓ -6%	↑ 53%	1,402	↑ 97%
Jiangyin	92,533	↑ 23%	↓ -42%	322	↓ -13%	↑ 10%	275	↓ -5%	↓ -1%	1,440	↑ 61%
Wenzhou	213,371	↑ 44%	↓ -56%	815	↓ -9%	↓ -23%	720	↓ -7%	↓ -27%	4,083	↑ 66%
Jinhua	49,331	↑ 8%	↓ -11%	190	↑ 3%	↓ -15%	178	↑ 13%	↓ -10%	1,240	↑ 96%
Changzhou	34,337	↓ -44%	↓ -44%	212	↓ -1%	↓ -10%	191	↑ 1%	↓ -11%	1,067	↑ 6%
Huaian	47,008	↓ -35%	↓ -49%	346	↓ -17%	↓ -13%	306	↓ -20%	↓ -20%	2,568	↑ 70%
Lianyungang	118,378	↓ -11%	↓ -11%	622	↑ 5%	↓ -3%	557	↑ 4%	↓ -7%	3,992	↑ 92%
Shaoxing	22,932	↓ -73%	↓ -67%	335	↑ 33%	↑ 28%	320	↑ 34%	↑ 37%	1,110	↑ 39%
Zhenjiang	126,732	↓ -20%	↓ -26%	648	↓ -16%	↓ -7%	561	↓ -18%	↓ -8%	3,029	↑ 50%
Jiaxing	23,272	↑ 11%	↓ -55%	132	↓ -18%	↓ -44%	124	↓ -16%	↓ -42%	719	↓ -2%
Wuhu	104,501	↓ -42%	↑ 118%	690	↓ -18%	↑ 293%	627	↓ -16%	↑ 281%	3,417	↑ 459%
Yancheng	19,277	↓ -37%	↓ -84%	132	↓ -51%	↓ -68%	79	↓ -70%	↓ -78%	1,691	↑ 20%
Zhoushan	44,798	↑ 34%	↑ 22%	166	↑ 8%	↑ 11%	152	↑ 12%	↑ 17%	607	↑ 30%
Chizhou	14,809	↓ -29%	↓ -22%	105	↑ 15%	↑ 22%	99	↑ 17%	↑ 25%	476	↑ 43%
Ningbo	103,254	↓ -37%	↓ -40%	743	↓ -12%	↓ -3%	711	↓ -10%	↑ 3%	3,733	↑ 71%
<b>YRD</b>	<b>2,494,640</b>	<b>↓ -5%</b>	<b>↓ -19%</b>	<b>11,390</b>	<b>↓ -3%</b>	<b>↑ 12%</b>	<b>10,365</b>	<b>↓ -4%</b>	<b>↑ 10%</b>	<b>55,912</b>	<b>↑ 70%</b>
Guangzhou	228,852	↑ 4%	↑ 10%	1,066	↓ -8%	↑ 47%	936	↓ -12%	↑ 44%	5,655	↑ 130%
Shenzhen	66,954	↑ 4%	↓ -10%	248	↓ -32%	↓ -16%	239	↓ -29%	↓ -12%	2,161	↑ 67%
Fuzhou	117,823	↓ -33%	↑ 312%	584	↑ 14%	↑ 283%	563	↑ 24%	↑ 319%	2,040	↑ 174%
Dongguan	84,737	↓ -28%	↓ -35%	367	↑ 14%	↓ -31%	339	↑ 21%	↓ -28%	2,073	↑ 32%
Quanzhou	3,980	↓ -70%	↓ -95%	110	↑ 9%	↓ -40%	106	↑ 16%	↓ -38%	590	↑ 4%
Putian	27,218	↓ -9%	↑ 7%	178	↓ -6%	↑ 62%	158	↓ -8%	↑ 56%	910	↑ 72%
Huizhou	52,382	↑ 16%	↓ -8%	213	↑ 4%	↑ 7%	174	↓ -5%	↓ -6%	1,176	↑ 66%
Shaoguan	27,109	↓ -13%	↓ -56%	139	↑ 22%	↓ -32%	116	↑ 18%	↓ -38%	609	↓ -1%
Foshan	236,810	↓ -14%	↓ -21%	1,242	↑ 12%	↑ 8%	1,202	↑ 23%	↑ 15%	5,378	↑ 42%
Zhaoqing	32,655	↓ -25%	↓ -43%	207	↓ -5%	↓ -14%	185	↓ -3%	↓ -16%	1,101	↑ 46%
Jiangmen	26,947	↓ -37%	↓ -34%	147	↓ -6%	↓ -10%	145	↓ -8%	↓ -3%	735	↑ 76%
<b>PRD &amp; Southern China</b>	<b>905,468</b>	<b>↓ -15%</b>	<b>↓ -14%</b>	<b>4,501</b>	<b>↑ 1%</b>	<b>↑ 14%</b>	<b>4,162</b>	<b>↑ 4%</b>	<b>↑ 16%</b>	<b>22,429</b>	<b>↑ 67%</b>
Taian	31,210	↓ -53%	↓ -60%	225	↑ 8%	↓ -6%	208	↑ 11%	↓ -8%	1,132	↑ 70%
<b>Northern China</b>	<b>31,210</b>	<b>↓ -53%</b>	<b>↓ -60%</b>	<b>225</b>	<b>↑ 8%</b>	<b>↓ -6%</b>	<b>208</b>	<b>↑ 11%</b>	<b>↓ -8%</b>	<b>1,132</b>	<b>↑ 70%</b>
Wuhan	577,339	↓ -4%	↑ 28%	2,438	↑ 0%	↑ 72%	2,212	↓ -2%	↑ 70%	9,881	↑ 190%
Yueyang	30,553	↓ -31%	↓ -45%	171	↓ -4%	↓ -22%	155	↓ -2%	↓ -23%	804	↑ 16%
Baoji	87,453	↓ -10%	↓ -26%	383	↑ 1%	↓ -20%	349	↑ 1%	↓ -21%	1,789	↑ 91%
<b>Central China</b>	<b>695,345</b>	<b>↓ -7%</b>	<b>↑ 12%</b>	<b>2,992</b>	<b>↓ 0%</b>	<b>↑ 41%</b>	<b>2,717</b>	<b>↓ -2%</b>	<b>↑ 40%</b>	<b>12,473</b>	<b>↑ 148%</b>
Chengdu	134,053	↓ -51%	↓ -78%	1,416	↓ -47%	↓ -31%	1,273	↓ -48%	↓ -33%	9,586	↑ 25%
Liuzhou	73,046	↓ -16%	↓ -63%	396	↓ -12%	↓ -36%	354	↓ -9%	↓ -37%	2,196	↑ 9%
Nanning	157,702	↓ -34%	↓ -50%	1,011	↓ -10%	↓ -16%	925	↓ -11%	↓ -17%	4,662	↑ 10%
<b>Western China</b>	<b>364,801</b>	<b>↓ -39%</b>	<b>↓ -67%</b>	<b>2,823</b>	<b>↓ -33%</b>	<b>↓ -27%</b>	<b>2,552</b>	<b>↓ -34%</b>	<b>↓ -29%</b>	<b>16,444</b>	<b>↑ 18%</b>
<b>Total</b>	<b>5,439,999</b>	<b>-10%</b>	<b>-20%</b>	<b>25,649</b>	<b>-8%</b>	<b>9%</b>	<b>23,261</b>	<b>-8%</b>	<b>7%</b>	<b>124,313</b>	<b>61%</b>
Num. of cities Up		13	14		18	20		17	18		40
Num. of cities Down		29	28		24	22		25	24		2

Source: Local governments, CWSI Research; Note: Till 2021/5/28

**Table 6: Major cities inventory period was 12.6 months this week**

City	Inventory (sqm 000)	wow	yoy	Inventory period	Last week	wow	yoy
Beijing	12,131	0%	6%	16.8	13.9	21%	-10%
Shanghai	5,924	-1%	-20%	5.1	5.5	-7%	-19%
Guangzhou	8,698	0%	8%	8.2	7.2	14%	-27%
Shenzhen	1,905	0%	-12%	7.7	7.6	2%	6%
<b>Tier 1 Average</b>		<b>0%</b>	<b>-4%</b>	<b>9.4</b>	<b>8.5</b>	<b>7%</b>	<b>-12%</b>
Hangzhou	3,584	-14%	-4%	2.9	3.3	-12%	-45%
Nanjing	7,110	7%	24%	4.9	4.4	11%	-17%
Suzhou	8,539	2%	32%	7.2	8.0	-11%	21%
Fuzhou	6,894	0%	21%	11.8	12.7	-7%	-68%
Nanning	8,786	0%	13%	8.7	7.4	18%	34%
Wenzhou	11,076	2%	2%	13.6	13.1	4%	32%
Quanzhou	6,934	1%	-2%	63.1	58.7	7%	63%
Ningbo	3,148	-2%	13%	4.2	3.8	10%	16%
Dongying	1,875	1%	23%	9.9	10.0	-2%	-44%
<b>Overall Average</b>		<b>0%</b>	<b>8%</b>	<b>12.6</b>	<b>12.0</b>	<b>4%</b>	<b>-4%</b>

Source: Local governments, CWSI Research; Note: Till 2021/5/28; 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, Beijing and Foshan rose significantly YTD**

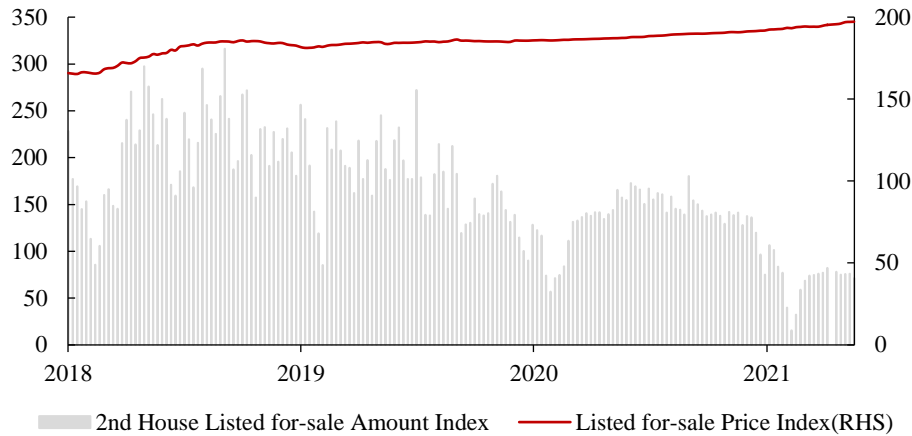
City	Last 7 days			Last 30 days			Month to date			Year to date	
	sqm	wow	yoy	sqm 000	mom	yoy	sqm 000	mom	yoy	sqm 000	yoy
Beijing	498,339	↑ 14%	↑ 26%	1,785	↓ -3%	↑ 24%	1,573	↓ -2%	↑ 22%	8,012	↑ 89%
Shenzhen	69,225	↓ -14%	↓ -67%	273	↓ -40%	↓ -63%	259	↓ -37%	↓ -60%	2,139	↓ -23%
Hangzhou	152,713	↓ -4%	↑ 9%	603	↓ -9%	↑ 2%	542	↓ -10%	↑ 1%	2,859	↑ 60%
Nanjing	262,808	↑ 29%	↓ -1%	603	↓ -51%	↓ -30%	466	↓ -59%	↓ -45%	4,332	↑ 40%
Chengdu	33,763	↓ -35%	↓ -74%	259	↓ -36%	↓ -48%	225	↓ -39%	↓ -50%	1,594	↓ -17%
Qingdao	171,503	↑ 14%	↑ 21%	622	↓ -16%	↑ 21%	564	↓ -17%	↑ 19%	2,752	↑ 65%
Wuxi	156,971	↑ 10%	↓ -7%	561	↓ -8%	↓ -25%	502	↓ -10%	↓ -27%	2,285	↑ 7%
Suzhou	167,325	↓ -19%	↑ 22%	708	↓ -13%	↑ 45%	636	↓ -16%	↑ 45%	3,301	↑ 66%
Xiamen	93,021	↑ 1%	↑ 16%	364	↓ -28%	↑ 17%	321	↓ -30%	↑ 15%	2,004	↑ 85%
Yangzhou	24,445	↓ -8%	↓ -13%	113	↓ -12%	↓ -2%	101	↓ -13%	↓ -4%	510	↑ 43%
Dongguan	30,075	↓ -2%	↓ -56%	115	↓ -18%	↓ -55%	104	↓ -18%	↓ -56%	701	↓ -23%
Nanning	30,838	↑ 57%	↓ -62%	118	↓ -36%	↓ -41%	96	↓ -43%	↓ -47%	701	↓ -8%
Foshan	157,268	↓ -12%	↑ 5%	658	↓ -11%	↑ 13%	580	↓ -15%	↑ 10%	3,085	↑ 86%
Jinhua	83,108	↓ -21%	↓ -30%	367	↑ 15%	↑ 7%	343	↑ 21%	↑ 6%	1,527	↑ 72%
Jiangmen	17,783	↓ -23%	↓ -34%	77	↓ -17%	↓ -11%	67	↓ -24%	↓ -15%	367	↑ 45%
<b>Total</b>	<b>1,949,186</b>	<b>2%</b>	<b>-9%</b>	<b>7,226</b>	<b>-19%</b>	<b>-7%</b>	<b>6,380</b>	<b>-21%</b>	<b>-10%</b>	<b>36,170</b>	<b>42%</b>
<b>Num. of cities Up</b>		<b>6</b>	<b>6</b>		<b>1</b>	<b>7</b>		<b>1</b>	<b>7</b>		<b>11</b>
<b>Num. of cities Down</b>		<b>9</b>	<b>9</b>		<b>14</b>	<b>8</b>		<b>14</b>	<b>8</b>		<b>4</b>

Source: Local governments, CWSI Research; Note: Till 2021/5/28



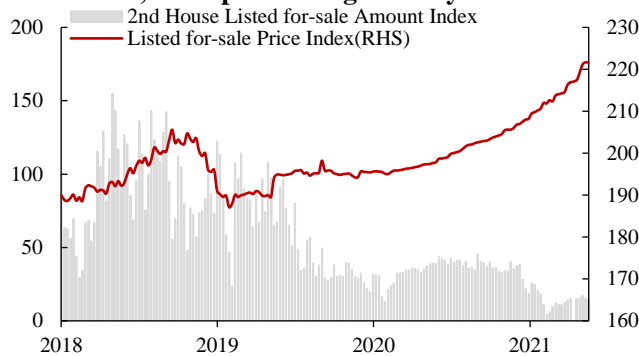


**Chart 15: 2nd house listed for-sale price index rose slightly recently**



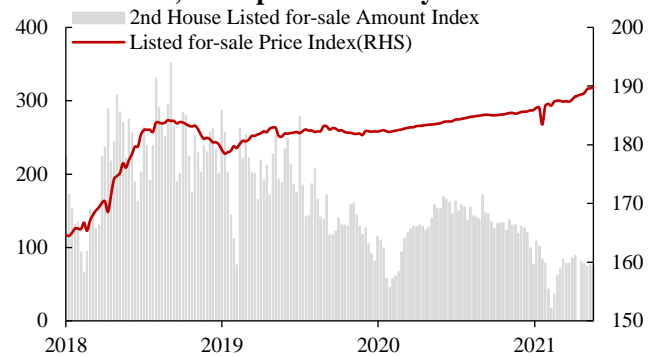
Source: Local Government, CWSI Research; Note: Till 2021/5/23

**Chart 16: 2nd house listed for-sale amount index rose in tier-1 cities, with price rising recently**



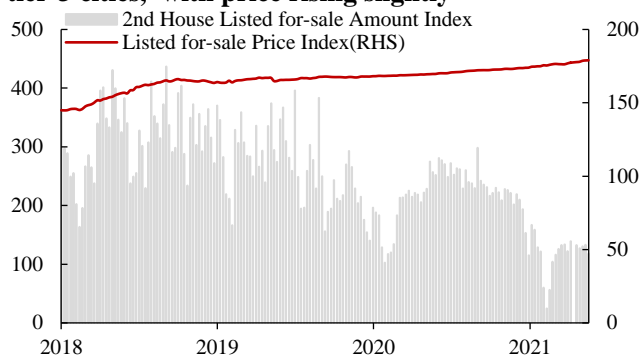
Source: Local Government, CWSI Research; Note: Till 2021/5/23

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



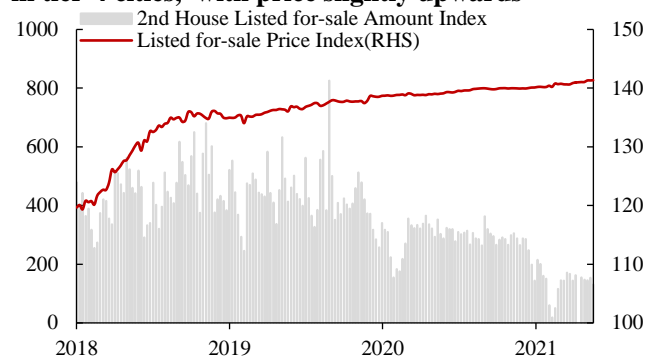
Source: Local Government, CWSI Research; Note: Till 2021/5/23

**Chart 18: 2nd house listed for-sale amount index rose in tier-3 cities, with price rising slightly**



Source: Local Government, CWSI Research; Note: Till 2021/5/23

**Chart 19: 2nd house listed for-sale amount index rose in tier-4 cities, with price slightly upwards**



Source: Local Government, CWSI Research; Note: Till 2021/5/23

## 4. Important Policies and News

### 4.1 Important Industry Policies News This Week

**Table 8: Important Industry Policies News This Week: Shenzhen plans to raise the threshold for settlement through academic qualifications; Nanjing will strictly prohibit approval of “villas”**

Date	Region / Institution	Summary
2021-05-25	Shenzhen	Further regulate the sales prices of newly-built commercial housing and commercial apartments: In principle, the approved sales prices of pre- and current-sale commercial housing and commercial apartments shall not exceed the online signing prices of new houses of the same location and type of the same location from the previous year to the present. For projects developed by phases, if the time interval between the two application price filings does not exceed one year, in principle, the previous filing price will be approved; for pre-sale commercial housing and commercial apartment projects that turned to current-sale, in principle, the filing price shall not be adjusted upwards.
2021-05-25	Nanjing	Strictly forbidden to approve single-family, double-family and townhouse units; it is strictly prohibited to design low-rise residential buildings as "villas"; "villas", "stacked villas", etc. must not appear in the approval drawings of low-rise residential buildings.
2021-05-27	Shenzhen	Planned to optimize the requirement for the entry of talents into households to full-time undergraduates; planned to adjust the basic requirements for legal and stable residence and employment in Shenzhen from 5 years to 10 years.
2021-05-28	Shanghai	From now on, the three situations where the property certificate has been obtained in Shanghai, the online registration has been filed, and the new house has been shortlisted and qualified for subscription are all recognized as the number of houses purchased when purchasing second-hand houses.

Source: Wind, Government website, CWSI Research

### 4.2 Company news and announcements

**Table 9: Company news and announcements: CG Ser and A-Living proposed to raise funds through share placement; Kaisa, Times, etc. issued USD senior notes**

Date	Company	Summary
2021-05-25	CG Ser	Proposed to place of 140 mn new shares and raise HKD 10.488 bn. The placement shares account for approximately 4.55% of the company's issued share capital and approximately 4.35% of the company's issued share capital expanded by the issuance of the placement shares.
2021-05-25	Kaisa	Issued USD 300 mn 11.65% senior notes due 2026.
2021-05-28	A-Living	Proposed to place 86.66 mn shares and raise HKD 3.259 bn. The placement shares account for approximately 6.50% of the existing issued share capital on the date of the announcement and approximately 6.10% of the issued share capital expanded by the issuance of the placement shares.
2021-05-28	Times	Issued USD 400 mn 5.55% senior notes due 2024.

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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Accumulate – Describes stocks that we expect to provide a relative return of between 5% and 20%.

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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