This Week in China

Real estate trend: Messages from the integration of steel industry

Topic of the week:

The macro environment has driven changes in the prosperity of the steel industry. 1) The steel industry is developing rapidly in the process of industrialization. 2) As China's economic development entered a new stage, the growth rate of steel demand has slowed down, the industry's competitive landscape has deteriorated, and credit risk has increased. 3) The policy has implemented adjustments in various aspects with the core of the resolution of credit risks. The current development of real estate has many similarities with the predicament of steel at that time, this report attempts to look forward to the development trend of real estate from the integration process of the steel industry.

The background of the integration of the steel industry lies in the overcapacity, increased operating pressure of steel companies, and increase in credit risk. 1) Severe overcapacity: The capacity utilization rate of crude steel decreased from 79.2% in 2011 to 67.0% in 2015, and the price of rebar fell from RMB 5018/ton at the beginning of 2011 to RMB 1996/ton at the end of 2015. 2) increased operating pressure of steel companies: the profit margin of large and medium-sized steel companies has fallen from 2.9% in 2010 to -2.2% in 2015, and the solvency continued to weaken. 3) Rapid growth of debt: According to Wind, the credit bond balance of steel industry increased by 123% from 2010 to 2015. 4) Credit risk exposure: Credit risk events in the steel industry have gradually increased.

After the steel production reduction policy became stricter, the growth rate of the balance of credit bonds slowed down. 1) Improved supply and demand pattern: In the 2H2017, the price of rebar rebounded to over RMB 4000/ton. 2) Operation improvement of steel companies: In 2018, the profit margin of large and medium-sized steel companies rebounded to 6.9%, and the asset-liability ratio of SW steel decreased from 67.5% in 2015 to 57.6% in 2018. 3) The growth rate of total credit bond has slowed down: only increased by 16% from 2015 to 2020. There are similarities between current real estate regulation and the past steel production reduction policies: 1) The policy still focuses on the resolution of existing debt risks. 2) Policies such as centralized land supply and financing control have intensified competition for land and financial resources, similar to the way the steel industry reduces production capacity. Despite the stronger regional attributes of real estate, based on the integration experience of the steel industry, the following situations are expected in the real estate industry: 1) The growth rate of industry debt will slow down; 2) The process of increasing industry concentration will continue.

Data points:

As of Aug 6th, new house transaction area in 42 major cities this week decreased 5% WoW, and cumulative transaction area in 2021 increased 28% YoY.

As of Aug 6th, saleable area (inventory) in 13 major cities this week decreased 1% WoW; average inventory period was 24.2 months, average WoW change was 5%.

As of Aug 6th, 2nd-hand housing transactions in 15 major cities this week decreased 7% WoW, and cumulative transaction area in 2020 increased 14% YoY.

Suggestion:

In the second half of the year, the MoM decline in new house transaction area reflects the decline in the housing market. Cities such as Beijing, Hangzhou and Guangzhou have tightened their control in terms of purchase restrictions and sales restrictions during the week, the housing market in hot cities may further return to rationality. Under the continued tight policy environment, the business differentiation between developers will be further reflected in the interim results. Maintain "Overweight" rating.

Overweight
(Maintain)

Public WeChat account

Hongfei Cai
Analyst
+852 3958 4629
caihongfei@cwghl.com
SFC CE Ref: BPK 909

Lianxin Zhuge
Analyst
+852 3958 4600
zhugelianxin@cwghl.com
SFC CE Ref: BPK 789

1. Real estate trend: Messages from the integration of steel industry

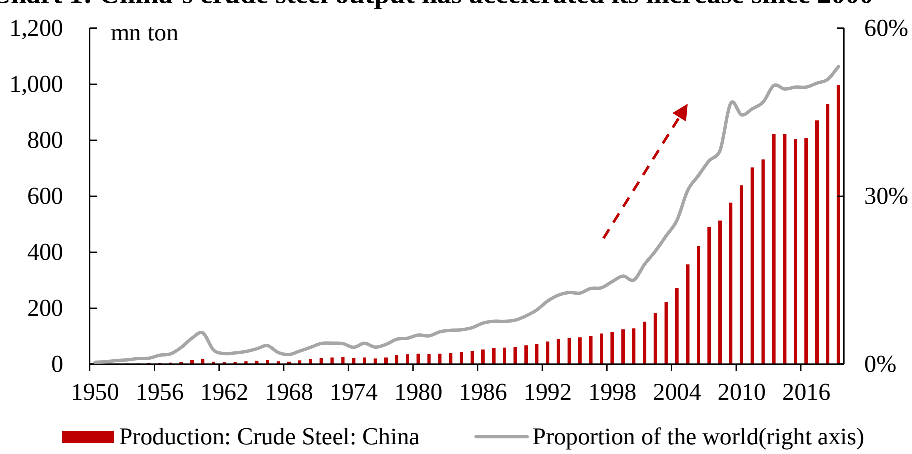
The current development of real estate has many similarities with the predicament of steel at that time, this report attempts to look forward to the development trend of real estate from the integration process of the steel industry. What are the similarities and differences between the steel industry's overcapacity reduction process and the current real estate industry regulation? What enlightenment does the integration process of the steel industry have for the real estate industry?

1.1 Background of steel production reduction: changed macro environment and increased credit risk

The macro environment has driven changes in the prosperity of the steel industry. 1) The steel industry is developing rapidly in the process of industrialization. 2) As China's economic development entered a new stage, the growth rate of steel demand has slowed down, the industry's competitive landscape has deteriorated, and credit risk has increased. 3) The policy has implemented adjustments in various aspects with the core of the resolution of credit risks.

At the beginning of the 21st century, the domestic steel industry developed rapidly. After China's accession to the WTO in the early 21st century, abundant low-cost labor drove the global manufacturing industry to shift to China. China's crude steel production's share of the world accelerated from 2000 to 2009, from 15.0% in 2000 to 46.6% in 2009, reaching 53.1% at the end of 2019.

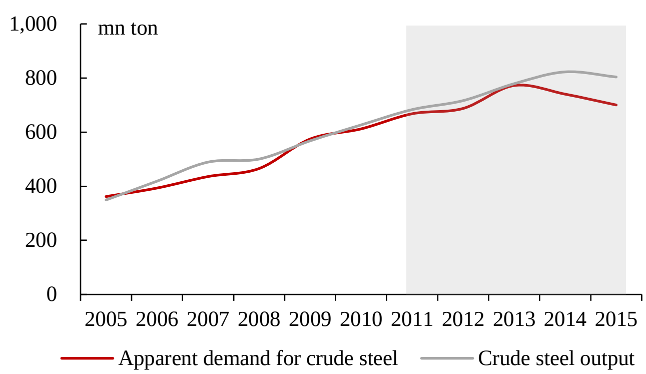
Chart 1: China's crude steel output has accelerated its increase since 2000



Source: Wind, Worldsteel, CWSI Research

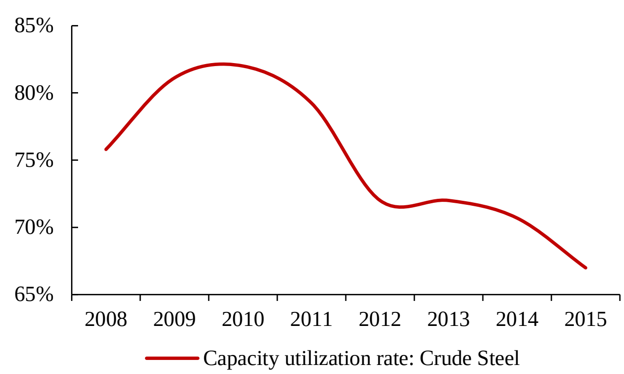
From 2011 to 2015, steel demand was weak, capacity utilization rates and steel prices declined, steel companies' profit margins were under pressure, and asset-liability ratios increased. In the context of the gradual advancement of urbanization and industrialization and the weak domestic economic growth, although the growth rate of crude steel production has slowed down in 2011-2015, factors such as the slowdown in real estate investment growth and the low manufacturing growth have led to a sharp decline in steel demand, and the gap between crude steel output and demand has increased significantly after 2011. Under the sluggish demand environment, the utilization rate of crude steel capacity continued to decline (falling to below 70% in 2015), and rebar prices declined in 2011-2015; accordingly, the profit margins of large and medium-sized steel companies continued to decline in 2011-2015, from 2.9% in 2010 to -2.2% in 2015. On the other hand, during the rapid development stage, steel companies borrowed money to expand production capacity; When the industry is down, it is difficult for steel companies to quickly reduce production. The decline in profit margins has also exacerbated the increase in asset-liability ratio and the decline in debt solvency indicators such as current ratio.

Chart 2: The gap between steel supply and demand has widened after 2011



Source: Wind, CWSI Research

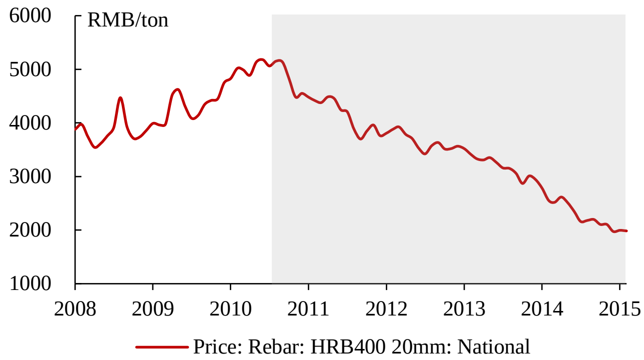
Chart 3: 2011-2015 crude steel capacity utilization rate continued to decline



Source: Wind, CWSI Research

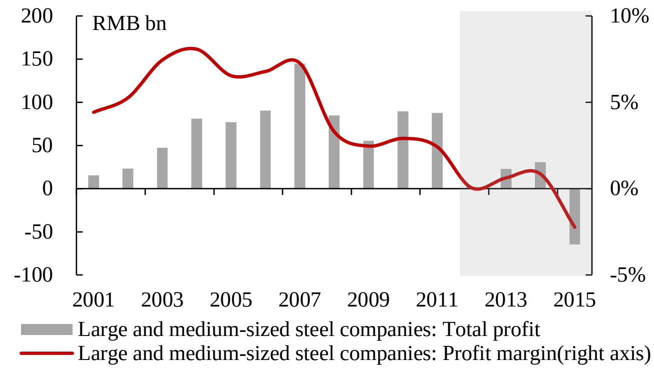
中達證券
CENTRAL WEALTH

Chart 4: Rebar prices declined from early 2011 to the end of 2015



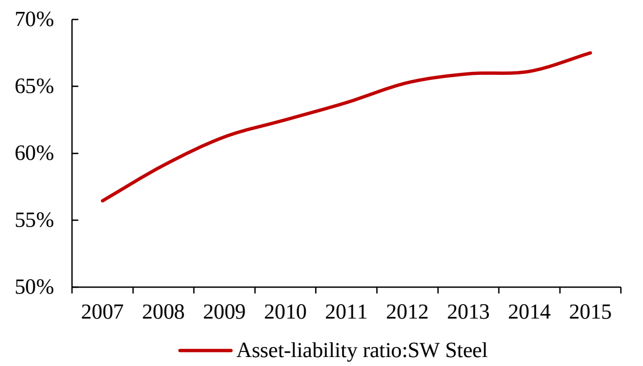
Source: Wind, CWSI Research

Chart 5: The profit margin of large and medium-sized steel companies declined from 2011 to 2015



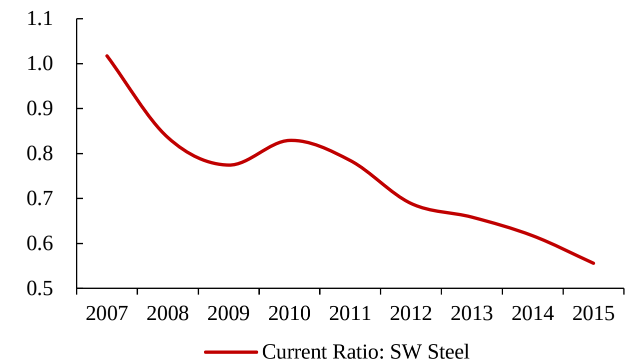
Source: Wind, CWSI Research

Chart 6: The asset-liability ratio of the steel sector continued to rise from 2011 to 2015



Source: Wind, CWSI Research

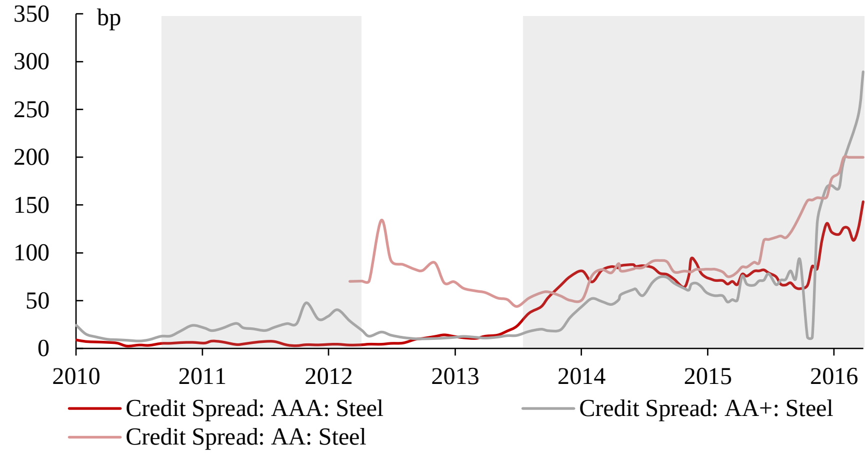
Chart 7: The current ratio of the steel sector continued to decline from 2011 to 2015



Source: Wind, CWSI Research

The credit risk of the steel industry has increased. From 2011 to 2015, credit spreads in the steel industry expanded several times; in 2016, Dongbei Special Steel's multiple credit bonds constituted a substantial default, and the balance of defaulted bonds accounted for 18.3% of the material breach amount of that year. The credit bond balance of the steel industry has grown rapidly. According to Wind's statistics and industry classification, the credit bond balance of the steel industry increased by 123% from 2010 to 2015. Due to the consideration of the steel industry's existing debt risks, the steel industry's overcapacity control has been overwhelming, and the industry's integration has accelerated substantially.

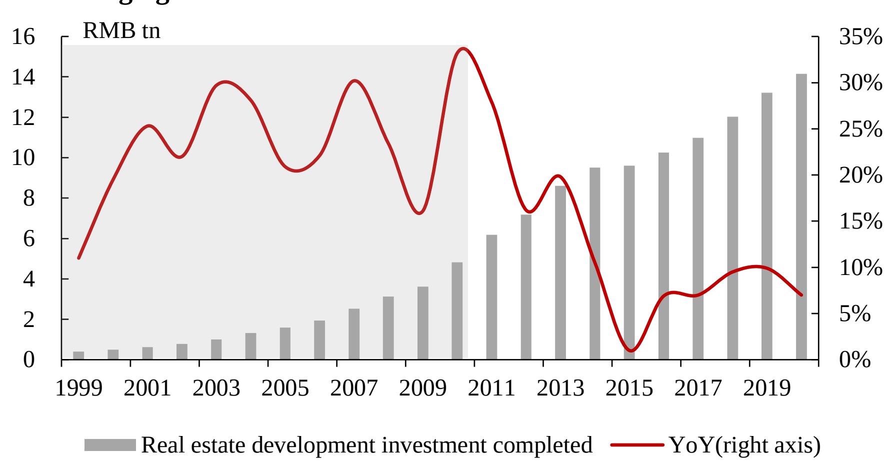
Chart 8: From 2011 to 2015, the credit spread of the steel industry has expanded many times



Source: Wind, CWSI Research

In the process of urbanization, the real estate industry was booming. Real estate was established as a pillar industry in 2003. The huge demographic dividend (total dependency ratio continued to decline until 2010) and urbanization space (the urbanization rate at the end of 2000 was only 35.9%, much lower than developed countries such as the United States and Japan) has brought the industry sufficient demand. From 2000 to 2010, the YoY growth rate of real estate development investment completed was higher than 20% in most years, and the 2000-2010 CAGR reached 25.7%.

Chart 9: High growth rate of real estate investment from 2000 to 2010

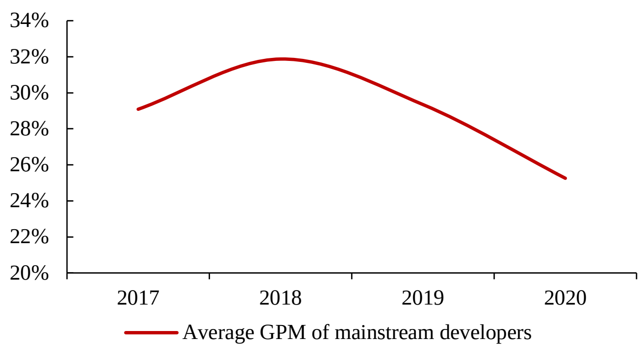


Source: Wind, NBS, CWSI Research

At present, the profitability of developers is declining and defaults are increasing. In 2016-2018, the of land cost was high, and the price limit became stricter after 2018.

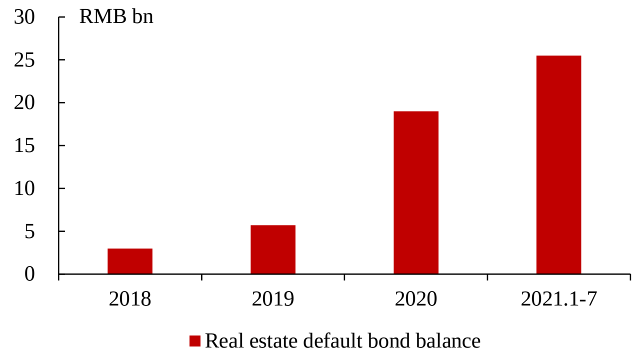
The settlement of low-margin projects has led to a decline in the gross profit margin of mainstream developers from 2019; on the other hand, operating pressure has also led to obvious defaults by developers since 2020. In 2020 and January-July 2021, the default amount of credit bonds in the real estate industry reached RMB 18.98 bn and RMB 25.50 bn respectively.

Chart 10: The average settlement GPM of mainstream developers has declined since 2019



Source: Wind, CWSI Research

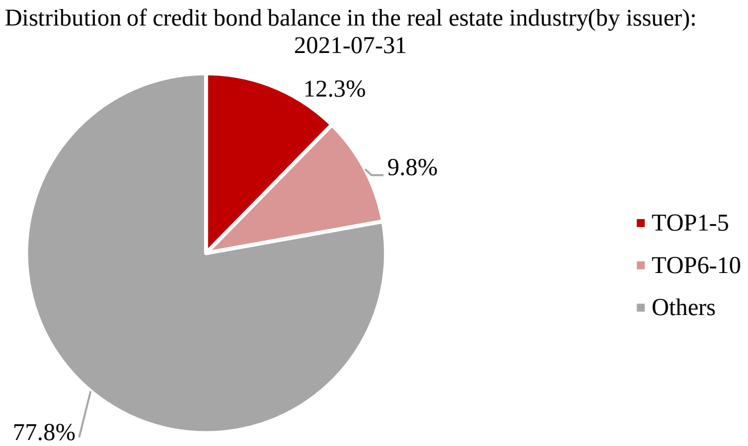
Chart 11: Since 2020, the amount of defaults on real estate bonds has increased significantly



Source: Wind, CWSI Research

The current debt in the real estate industry is large in scale and low in concentration. According to Wind's statistics and industry classification, the real estate industry's credit bond balance at the end of July 2021 is about RMB 2.0 tn, which is low in concentration (top 10 issuers in total account for only 22.2% of the balance), making the supervision more difficult. In the context of rising credit risks, the real estate industry has become more stringent in regulation.

Chart 12: The current debt concentration in the real estate industry is low



Source: Wind, CWSI Research

1.2 Enlightenment of the integration of the steel industry to the real estate industry

1.2.1 Steel production reduction policy: control total debt and accelerate integrations

The administrative measures for steel de-capacity control mainly include: 1) Control the total debt: issue quantitative indicators to control the total production capacity, thereby limiting debt growth; 2) Optimize the industry structure: implement a differentiated credit system, support high-quality companies, accelerate the elimination of outdated production capacity and strengthen the independent innovation capabilities of steel companies; promote industry integration and increase industry debt concentration.

During the "12th Five-Year Plan" and "13th Five-Year Plan" period, the production capacity elimination plan has been continuously issued. From 2011 to 2015, the Ministry of Industry and Information Technology continued to issue the goal of eliminating outdated steel production capacity; during the "12th Five-Year Plan" period, a total of 908.9 bn tons and 948.6 bn tons of outdated ironmaking and steelmaking capacity was eliminated. In 2016, the State Council further proposed that "on the basis of eliminating outdated steel production capacity in recent years, use five years to reduce crude steel production capacity by 100 mn to 150 mn tons"; at the end of 2018, the steel industry has overfulfilled the upper limit of the goal two years ahead of schedule. During the 13th Five-Year Plan period, steel production capacity has been reduced by 170 mn tons.

The "12th Five-Year Plan" and "13th Five-Year Plan" steel production reduction policies have increased, and the execution of capacity reduction has been improved. With the gradual transformation of China's economy, more diversified local assessment standards, large-scale losses in steel companies and a marked increase in credit risk, policies have gradually become more stringent. For example, the central government's expression of new production capacity has changed from "strictly controlling new production capacity" in the "11th Five-Year Plan" to "prohibiting the construction of new production capacity projects" in the "12th Five-Year Plan", and further changed to "strictly forbidden to increase production capacity" In the "13th Five-Year Plan". The control policies have also become more complete. During the "12th Five-Year Plan" period, the central government began to propose supporting policies in various aspects including environmental protection, finance, employee resettlement, etc.

Table 1: Economic and industrial environment has changed, steel capacity reduction policy has become stricter

	11th Five-Year Plan	12th Five-Year Plan	13th Five-Year Plan
Key policy	关于钢铁工业控制总量淘汰落后加快结构调整的通知	国务院关于化解产能严重过剩矛盾的指导意见	国务院关于钢铁行业化解过剩产能实现脱困发展的意见
Department	Eight Ministries including NDRC	State Council	State Council
Reasons for production reduction	**The contradiction of overcapacity is prominent**, the environmental capacity is difficult to support, the proportion of low-level capacity is high, vicious competition, and the industry concentration is declining	**Severe overcapacity** causes business difficulties, decline in fiscal revenue, **accumulation of financial risks**, etc.	**The problem of overcapacity is particularly prominent**, the **difficulties in production and operation of steel companies have intensified, and losses have continued to expand**.
Main target	Total control, elimination of outdated production capacities, structural adjustment	The scale of production capacity is basically reasonable, the quality of development is significantly improved, and the long-term mechanism is initially established	Reduce production capacity, **make substantial progress in industry mergers and reorganizations**, optimize industrial structure, significantly improve product quality and high-end product supply capabilities, and improve corporate economic benefits, etc.
Main measures	·**Strictly control new capacity** ·In principle, new steel enterprises are not approved ·Illegal construction of steel projects that comply with industrial policies must be approved in accordance with procedures, otherwise construction will be suspended immediately	·**Strictly forbidden to build new capacity projects** ·Illegal projects that have not started construction shall not start construction; for projects that are indeed necessary to be constructed in equal or reduced quantities, relevant departments shall complete relevant procedures in accordance with laws and regulations.	·**Strictly forbidden to increase production capacity** ·For excess capacity, **withdraw in accordance with laws and regulations** (**environmental protection, energy consumption, quality, safety, technology**), **guide active withdrawal** (active reduction, merger and reorganization, transformation and conversion, relocation and transformation, international capacity cooperation), and **dismantle the corresponding equipment**
Supporting measures	Strengthen industry self-discipline, strengthen leadership and implement responsibilities	Improve industry management, strengthen supervision and management of **environmental protection constraints**, strengthen **land and shoreline management**, implement **financial policies** that maintain and control, improve **pricing policies**, **fiscal and tax support**, and **employee placement policies**, and strengthen supervision and inspection	Strengthen **rewards and subsidies**, improve **taxation policies**, increase **financial support**, do a good job in **employee placement**, and **revitalize land resources**

Source: Government website, CWSI Research

Implement a differentiated credit system, accelerate the elimination of outdated production capacity, and enhance the innovation capabilities of high-quality steel companies. At the beginning of 2016, eight ministries and commissions including the People's Bank of China determined a differentiated credit system for industrial companies, resolutely reduce and withdraw related loans for outdated production capacity, and continue to provide credit support for high-quality companies. The differentiated credit system prevented the continuous flow of credit resources into some steel companies with outdated production capacity, and promoted the elimination of outdated production capacity and the control of the industry's total production capacity from a financial perspective.

Table 2: Differentiated credit policy accelerates the exit of outdated production capacity

Content	Policy
Differentiated credit policy	·High-quality companies with competitive products, marketable, profitable and promising prospects: continue to provide credit support to help them tide over difficulties; promote innovation in financing mechanisms · **"Zombie companies" that have suffered long-term losses, lost solvency and market competitiveness, or companies that do not meet environmental protection and safety production standards and have no hope of rectification, and outdated production capacity: Resolutely compress and withdraw related loans**
Promote mergers and acquisitions	Further cancel or simplify the administrative licensing and approval matters for the merger and reorganization of listed companies, improve the M&A loan business, and further expand the scale of M&A loans
Strengthen coordination	Through strict implementation of technical standards, environmental protection standards and other measures, **accelerate the promotion of companies that do not meet industry standards to actively upgrade or accelerate withdrawal**

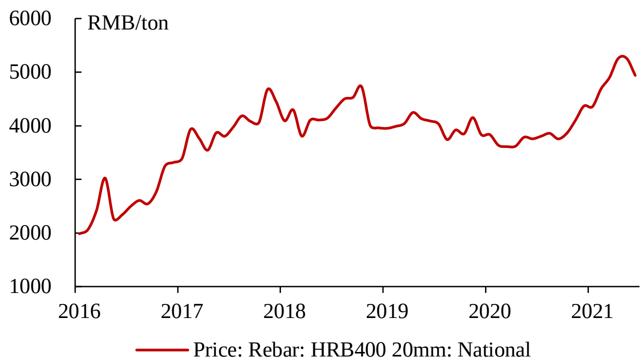
Source: Government website, CWSI Research

The central deployment accelerated industry mergers and reorganizations. In 2016, the State Council put forward that " make substantial progress in industry mergers and reorganizations", and the promotion of industry integration was deployed at the central level; in September of the same year, the State Council pointed out that by 2025, the production capacity concentration of the top 10 companies in China's steel industry will reach 60% to 70%, including 3-4 80 mn ton level steel groups and 6-8 40 mn ton level steel groups.

1.2.2 Achievements of steel production reduction: improved supply and demand pattern, slowed-down debt growth

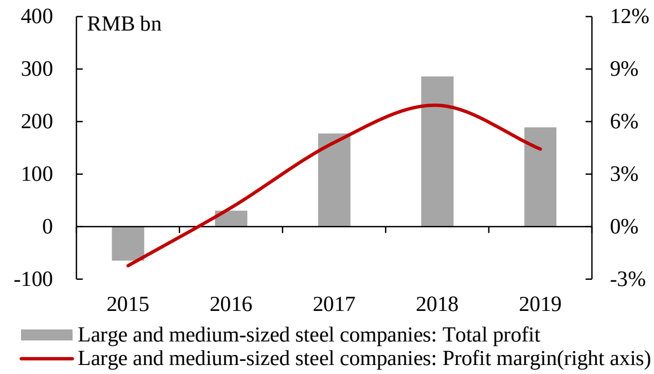
The supply and demand pattern has improved, and the growth rate of the credit debt balance of the steel industry has slowed after 2016. Under the combined effect of administrative measures (more complete control policies and significantly improved execution) and market measures (steel companies' ability and willingness to increase production weakened after experiencing losses in 2015), the steel industry has achieved a good effect of reducing capacity. 1) Improved supply and demand pattern: In the 2H2017, the price of rebar rebounded to over RMB 4000/ton. 2) Operation improvement of steel companies: In 2018, the profit margin of large and medium-sized steel companies rebounded to 6.9%, and the asset-liability ratio of SW steel decreased from 67.5% in 2015 to 57.6% in 2018. 3) The growth rate of total credit bond has slowed down: only increased by 16% from 2015 to 2020.

Chart 13: The supply and demand pattern has improved, and the price of rebar increased after 2016



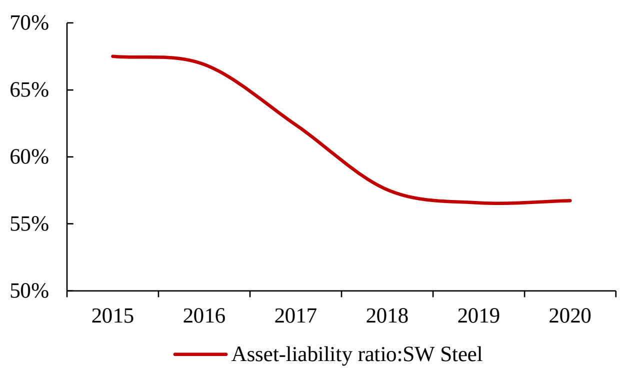
Source: Wind, CWSI Research

Chart 14: The profitability of steel companies has improved after 2016



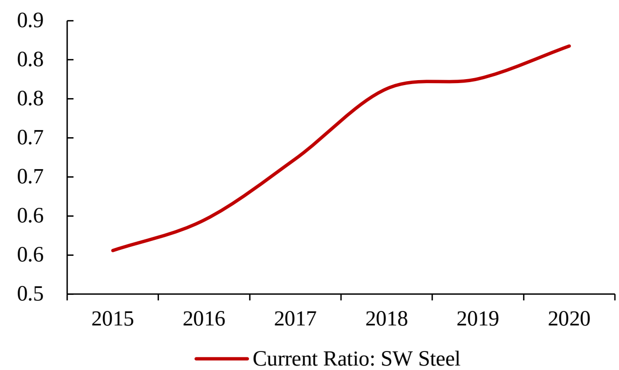
Source: Wind, CWSI Research

Chart 15: Steel sector's asset-liability ratio declined after 2016



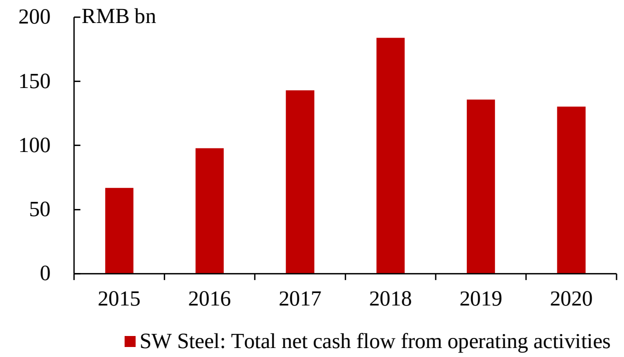
Source: Wind, CWSI Research

Chart 16: The current ratio of the steel sector increased after 2016



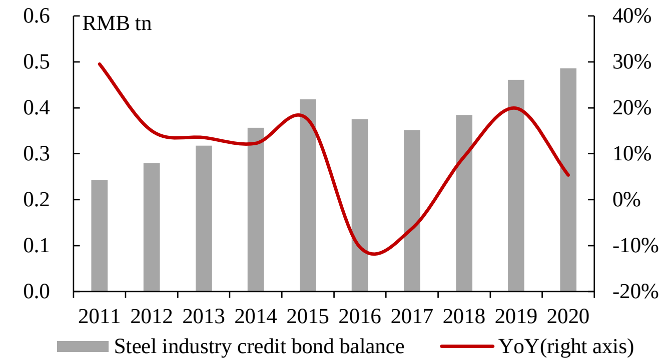
Source: Wind, CWSI Research

Chart 17: Cash flow from operating activities of the steel sector continued to improve from 2016 to 2018



Source: Wind, CWSI Research

Chart 18: The balance of credit bonds of the steel industry declined from 2016 to 2017



Source: Wind, CWSI Research

1.2.3 Enlightenment from the integration of the steel industry

There are similarities between the current real estate regulation and the past steel production reduction policies: 1) The policy still focuses on the resolution of existing debt risks. The “3 red lines” and the concentration of housing-related loans are all intended to control the total debt of the industry. 2) Policies such as centralized land supply and financing control have intensified competition for land and financial resources, similar to the way the steel industry reduces production capacity.

The reduction of capacity in the steel industry is dominated by administrative means, and the current differenciation of the real estate industry is more based on the difference in the operating capabilities of developers. The regulation of the steel industry is led by administrative measures such as achieving quantitative targets for reducing capacity and accelerating mergers and reorganizations; the current differenciation of the real estate industry is more based on the differences in the operating capabilities of developers under the new regulations that a number of comprehensive controls since August 2020 have brought challenges to the operation of developers from many aspects. For example, after the tightening of financing, the source of funds for developers is more dependent on sales returns, developers whose products are mismatched with residents’ demand for face greater financial pressure; the centralized land supply policy has an impact on the pace of operation, investment models, and funds of developer, and developers with stronger comprehensive capabilities were calmer in the land market in the first half of the year.

Table 3: The past production cuts in the steel industry and the current regulation of the real estate industry are based on risk control

	Steel industry policy	Real estate industry policy
Debt scale	·Reduce production capacity: indirectly restrict new debt ·Differentiated credit system: Directly restrict new debts	·"3 red lines": Directly restrict new debt ·Concentration limit of housing-related loans: Directly restrict new debt
Debt concerntration	Differentiated credit system, promote industry mergers and reorganizations	Test the comprehensive capabilities of developers through credit policies and centralized land supply

Source: CWSI Research

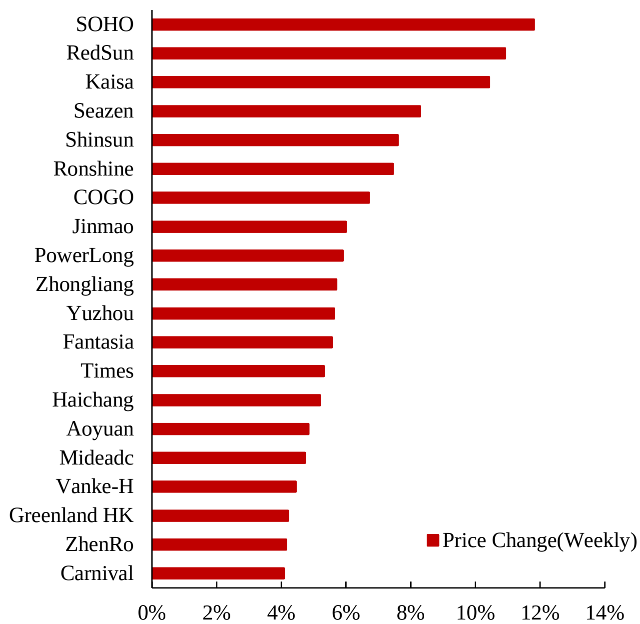
The growth rate of the balance of real estate credit bonds is expected to slow down, and the process of increasing concentration will continue. Despite the high degree of standardization of steel products and stronger regional attributes of real estate, from the integration experience of the steel industry, the following situations are expected in the real estate industry: 1) Debt scale: the growth rate of industry debt slows down; in fact, the growth rate of real estate credit bond balance has slowed down significantly after 2018. After 2020, domestic real estate credit bonds are mostly in a state of net repayment. Under the current financing environment, the proportion of real estate stock debt is expected to continue to decline. 2) Debt concentration: The process of increasing industry concentration and debt concentration continues.

2. Sector Performance

2.1 Performance of developer sector

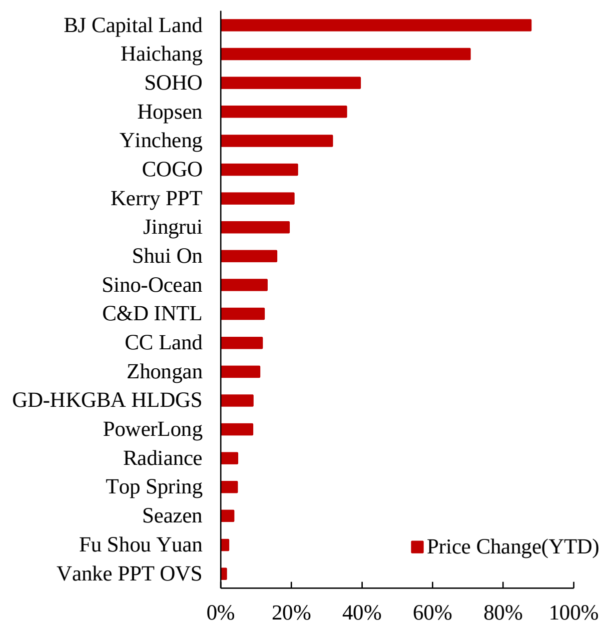
This week, SOHO, RedSun and Kaisa had larger price increase than peers. BJ Capital Land, Haichang and SOHO had better share price performance, YTD.

Chart 19: This week, SOHO, RedSun and Kaisa had larger price increase than peers



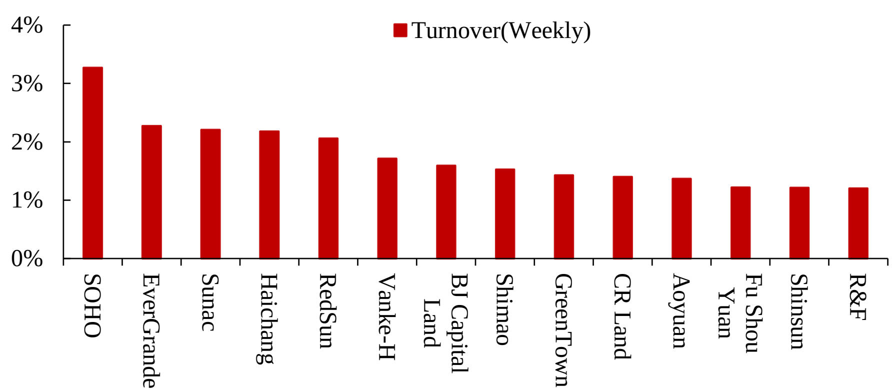
Source: Wind, CWSI Research

Chart 20: BJ Capital Land, Haichang and SOHO had better share price performance, YTD



Source: Wind, CWSI Research

Chart 21: SOHO, EverGrande, and Sunac were most actively traded this week

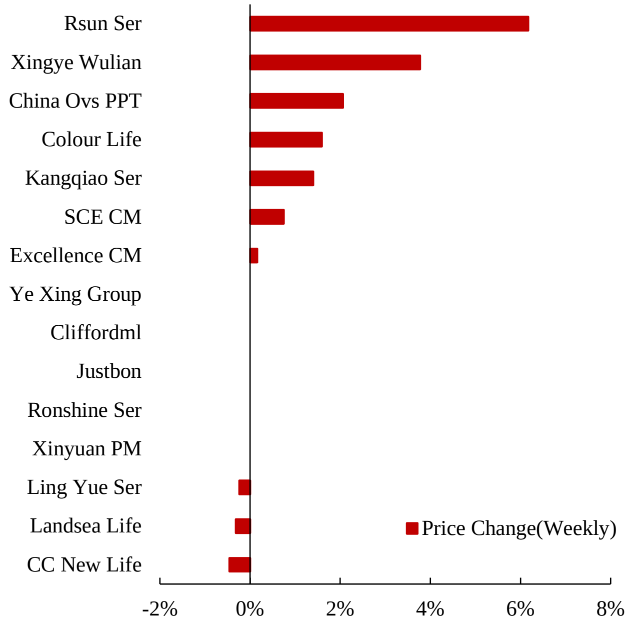


Source: Wind, CWSI Research

2.2 Performance of property management sector

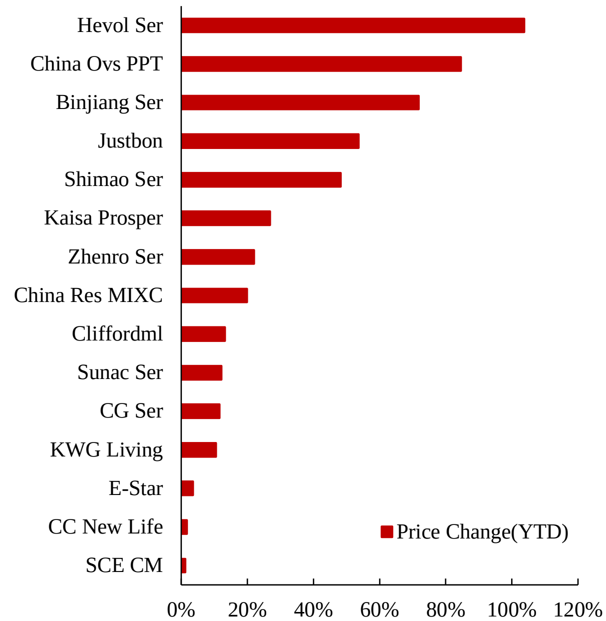
This week, RsunSer, Xingye Wulian and China Ovs PPT had larger price increase than peers. Hevol Ser, China Ovs PPT and Binjiang Ser had better share price performance YTD.

Chart 22: This week, RsunSer, Xingye Wulian and China Ovs PPT had larger price increase than peers



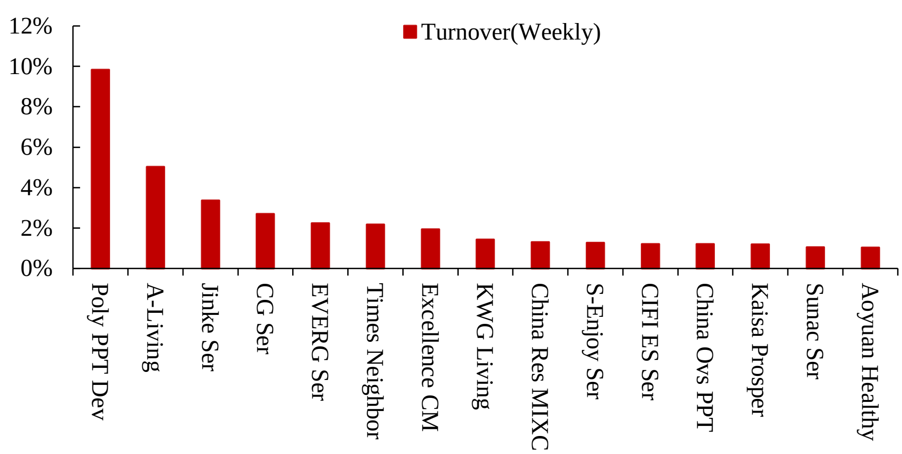
Source: Wind, CWSI Research

Chart 23: Hevol Ser, China Ovs PPT and Binjiang Ser had better share price performance YTD



Source: Wind, CWSI Research

Chart 24: Poly PPT Dev, A-Living and Jinke Ser were most actively traded this week



Source: Wind, CWSI Research

3. Major cities transaction performance

3.1 New house transaction data

Table 4: Major cities new house transactions volume decreased WoW this week

	Last 7 days			Last 30 days			Month to date			Year to date	
City & Region	**sqm**	**wow**	**yoy**	**sqm 000**	**mom**	**yoy**	**sqm 000**	**mom**	**yoy**	**sqm 000**	**yoy**
Beijing	187,050	-16%	16%	921	-21%	36%	174	-32%	30%	6,163	79%
Shanghai	320,000	68%	17%	1,091	-38%	-14%	298	-28%	43%	9,749	46%
Guangzhou	168,016	-29%	-24%	778	-17%	-19%	128	-11%	-25%	7,632	60%
Shenzhen	72,196	46%	-34%	265	-2%	-24%	72	30%	-26%	2,798	34%
Tier 1	**747,262**	**7%**	**-3%**	**3,055**	**-26%**	**-6%**	**673**	**-23%**	**10%**	**26,342**	**55%**
Tier 2	**2,163,863**	**2%**	**-21%**	**10,984**	**-14%**	**-6%**	**1,946**	**-32%**	**-15%**	**82,621**	**32%**
Tier 3	**1,456,792**	**-18%**	**-44%**	**7,533**	**-22%**	**-30%**	**1,193**	**-33%**	**-44%**	**71,212**	**16%**
Beijing	187,050	-16%	16%	921	-21%	36%	174	-32%	30%	6,163	79%
Qingdao	242,582	-30%	-24%	1,311	-14%	-17%	202	-20%	-17%	9,641	15%
Jinan	235,798	-13%	2%	1,143	-20%	4%	195	-20%	7%	7,723	23%
Dongying	46,183	9%	-67%	190	-28%	-66%	36	-41%	-71%	1,641	-41%
PBR	**711,613**	**-19%**	**-17%**	**3,565**	**-19%**	**-9%**	**608**	**-25%**	**-11%**	**25,168**	**21%**
Shanghai	320,000	68%	17%	1,091	-38%	-14%	298	-28%	43%	9,749	46%
Nanjing	82,195	-36%	-72%	628	-52%	-34%	80	-67%	-72%	8,847	61%
Hangzhou	320,982	101%	114%	1,039	-8%	51%	301	-8%	139%	7,955	53%
Suzhou	194,195	-9%	-3%	1,026	-28%	28%	174	-13%	14%	7,458	10%
Yangzhou	364	-97%	-100%	189	-21%	-35%	0	-99%	-100%	1,896	44%
Jiangyin	17,751	-51%	-52%	125	-51%	-46%	13	-52%	-53%	1,961	22%
Wenzhou	161,323	36%	-6%	646	-17%	-12%	142	-5%	11%	5,957	13%
Jinhua	27,981	-48%	-56%	185	-7%	-32%	26	-33%	-48%	1,701	23%
Changzhou	93,189	5%	35%	360	50%	12%	78	-11%	42%	1,752	-3%
Huaian	74,009	1%	-33%	298	0%	-30%	64	9%	-32%	3,289	28%
Lianyungang	146,946	26%	-11%	535	-18%	-24%	140	-28%	-1%	5,436	50%
Shaoxing	832	-93%	-98%	78	-55%	-63%	1	-96%	-98%	1,385	-4%
Zhenjiang	63,617	-23%	-47%	378	-36%	-10%	52	-39%	-44%	4,201	28%
Jiaxing	25,145	70%	-86%	119	-19%	-74%	25	55%	-85%	1,041	-43%
Wuhu	86,474	29%	63%	381	-33%	66%	69	16%	57%	4,600	312%
Yancheng	31,445	81%	-74%	108	-62%	-61%	-	-	-	2,180	13%
Zhoushan	11,276	-48%	-37%	89	-16%	-26%	9	-31%	-25%	849	8%
Chizhou	20,228	-6%	-1%	72	5%	-14%	20	75%	71%	650	26%
Ningbo	125,957	-2%	-48%	568	-14%	-28%	115	-35%	-48%	5,149	16%
YRD	**1,803,909**	**16%**	**-25%**	**7,913**	**-27%**	**-15%**	**1,608**	**-27%**	**-22%**	**76,053**	**33%**
Guangzhou	168,016	-29%	-24%	778	-17%	-19%	128	-11%	-25%	7,632	60%
Shenzhen	72,196	46%	-34%	265	-2%	-24%	72	30%	-26%	2,798	34%
Fuzhou	84,042	11%	50%	419	-16%	88%	71	-13%	94%	3,186	171%
Dongguan	68,622	-48%	-60%	428	-26%	-48%	53	-27%	-57%	3,194	-7%
Quanzhou	11,985	-34%	-87%	34	-3%	-90%	7	640%	-90%	665	-47%
Putian	19,462	-45%	-6%	142	-35%	36%	12	-50%	-16%	1,326	48%
Huizhou	38,180	-10%	-54%	174	-40%	-41%	33	-62%	-54%	1,796	20%
Shaoguan	11,678	-58%	-61%	97	2%	-36%	7	-20%	-66%	841	-15%
Foshan	157,948	-36%	-39%	960	-8%	-12%	106	-57%	-45%	7,677	15%
Zhaoqing	8,364	-58%	-89%	93	-29%	-65%	7	-68%	-89%	1,385	2%
Qingyuan	-	-	-	177	13%	-58%	-	-	-	1,836	-20%
Jiangmen	5,436	-45%	-81%	71	-51%	-50%	5	-81%	-77%	1,007	36%
PRD & Southern China	**645,928**	**-32%**	**-48%**	**3,640**	**-17%**	**-30%**	**502**	**-36%**	**-47%**	**33,344**	**23%**
Taian	38,464	-21%	-24%	183	-7%	-24%	34	-12%	-25%	1,598	29%
Northern China	**38,464**	**-21%**	**-24%**	**183**	**-7%**	**-24%**	**34**	**-12%**	**-25%**	**1,598**	**29%**
Wuhan	367,845	-21%	-16%	2,708	-6%	18%	303	-61%	-10%	16,299	109%
Yueyang	37,488	-49%	-37%	219	3%	-42%	32	16%	-35%	1,322	-2%
Baoji	40,085	-33%	-58%	229	-21%	-50%	36	-35%	-56%	2,418	27%
Central China	**445,418**	**-25%**	**-25%**	**3,156**	**-6%**	**1%**	**371**	**-56%**	**-21%**	**20,039**	**81%**
Chengdu	467,038	45%	-13%	2,023	1%	0%	450	-12%	-9%	14,269	14%
Liuzhou	45,141	-45%	-50%	259	-47%	-42%	43	-49%	-37%	3,080	-14%
Nanning	210,405	41%	-36%	833	5%	-45%	196	-8%	-30%	6,624	-11%
Western China	**722,584**	**31%**	**-24%**	**3,115**	**-5%**	**-21%**	**689**	**-15%**	**-18%**	**23,972**	**2%**
Total	**4,367,917**	**-5%**	**-28%**	**21,572**	**-19%**	**-16%**	**3,811**	**-31%**	**-24%**	**180,175**	**28%**
Num. of cities Up		**14**	**7**		**7**	**10**		**7**	**10**		**31**
Num. of cities Down		**27**	**34**		**35**	**32**		**33**	**30**		**11**

Source: Local governments, CWSI Research; Note: Till 2021/8/6

Table 5: Major cities inventory period was 24.2 months this week

City	Inventory (sqm 000)	wow	yoy	Inventory period	Last week	wow	yoy
Beijing	11,426	-1%	-5%	12.4	11.4	9%	-30%
Shanghai	5,334	-3%	-22%	4.9	4.2	16%	-10%
Guangzhou	8,860	1%	7%	11.4	11.4	0%	33%
Shenzhen	1,944	6%	4%	7.3	7.1	3%	37%
Tier 1 Average		**1%**	**-4%**	**9.0**	**8.5**	**7%**	**7%**
Hangzhou	1,628	-8%	-54%	1.6	1.7	-7%	-69%
Nanjing	6,922	-1%	22%	11.0	8.0	38%	85%
Suzhou	8,212	-1%	24%	8.0	7.8	3%	-3%
Fuzhou	6,547	-1%	3%	15.6	15.2	3%	-45%
Nanning	9,699	1%	22%	11.6	10.8	7%	121%
Wenzhou	11,033	-1%	0%	17.1	16.6	3%	13%
Quanzhou	6,829	0%	-4%	198.9	293.1	-32%	837%
Ningbo	3,309	-3%	5%	5.8	5.5	6%	47%
Dongying	1,767	-1%	-1%	9.0	8.3	9%	184%
Overall Average		**-1%**	**0%**	**24.2**	**30.9**	**4%**	**92%**

Source: Local governments, CWSI Research; Note: Till 2021/8/6; Average WoW and average YoY are defined as average change of each city

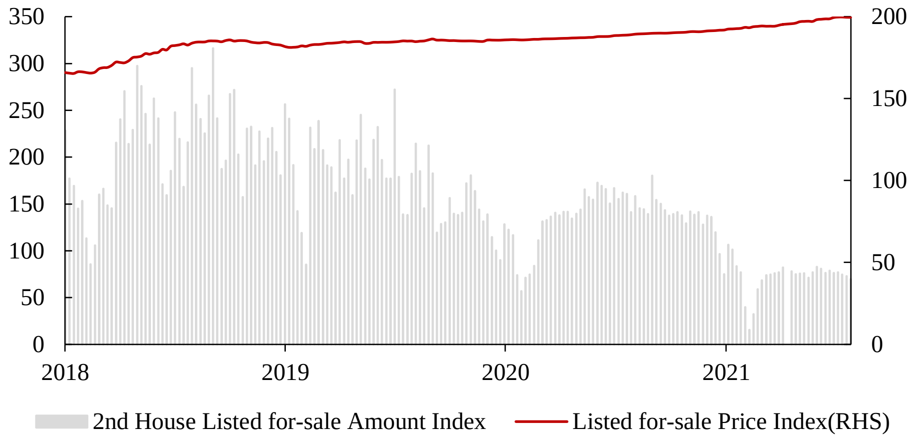
3.2 2nd-hand house transaction and price data

Table 6: Major cities 2nd-hand house transaction volume, Beijing and Xiamen rose significantly YTD

	Last 7 days			Last 30 days			Month to date			Year to date	
City	**sqm**	**wow**	**yoy**	**sqm 000**	**mom**	**yoy**	**sqm 000**	**mom**	**yoy**	**sqm 000**	**yoy**
Beijing	395,546	6%	21%	1,644	-2%	12%	335	21%	41%	11,826	55%
Shenzhen	45,987	-19%	-81%	237	4%	-77%	46	16%	-74%	2,679	-46%
Hangzhou	66,346	-11%	-52%	347	-26%	-42%	53	-28%	-52%	3,865	19%
Nanjing	53,110	-54%	-78%	642	-31%	-46%	53	-66%	-72%	6,195	11%
Chengdu	76,307	2%	-21%	347	2%	-24%	74	25%	-14%	2,391	-22%
Qingdao	57,952	-4%	-54%	311	-47%	-47%	57	-44%	-45%	3,848	27%
Wuxi	81,434	-15%	-21%	447	-37%	-32%	81	-16%	-22%	3,614	-1%
Suzhou	117,000	26%	-8%	500	-3%	-19%	116	21%	17%	4,484	34%
Xiamen	53,799	-23%	-33%	303	-16%	-21%	50	-20%	-18%	2,774	44%
Yangzhou	-	-	-	55	-51%	-50%	-	-	-	717	18%
Dongguan	54,169	-8%	19%	254	30%	-27%	54	-2%	36%	1,181	-31%
Nanning	33,569	-9%	-49%	168	22%	-42%	34	2%	-38%	1,056	-29%
Foshan	136,972	-1%	-21%	629	-4%	-14%	122	-17%	-16%	4,558	43%
Jinhua	41,561	27%	-33%	188	-16%	-41%	41	-28%	-17%	2,032	30%
Jiangmen	14,270	-10%	-30%	72	-8%	-28%	14	-11%	-16%	547	19%
Total	**1,228,020**	**-6%**	**-34%**	**6,144**	**-15%**	**-31%**	**1,129**	**-13%**	**-24%**	**51,768**	**14%**
Num. of cities Up		**4**	**2**		**4**	**1**		**5**	**3**		**10**
Num. of cities Down		**10**	**12**		**11**	**14**		**9**	**11**		**5**

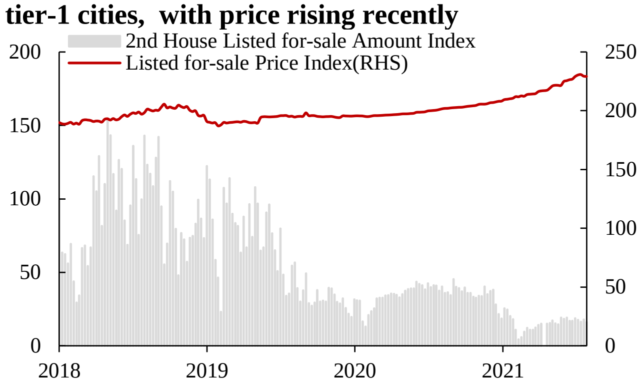
Source: Local governments, CWSI Research; Note: Till 2021/8/6

Chart 25: 2nd house listed for-sale price index rose slightly recently



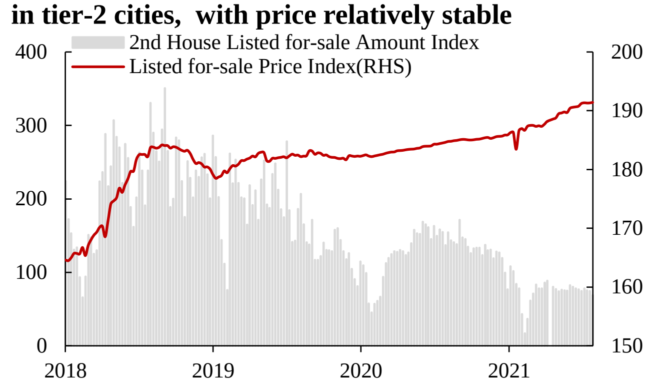
Source: Local Government, CWSI Research; Note: Till 2021/8/1

Chart 26: 2nd house listed for-sale amount index rose in tier-1 cities, with price rising recently



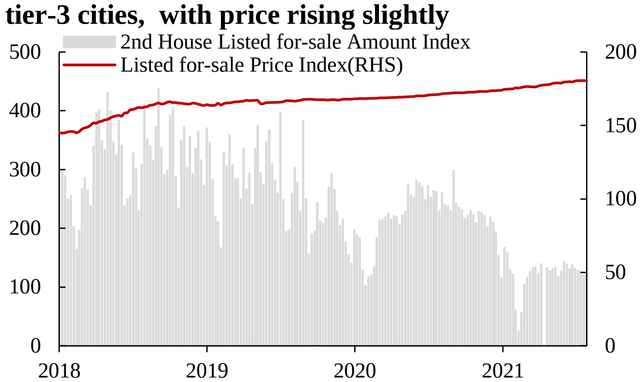
Source: Local Government, CWSI Research; Note: Till 2021/8/1

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



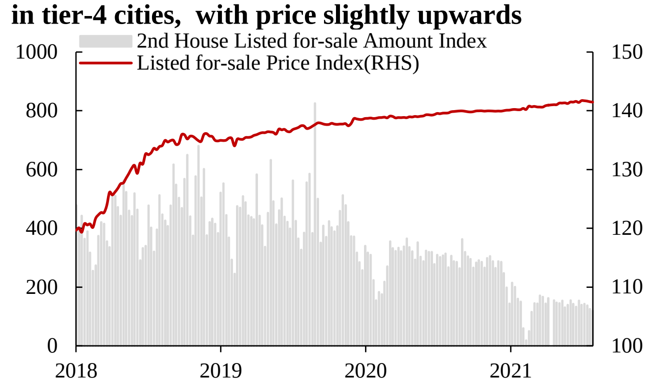
Source: Local Government, CWSI Research; Note: Till 2021/8/1

Chart 28: 2nd house listed for-sale amount index rose in tier-3 cities, with price rising slightly



Source: Local Government, CWSI Research; Note: Till 2021/8/1

Chart 29: 2nd house listed for-sale amount index rose in tier-4 cities, with price slightly upwards



Source: Local Government, CWSI Research; Note: Till 2021/8/1

4. Important Policies and News

4.1 Important Industry Policies News This Week

Table 7: Important Industry Policies News This Week: Purchase restrictions in Beijing, Hangzhou, etc. tightened

Date	Region / Institution	Summary
2021-08-02	Jinhua	Newly purchased commercial housing and second-hand housing in Jinhua urban area can only be listed and traded after obtaining the real estate certificate for three years.
2021-08-02	Guangzhou	Huangpu District Housing and Urban-rural Development Bureau issued a notice on the cancellation of the housing policy for talents.
2021-08-02	Dongguan	Implement a new land transfer method led by “limiting housing prices, controlling land prices, and improving quality”; suspend the sale of commercial housing to individual industrial and commercial households; include foreseeable housing in the scope of purchase restrictions.
2021-08-04	Ningbo	During the “14th Five-Year Plan” period, the total number of talents will be increased by 565,000 people (totalled 2.285 mn by the end of 2020), and the pilot projects will be concentrated on the construction of shared property housing for high-level talents.
2021-08-05	Beijing	If the couple is divorced and the number of housing units owned by the original family before the divorce does not meet the restrictions on the purchase of commercial housing in Beijing, neither party shall purchase commercial housing in this city within 3 years from the date of divorce.
2021-08-05	Chengdu	Strictly identify the behavior of donating houses, and optimize the order of review of house purchase qualifications.
2021-08-05	Hangzhou	Households who have been settled in Hangzhou for less than 5 years have to pay urban social insurance for 24 consecutive months 2 years before the purchase date before they can purchase one house within the purchase restriction area in Hangzhou. Non-Hangzhou households who have paid the urban social insurance or personal income tax within the purchase restriction for 48 consecutive months from the 4 years before the purchase date, can purchase one house within the purchase restriction area in Hangzhou.

Source：Wind, Government website, CWSI Research

4.2 Company news and announcements

Table 8: Company news and announcements: Yango Zhibo intends to exchange 100% shares for 4.8% shares of Onewo

Date	Company	Summary
2021-08-04	Shui On	Considered a possible spin-off and separate listing of the commercial investment properties and property management and asset management businesses on the Main Board of SEHK.
2021-08-05	Yango	Yango Zhibo intends to exchange 100% shares for 4.8% shares of Onewo and will establish 4 joint venture companies.

Source：Company announcements, CWSI Research

中達證券
CENTRAL WEALTH

4.3 Key sales data of Jul 21

Table 9: In Jan-Jul, Jingrui, Hopsen achieved faster cumulative sales growth

Company	RIC	2021 Jan-Jul contracted sales		2021 Jan-Jul contracted GFA		Jul contracted sales		Jul contracted GFA	
		(RMB bn)	YoY	(000 sqm)	YoY	(RMB bn)	YoY	(000 sqm)	YoY
Vanke	000002.SZ	406.0	7.0%	24987	1.1%	51.5	-12.7%	3071	-22.1%
EverGrande	3333.HK	400.6	0.4%	48448	10.1%	43.8	-13.0%	5435	0.9%
Sunac	1918.HK	370.1	49.5%	25457	43.3%	49.4	-5.6%	3512	-5.8%
Country Garden	2007.HK	357.4	11.3%	41010	7.3%	54.3	0.0%	6500	2.0%
COLI	0688.HK	229.9	18.8%	11524	7.1%	22.7	5.6%	1029	-15.7%
CIFI	0884.HK	157.0	52.9%	8980	39.7%	20.9	-5.0%	1006	-34.3%
Jinmao	0817.HK	147.7	18.8%	8711	30.4%	17.5	-18.3%	1188	-1.1%
Zoina	000961.SZ	126.7	27.7%	9189	25.6%	17.7	-0.8%	1289	5.1%
Ronshine	3301.HK	98.8	36.3%	4105	29.1%	15.9	30.5%	764	26.0%
ZhenRo	6158.HK	94.3	35.6%	5707	24.9%	12.0	-11.5%	730	-19.2%
Mideadc	3990.HK	93.1	58.5%	7680	44.2%	10.5	-0.2%	814	-14.1%
Agile	3383.HK	83.5	27.1%	5367	11.5%	8.2	-22.7%	520	-31.8%
Kaisa	1638.HK	73.9	62.3%	4396	64.0%	10.1	5.9%	590	5.1%
R&F	2777.HK	73.3	10.0%	5464	-3.0%	8.3	-	612	-
Risesun	002146.SZ	67.8	21.2%	6247	23.9%	9.6	24.6%	903	29.2%
Times	1233.HK	53.3	31.7%	2723	-6.3%	7.9	0.2%	374	-33.8%
Central China	0832.HK	41.3	-15.4%	5738	-15.1%	2.3	-60.6%	308	-65.1%
COGO	0081.HK	39.6	35.6%	3588	30.4%	3.6	-6.6%	402	21.6%
Fantasia	1777.HK	33.2	49.0%	2056	23.7%	5.1	6.5%	320	3.9%
Modern Land	1107.HK	25.5	42.3%	2492	41.4%	4.2	4.8%	414	2.9%
Hopsen	0754.HK	24.4	65.9%	651	-28.3%	3.2	26.1%	77	-36.7%
Jingrui	1862.HK	21.2	119.9%	1125	166.2%	2.5	26.1%	156	50.7%

Source: Wind, company announcements, CWSI Research; note: Country Garden, Kaisa in attributable scale

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.

Analyst Certification

The person primarily responsible for the content of this research report, in whole or in part, hereby certify that:
(1) all of the views expressed in this report accurately reflect my personal view about the subject company(ies) and its (or their) securities;
(2) no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report, or our Investment Banking Department;
(3) I am not, directly or indirectly, supervised by or reporting to our Investment Banking Department;
(4) the subject company (ies) do(es) not fall into the restriction of the quiet period as defined in paragraph 16.5(g) of SFC Code of Conduct;
(5) I do not serve as officer(s) of the listed company (ies) covered in this report; and
(6) I and/or my associates have no financial interests in relation to the listed company (ies) covered in this report.

Meanings of Central Wealth Securities Ratings

The ratings in the report are based on the market performance within 12 months after the report is released. The A-share market is based on the CSI 300 Index and the Hong Kong stock market is based on the Hang Seng Index.
1) Stock Ratings:
Buy – Describes stocks that we expect to provide a relative return of >20%.
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%.

Disclaimer

Central Wealth Securities Investment Limited (CWSI) does and seeks to do business with the company or companies covered in this report. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Any information provided in this research report is for information purpose only and have no regards to the investment objectives, financial situation or risk tolerance level of any specific recipient and does not constitute any solicitation or any offer to buy or sell any securities or any other financial instruments. This report has not been reviewed by the Hong Kong Securities and Futures Commission. Investment is risky, before enter into any investment contract, individual should exercise judgment or seek for professional advice when necessary.

Although the information in this report is obtained or complied from sources that Central Wealth Securities Investment Limited (CWSI) believes to be reliable, no representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the materials contained in this report. All price related information is indicative only, and value of the investment(s) referred to in this report and the income from them may fluctuate. Information contained in this report may change at any time and Central Wealth Securities Investment Limited (CWSI) gives no undertaking to provide notice of any such change.

Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Central Wealth Securities Investment Limited (CWSI) and its affiliates, officers, directors, and employees may from time to time have long or short positions in securities, warrants, futures, options, derivatives or other financial instruments referred to in this report.