

Recovered base and stabilized transaction

Comments on May 21 sales data of leading developers

The sales base has recovered, the regulation begins to take effect, and the cumulative growth rate continued to decline. In the first 5 months of 2021, TOP100 developers realized a total contracted sales of RMB 5.58 tn (+52.2% YoY, vs +66.6% in Jan-Apr 2021), and contracted GFA of 379 mn sqm (+39.8% YoY, vs +50.1% in Jan-Apr 2021). In May, the cumulative sales and monthly sales growth rate both declined compared with the previous period. On the one hand, it came from the recovery of the base number. On the other hand, due to the initial effect of the regulation of some key cities, the increase in mortgage interest rates and the increase in sales restrictions were restrained, part of the demand for home purchases has been suppressed.

Cumulative sales growth of small and medium-sized developers is the fastest, and monthly sales growth rates of all sizes of leading developers are close. As of end-May 2021, developers ranked 51-100 in cumulative sales had the fastest cumulative sales growth, with a YoY increase of 71% (top 10 and top 11-50 developers increased by 33% and 65% respectively). In terms of monthly sales performance in May, TOP100 developers of all sizes have similar growth rates, top 10, top 11-50 and top 51-100 developers in cumulative sales increased 19%, 19% and 18% YoY, respectively. Companies that grew the fastest in accumulated contracted sales in Jan-May 2021 were C&D (+198% YoY), GreenTown (+143% YoY), PowerLong (+100% YoY), CIFI (+98% YoY) and Kaisa (+96% YoY).

The regional differentiation of the population has intensified, and the regulation of key cities has continued. In May, the NBS released the main data of the 7th National Population Census: In terms of total population, China's population growth has slowed down in the past decade, and the urbanization rate increase has accelerated, which may put a certain pressure on the growth of total housing demand. In terms of regions, the population flow within provinces is more active, while the inter-provincial flows mostly to the developed areas such as the Greater Bay Area and the Yangtze River Delta, and the medium and long-term housing demand in the corresponding regions is still sufficient. During the month, some key cities tightened their regulation: banks in Shenzhen, Hangzhou, Ningbo, etc. raised mortgage interest rates, Shenzhen plans to raise the threshold for talent settlement, which is expected to curb the rapid growth of housing demand in corresponding cities to a certain extent. Some cities tend to be fairer in the housing transaction, for example, Chengdu will expand the base number of notarized lotteries in housing sales, which may provide more adequate protection for rigid-need buyers. On the whole, under the current demographic trend, demand in key cities is still sufficient, and the stable policy direction is expected to promote healthier housing consumption.

Suggestion:

In May 2021, the sales growth rate of TOP100 developers has declined due to the recovery of the base number and the regulations of key cities. Under the demographic trend of slowing total growth and increasing regional differentiation, developers that covered more in population inflow regions are expected to continue to benefit. Maintain "Overweight" rating.

Note: Uncertainties in the industry regulation and financing policies may affect the sales performance; macroeconomic fluctuations may have certain impact on business operations within the industry; uncertainties in the control of COVID-19 spread.

Overweight

(Maintain)

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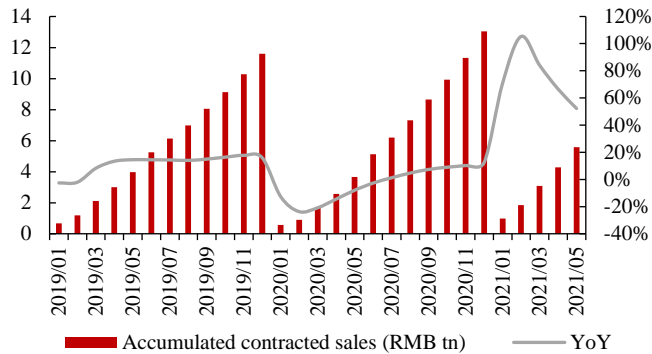
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CRIC released the sales data of developers for May 2021. Cumulative sales growth of TOP100 developers continued to increase with accumulated contracted sales increased by 52.2% YoY, single-month contracted sales increased by 18.5% YoY.

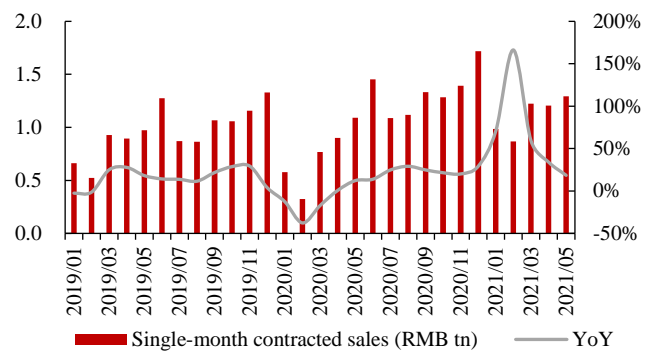
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Chart 1: Accumulated contracted sales from Jan to May 2021 of TOP100 developers increased 52.2% YoY



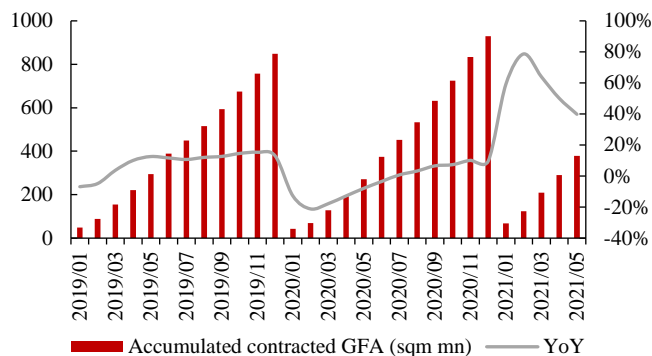
Source: CRIC, CWSI Research

Chart 2: Single-month contracted sales in May 2021 of TOP100 developers increased 18.5% YoY



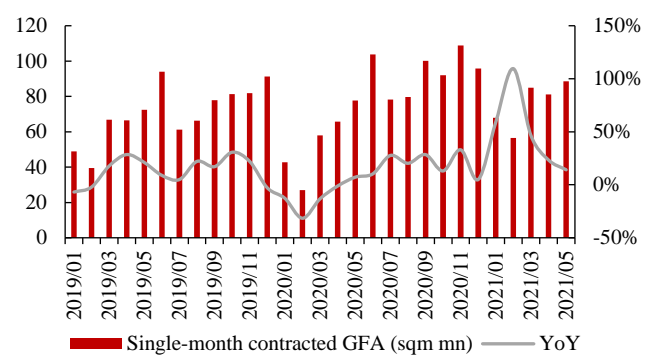
Source: CRIC, CWSI Research

Chart 3: Accumulated contracted GFA from Jan to May 2021 of TOP100 developers increased 39.8% YoY



Source: CRIC, CWSI Research

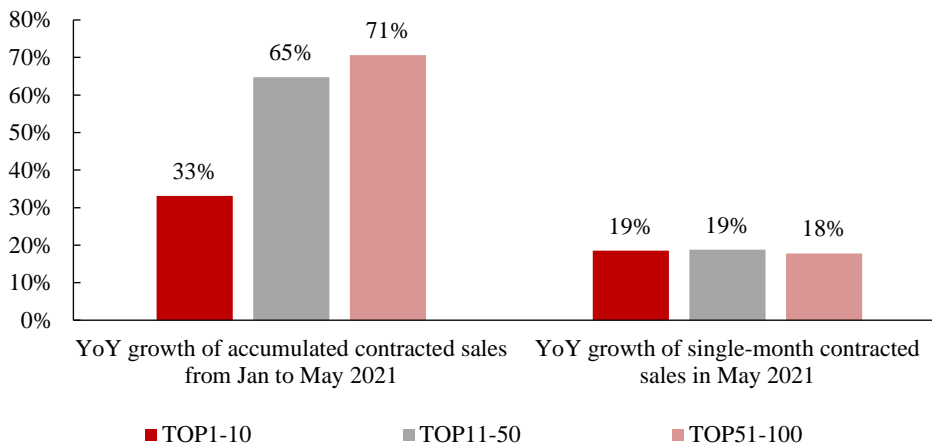
Chart 4: Single-month contracted GFA in May 2021 of TOP100 developers increased 14.1% YoY



Source: CRIC, CWSI Research

Cumulative sales growth of small and medium-sized developers is the fastest, and monthly sales growth rates of all sizes of leading developers are close. As of end-May 2021, developers ranked 51-100 in cumulative sales had the fastest cumulative sales growth, with a YoY increase of 71% (top 10 and top 11-50 developers increased by 33% and 65% respectively). In terms of monthly sales performance in May, TOP100 developers of all sizes have similar growth rates, top 10, top 11-50 and top 51-100 developers in cumulative sales increased 19%, 19% and 18% YoY, respectively. Companies that grew the fastest in accumulated contracted sales in Jan-May 2021 were C&D (+198% YoY), GreenTown (+143% YoY), PowerLong (+100% YoY), CIFI (+98% YoY) and Kaisa (+96% YoY).

Chart 5: Cumulative sales growth of small and medium-sized developers is the fastest, and monthly sales growth rates of all sizes of leading developers are close



Source: CRIC, CWSI Research

The regional differentiation of the population has intensified, and the regulation of key cities has continued. In May, the NBS released the main data of the 7th National Population Census: In terms of total population, China's population growth has slowed down in the past decade, and the urbanization rate increase has accelerated, which may put a certain pressure on the growth of total housing demand. In terms of regions, the population flow within provinces is more active, while the inter-provincial flows mostly to the developed areas such as the Greater Bay Area and the Yangtze River Delta, and the medium and long-term housing demand in the corresponding regions is still sufficient. During the month, some key cities tightened their regulation: banks in Shenzhen, Hangzhou, Ningbo, etc. raised mortgage interest rates, Shenzhen plans to raise the threshold for talent settlement, which is expected to curb the rapid growth of housing demand in corresponding cities to a certain extent. Some cities tend to be fairer in the housing transaction, for example, Chengdu will expand the base number of notarized lotteries in housing sales, which may provide more adequate protection for rigid-need buyers. On the whole, under the current demographic trend, demand in key cities is still sufficient, and the stable policy direction is expected to promote healthier housing consumption.

Table 1: A Glance of real estate policies in May 2021, the regional differentiation of the population has intensified, and the regulation of key cities has continued

Date	Region/ Institution	Policy Summary
2020-05-07	Guangzhou	The "Guangzhou Housing Provident Fund Personal Housing Loan Implementation Measures" proposes in the draft: 1. The loan term shall not exceed 30 years (currently 20 years); 2. The sum of the term of second-hand housing loan and the age of the building shall not exceed 50 years (currently 40 years).
2020-05-07	Chengdu	The housing selection ranking will be optimized, and the base of notarization lottery sorting house selection will be expanded. For commercial housing projects where the number of registered house buyers is 3 times or more of the number of pre-sale houses in the current period, the qualification review, notarization lottery ranking and house selection will be carried out as required.
2021-05-11	Ministry of Finance	Ministry of Finance, the Budget Working Committee of the Standing Committee of the National People's Congress, the Ministry of Housing and Urban-Rural Development, and the State Administration of Taxation hosted a symposium on the pilot real estate tax reform to listen to the opinions of the responsible comrades of the local governments of some cities and some experts and scholars on the pilot real estate tax reform.
2021-05-17	CSRC	The Shanghai Stock Exchange and the Shenzhen Stock Exchange respectively announced that the first batch of infrastructure public offering REITs projects were approved by the CSRC for registration, involving a total of 9 infrastructure public offering REITs.
2021-05-19	Huzhou	For the land side, real estate linkage will be implemented, and hot areas will implement a real estate linkage mechanism of "limited house prices, limited land prices, competitive construction, and competitive self-holding". Newly purchased commercial houses (including second-hand houses) can only be transferred after obtaining the real estate certificate for 2 years; for newly-built commercial houses within the central city with the purchase intention greater than the saleable houses in the current period, notarized lottery sales will be implemented. All residential land projects sold by the method of "limited house price and limited land price" will be sold by lottery.
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.
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Source: Government websites, CWSI Research



Table 2: Sales of developers in May 2021, C&D and GreenTown increased the fastest in cumulative sales

Company	Sales Amount (RMB '00 mn)				Sales Area (10 thousand sqm)			
	Jan-May	Jan-May YoY	May	May YoY	Jan-May	Jan-May YoY	May	May YoY
Country Garden	3541	22%	805	1%	4070	22%	925	1%
Vanke	2872	16%	568	-7%	1771	12%	352	-9%
EverGrande	2868	5%	657	9%	3372	12%	790	24%
Sunac	2415	72%	707	56%	1627	59%	497	55%
PRE	2335	50%	589	25%	1396	33%	387	22%
COLI	1570	37%	345	29%	767	22%	160	8%
CMSK	1328	70%	314	40%	588	75%	142	40%
Gemdale	1285	90%	282	24%	570	83%	134	34%
CR Land	1261	60%	251	18%	679	50%	136	7%
Shimao	1218	52%	291	32%	687	50%	163	29%
GreenLand	1137	21%	235	2%	966	23%	193	-8%
Longfor	1118	36%	278	26%	651	34%	152	18%
Jinmao	1102	69%	233	16%	661	74%	119	-1%
CIFI	1101	98%	269	33%	639	91%	153	35%
GreenTown	1033	143%	239	96%	373	126%	89	97%
Future Land	945	32%	242	8%	915	40%	228	12%
Zoia	885	59%	201	9%	611	46%	134	-5%
Jinke	848	42%	188	2%	857	39%	194	30%
Yango	813	29%	172	-5%	513	-7%	133	-13%
Zhongliang	758	76%	137	-9%	605	56%	109	-25%
Logan	757	82%	138	-3%	383	38%	145	53%
C&D	739	198%	175	76%	361	147%	88	37%
Kaisa	700	96%	142	19%	503	85%	102	2%
Binjiang	697	73%	114	-17%	153	26%	22	-40%
Mideadc	690	89%	160	29%	584	71%	131	19%
Ronshine	681	67%	139	9%	332	72%	61	-13%
Agile	609	52%	101	-27%	391	43%	67	-32%
Aoyuan	526	58%	115	12%	459	41%	97	-5%
R&F	524	34%	121	7%	395	17%	89	-10%
Sinicdc	468	43%	119	27%	311	48%	83	39%
Risesun	467	41%	157	38%	390	31%	125	34%
China SCE	467	66%	105	15%	267	39%	65	19%
KWG	459	60%	113	23%	238	39%	64	25%
Radiance	448	70%	107	38%	258	45%	50	-4%
BRC	447	50%	99	13%	473	65%	104	22%
PowerLong	425	100%	94	28%	272	97%	58	19%
Yuzhou	417	36%	104	-3%	235	23%	57	-11%
Sino-Ocean	405	28%	100	22%	222	34%	56	23%
RedSun	396	92%	129	46%	235	61%	72	16%
Times	373	52%	90	20%	193	9%	47	-10%
TOP1-10 Total	20693	33%	4808	19%	16428	25%	3869	16%
TOP1-50 Total	46045	49%	10638	19%	31820	37%	7474	16%
TOP1-100 Total	55758	52%	12934	18%	37893	40%	8860	14%

Source: CRIC, CWSI Research



Suggestion:

In May 2021, the sales growth rate of TOP100 developers has declined due to the recovery of the base number and the regulations of key cities. Under the demographic trend of slowing total growth and increasing regional differentiation, developers that covered more in population inflow regions are expected to continue to benefit. Maintain “Overweight” rating.

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%.

2) Sector Ratings:

Overweight – Describes sectors that we expect to provide a relative return of >10%.

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

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

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