

Increasing base drives lower growth rate

Comments on Jun 21 sales data of leading developers

The base number has increased rapidly, and YoY growth rate of cumulative and single-month sales has declined. In the first 6 months of 2021, TOP100 developers realized a total contracted sales of RMB 7.03 tn (+37.5% YoY, vs +52.2% in Jan-May 2021), and contracted GFA of 477 mn sqm (+27.2% YoY, vs +39.8% in Jan-May 2021). June is still the month with the highest single-month sales in 1H2021. The monthly sales amount of TOP100 developers is approximately RMB 1.5 tn, a MoM increase of 12.7%; the rapid growth of the base number in 2Q2020 has driven the cumulative and single-month sales YoY growth rate to decline.

Small and medium-sized developers have the fastest cumulative and monthly sales growth. As of end-Jun 2021, developers ranked 51-100 in cumulative sales had the fastest cumulative sales growth, with a YoY increase of 48.8% (top 10 and top 11-50 developers increased by 25.4% and 44.8% respectively). In terms of monthly sales performance in Jun, developers ranked top 51-100 in cumulative sales grew faster, reaching 3.5% YoY (top 10 and 11-50 developers in cumulative sales increased 2.7% and decreased 2.8% YoY, respectively). Companies that grew the fastest in accumulated contracted sales in Jan-Jun 2021 were C&D (+146% YoY), GreenTown (+107% YoY), Mideadc (+71% YoY), CIFI(+69% YoY) and PowerLong (+68% YoY).

Integrated development policies are frequently introduced, and some cities have further specified the scope of regulation. In June, multiple places issued integrated development policies: in the Yangtze River Delta, 8 cities have steadily promoted the pilot provident fund withdrawal services for house purchases in different places; Zhejiang planned to start the construction of the Shanghai-Hangzhou-Ningbo Economic Innovation Zone. In other areas, NDRC adopted the “Fuzhou Metropolitan Area Development Plan” and the Henan Provincial Development and Reform Commission issued the “Key Points and Major Projects of the Integrated Development of Zhengzhou Metropolitan Area in 2021”. The integrated development model will have a positive effect on the economic growth and housing demand of core cities and important satellite cities in the region. On the other hand, some cities have recently further specified the scope of control. For example, Shaoxing proposed to implement control over commodity housing prices in the three municipal districts; Wuxi proposed that Jiangyin and Yixing should insist on “Housing for living, not for speculation” direction, etc. More detailed regulation may further crack down on speculative house purchases and guide the steady and healthy development of housing consumption.

Suggestion:

At present, some cities have tight mortgage quotas and mortgage interest rates have increased; at the same time, under the direction of “Housing for living, not for speculation”, the control of some cities has been specified to the district and county levels. Speculative house purchases may be further suppressed under the combined effect of capital costs and precise regulation, and housing consumption is also expected to become more stable and healthier. 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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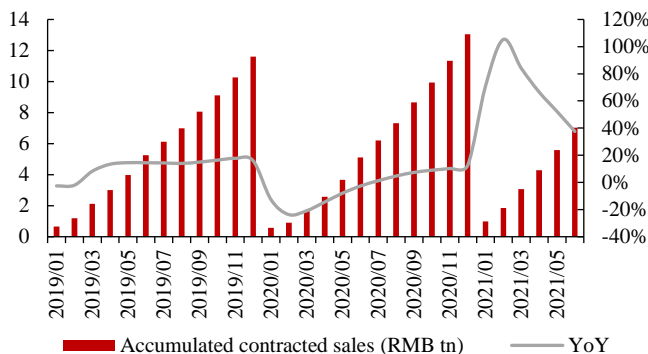
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CRIC released the sales data of developers for Jun 2021. Cumulative sales growth of TOP100 developers continued to decrease with accumulated contracted sales increased by 37.5% YoY, single-month contracted sales increased by 0.4% YoY.

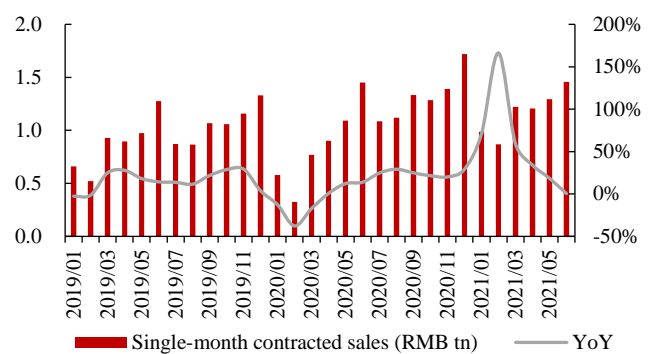
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Chart 1: Accumulated contracted sales from Jan to Jun 2021 of TOP100 developers increased 37.5% YoY



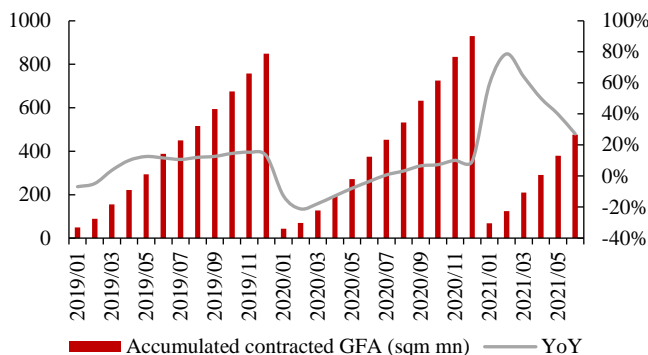
Source: CRIC, CWSI Research

Chart 2: Single-month contracted sales in Jun 2021 of TOP100 developers increased 0.4% YoY



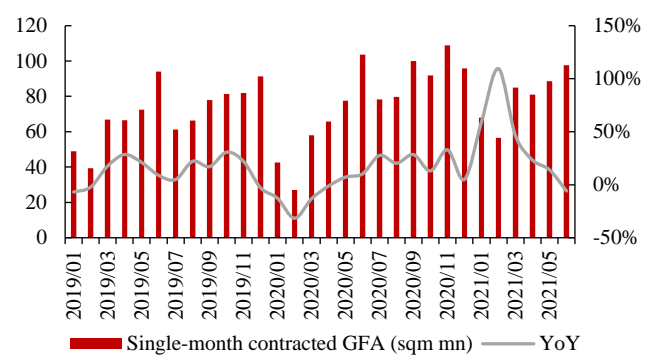
Source: CRIC, CWSI Research

Chart 3: Accumulated contracted GFA from Jan to Jun 2021 of TOP100 developers increased 27.2% YoY



Source: CRIC, CWSI Research

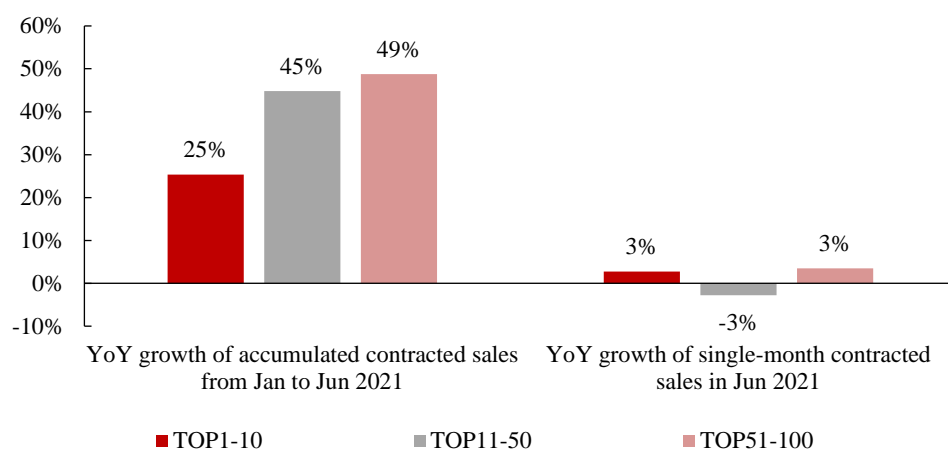
Chart 4: Single-month contracted GFA in Jun 2021 of TOP100 developers decreased 5.9% YoY



Source: CRIC, CWSI Research

Small and medium-sized developers have the fastest cumulative and monthly sales growth. As of end-Jun 2021, developers ranked 51-100 in cumulative sales had the fastest cumulative sales growth, with a YoY increase of 48.8% (top 10 and top 11-50 developers increased by 25.4% and 44.8% respectively). In terms of monthly sales performance in Jun, developers ranked top 51-100 in cumulative sales grew faster, reaching 3.5% YoY (top 10 and 11-50 developers in cumulative sales increased 2.7% and decreased 2.8% YoY, respectively). Companies that grew the fastest in accumulated contracted sales in Jan-Jun 2021 were C&D (+146% YoY), GreenTown (+107% YoY), Mideadc (+71% YoY), CIFI(+69% YoY) and PowerLong (+68% YoY).

Chart 5: Small and medium-sized developers have the fastest cumulative and monthly sales growth



Source: CRIC, CWSI Research

Integrated development policies are frequently introduced, and some cities have further specified the scope of regulation. In June, multiple places issued integrated development policies: in the Yangtze River Delta, 8 cities have steadily promoted the pilot provident fund withdrawal services for house purchases in different places; Zhejiang planned to start the construction of the Shanghai-Hangzhou-Ningbo Economic Innovation Zone. In other areas, NDRC adopted the “Fuzhou Metropolitan Area Development Plan” and the Henan Provincial Development and Reform Commission issued the “Key Points and Major Projects of the Integrated Development of Zhengzhou Metropolitan Area in 2021”. The integrated development model will have a positive effect on the economic growth and housing demand of core cities and important satellite cities in the region. On the other hand, some cities have recently further specified the scope of control. For example, Shaoxing proposed to implement control over commodity housing prices in the three municipal districts; Wuxi proposed that Jiangyin and Yixing should insist on “Housing for living, not for speculation” direction, etc. More detailed regulation may further crack down on speculative house purchases and guide the steady and healthy development of housing consumption.

Table 1: A Glance of Real Estate Policies in Jun 2021, integrated development policies are frequently introduced, and some cities have further specified the scope of regulation

Date	Region/ Institution	Policy Summary
2021-06-02	Shanghai	Established an urban renewal fund of RMB 80 bn, which is currently the largest urban renewal fund in the country.
2021-06-03	Shaoxing	The linkage mechanism for housing and land prices will be improved; regional purchases will be restricted; the sales restriction period in the original urban area will be increased from 2 years to 3 years.
2021-06-03	Ministry of Culture and Tourism	Encourage financial institutions to develop financial products and services suited to the characteristics of cultural and tourism enterprises. Promote the inclusion of cultural and tourism infrastructure in the pilot scope of REITs.
2021-06-05	Yangtze River Delta	The housing provident fund is paid in 8 pilot cities of Shanghai, Nanjing, Hefei, Suzhou, Wuxi, Jiaxing, Quzhou, and Wuhu, and those who purchase a house in the above-mentioned pilot cities and meet the withdrawal conditions of the provident fund payment location, the housing provident fund can be withdrawn regardless of whether the place of purchase and the place of payment are in the same city.
2021-06-07	Chengdu	"Red line" and developers with poor credit performance will be restricted from land bidding qualifications.
2021-06-08	Shenzhen	The 14th Five-Year Plan and the 2035 long-term target outline are released, and the target economic aggregate and per capita GDP will be doubled on the basis of 2020.
2021-06-09	Nanchang	Affiliated companies will be strictly restricted from participating in the same residential land bidding.
2021-06-10	Zhejiang	The central government issued the opinions of Zhejiang's high-quality development and construction of a common prosperity demonstration zone.
2021-06-15	Hangzhou, Jiaxing	The "Hangzhou-Jiaxing Integrated Cooperation Pilot Zone Construction Plan" was formally issued after the two cities of Hangzhou and Jiaxing agreed through consultation. The plan will be implemented until 2025.
2016-06-15	Yangtze River Delta	Zhejiang Province will continue to accelerate the integrated development of the Yangtze River Delta, and plans to start the construction of the Shanghai-Hangzhou-Ningbo Economic Innovation Zone.
2021-06-15	Wuxi	Jiangyin and Yixing should adhere to the positioning of "housing for living, not for speculation" and firmly grasp the goal of "stabilizing land prices, stabilizing housing prices, and stabilizing expectations" to carry out work.
2021-06-17	Shanghai	The Shanghai Municipal Government's executive meeting reviewed and approved the "Shanghai REITs 20 measures", including the establishment of special funds, support for the Shanghai Stock Exchange to conduct business, support for public fund managers to conduct business, expansion of product investors, development of professional services, and strengthening of supporting policy support.
2021-06-21	Qingdao	Will relax restrictions on settlement in cities and towns, and establish and improve a multi-subject housing system.
2021-06-22	Shanghai	Will build a sample city for cultural and tourism integration. By 2025, Shanghai will strive to increase its total tourism revenue from RMB 314 bn in 2020 to RMB 700 bn.
2021-06-23	Fuzhou	NDRC passed the "Fuzhou Metropolitan Area Development Plan".
2021-06-29	Zhengzhou	Henan Provincial Development and Reform Commission issued the "Key Points and Major Projects of the Integrated Development of Zhengzhou Metropolitan Area in 2021".

Source: Government websites, CWSI Research

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

Company	Sales Amount (RMB '00 mn)				Sales Area (10 thousand sqm)			
	Jan-Jun	Jan-Jun YoY	Jun	Jun YoY	Jan-Jun	Jan-Jun YoY	Jun	Jun YoY
Country Garden	4264	15%	723	-11%	4901	15%	831	-11%
EverGrande	3562	2%	694	-9%	4226	9%	854	0%
Vanke	3548	11%	676	-8%	2221	7%	451	-10%
Sunac	3208	64%	793	45%	2208	57%	581	52%
PRE	2850	27%	515	-25%	1745	17%	349	-21%
COLI	2054	19%	484	-16%	1014	6%	248	-24%
CMSK	1770	60%	442	36%	790	59%	202	25%
CR Land	1648	49%	387	22%	904	43%	225	26%
GreenLand	1641	22%	503	22%	1347	19%	381	11%
Gemdale	1625	60%	340	1%	725	49%	155	-11%
Shimao	1528	38%	310	3%	860	37%	173	1%
Longfor	1426	28%	308	7%	834	27%	183	8%
GreenTown	1367	107%	334	40%	485	83%	112	21%
CIFI	1362	69%	261	4%	815	67%	176	13%
Jinmao	1302	27%	200	-47%	752	37%	91	-46%
Future Land	1190	22%	245	-6%	1137	30%	223	0%
Zoona	1088	34%	203	-21%	748	23%	137	-28%
Jinke	1020	23%	172	-26%	1024	24%	167	-19%
Yango	1013	13%	200	-26%	639	-12%	127	-27%
Zhongliang	956	41%	198	-20%	784	45%	179	17%
C&D	934	146%	195	47%	468	111%	107	41%
Logan	882	54%	125	-20%	483	27%	100	-4%
Binjiang	879	61%	182	26%	198	22%	45	9%
Ronshine	830	37%	149	-24%	404	57%	72	11%
Midead	825	71%	135	15%	695	59%	111	14%
Kaisa	800	57%	100	-35%	562	45%	60	-49%
Agile	753	37%	144	-3%	485	20%	93	-28%
Aoyuan	676	33%	150	-15%	596	17%	137	-26%
R&F	647	18%	123	-22%	482	6%	87	-27%
Risesun	593	23%	126	-17%	513	18%	123	-10%
China SCE	591	47%	124	4%	344	26%	78	-5%
Sinide	588	35%	120	11%	384	37%	72	4%
KWG	562	53%	103	28%	287	30%	49	0%
Radianc	558	49%	110	0%	322	15%	64	-37%
PowerLong	530	68%	105	2%	339	65%	67	0%
Yuzhou	527	23%	110	-9%	289	11%	54	-24%
Sino-Ocean	520	24%	115	14%	286	31%	64	22%
RedSun	492	56%	95	-13%	291	35%	55	-21%
BRC	477	18%	30	-72%	502	29%	29	-72%
Times	454	39%	81	2%	235	0%	42	-26%
TOP1-10 Total	26169	25.4%	5476	2.7%	20728	18.0%	4300	-3.3%
TOP1-50 Total	57781	35.3%	11736	-0.3%	39944	25.0%	8124	-6.8%
TOP1-100 Total	70335	37.5%	14577	0.4%	47653	27.2%	9761	-5.9%

Source: CRIC, CWSI Research

Suggestion:

At present, some cities have tight mortgage quotas and mortgage interest rates have increased; at the same time, under the direction of “Housing for living, not for speculation”, the control of some cities has been specified to the district and county levels. Speculative house purchases may be further suppressed under the combined effect of capital costs and precise regulation, and housing consumption is also expected to become more stable and healthier. 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:

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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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