

Monthly sales fell for the first time in 2021

Comments on Jul 21 sales data of leading developers

Top 100 developers' single-month sales fell for the first time in the year. In the first 7 months of 2021, TOP100 developers realized a total contracted sales of RMB 8.04 tn (+29.6% YoY, vs +37.5% in Jan-Jun 2021), and contracted GFA of 542 mn sqm (+19.7% YoY, vs +27.2% in Jan-Jun 2021). In Jul, the tightening of mortgage lines and the increase in mortgage interest rates in some cities have inhibited the release of housing demand to a certain extent; at the same time, the high base in July 2020 also made this month's sales declined YoY.

Cumulative sales growth of medium and small developers is the fastest, and some large-scale developers have declined significantly in a single month. As of end-Jul 2021, cumulative sales growth rate of developers of all sizes decreased, and developers ranked 51-100 in cumulative sales had the fastest cumulative sales growth, with a YoY increase of 39% (top 10 and top 11-50 developers increased by 19% and 36% respectively). In terms of monthly sales performance in Jul, developers ranked top 51-100 in cumulative sales had the smallest decline, reaching -5% YoY (top 10 and 11-50 developers in cumulative sales decreased 11% and 6% YoY, respectively). Companies that grew the fastest in accumulated contracted sales in Jan-Jul 2021 were C&D (+107% YoY), GreenTown (+93% YoY), PowerLong (+60% YoY), Mideadc(+59% YoY) and Gemdale (+54% YoY).

The construction of the affordable housing system has advanced, and the market order has become more standardized. In July, many cities promote the construction of affordable rental housing systems: affordable rental housing will be included in the REITs pilots, Hangzhou proposed that the purchase of shared property rights guarantee housing enjoys the same public service rights as the purchase of commercial housing, etc. On the other hand, eight departments including MOHURD proposed to strive to achieve a significant improvement in the real estate market order in about 3 years, and several cities have also issued relevant policies to regulate the market order within the month: 1) Strengthen the qualification review of housing purchase: Jiaxing Tongxiang will strictly implement the real-name system for house purchase, etc. 2) Regulate new house subscription: Nanjing's popular commercial housing projects will be listed in a centralized manner, and purchasers can only participate in one centralized supply project, etc. 3) Promotion of second-hand housing reference price: Xi'an, Shaoxing, and Wuxi successively introduced the second-hand housing reference price mechanism within the month. At present, the market + guarantee stratification system is an important direction for industry regulation, and the market order tends to be standardized, which is also more conducive to the healthy development of the market.

Suggestion:

In July, the top 100 developers' single-month sales fell for the first time in the year. On the one hand, it was affected by the fluctuation of the base last year, and on the other hand, it reflected the increased sales pressure in the second half of the year under the background of industry deleveraging. Judging from recent industry trend, the differentiation among developers will continue to intensify, and outstanding companies still have the opportunity to use their comprehensive strength to achieve steady development. Maintain "Overweight" rating.

Note: Uncertainties in the industry regulation and financing policies may affect the sales performance; uncertainties in the control of COVID-19 spread.

Overweight

(Maintain)

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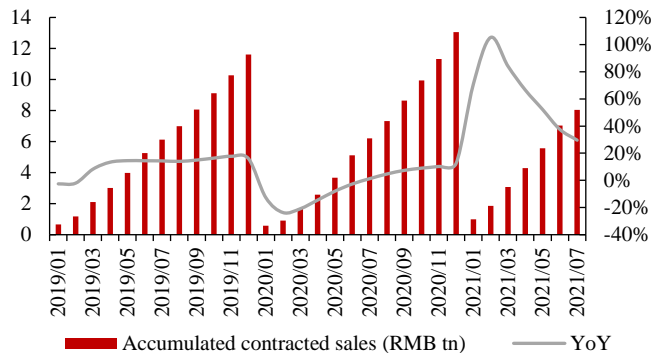
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CRIC released the sales data of developers for Jul 2021. Cumulative sales growth of TOP100 developers decreased with accumulated contracted sales increased by 29.6% YoY, single-month contracted sales decreased by 7.6% YoY.

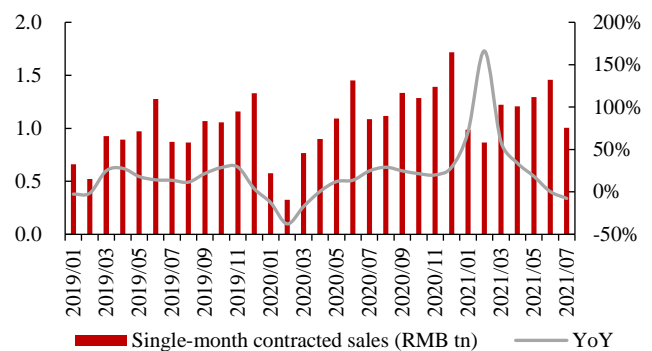
Top 100 developers' single-month sales fell for the first time in the year. In the first 7 months of 2021, TOP100 developers realized a total contracted sales of RMB 8.04 tn (+29.6% YoY, vs +37.5% in Jan-Jun 2021), and contracted GFA of 542 mn sqm (+19.7% YoY, vs +27.2% in Jan-Jun 2021). In Jul, the tightening of mortgage lines and the increase in mortgage interest rates in some cities have inhibited the release of housing demand to a certain extent; at the same time, the high base in July 2020 also made this month's sales declined YoY.

Chart 1: Accumulated contracted sales from Jan to Jul 2021 of TOP100 developers increased 29.6% YoY



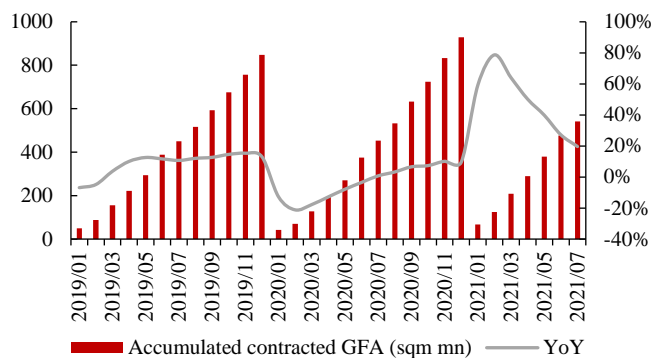
Source: CRIC, CWSI Research

Chart 2: Single-month contracted sales in Jul 2021 of TOP100 developers decreased 7.6% YoY



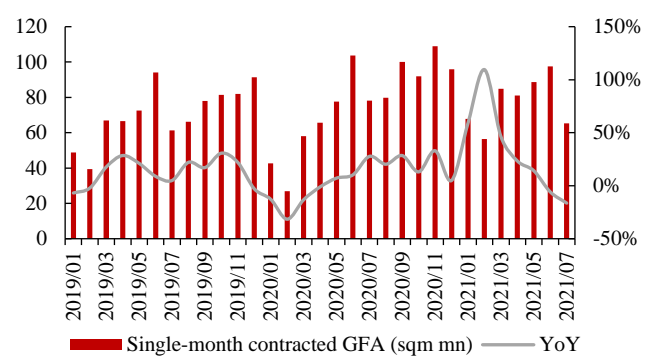
Source: CRIC, CWSI Research

Chart 3: Accumulated contracted GFA from Jan to Jul 2021 of TOP100 developers increased 19.7% YoY



Source: CRIC, CWSI Research

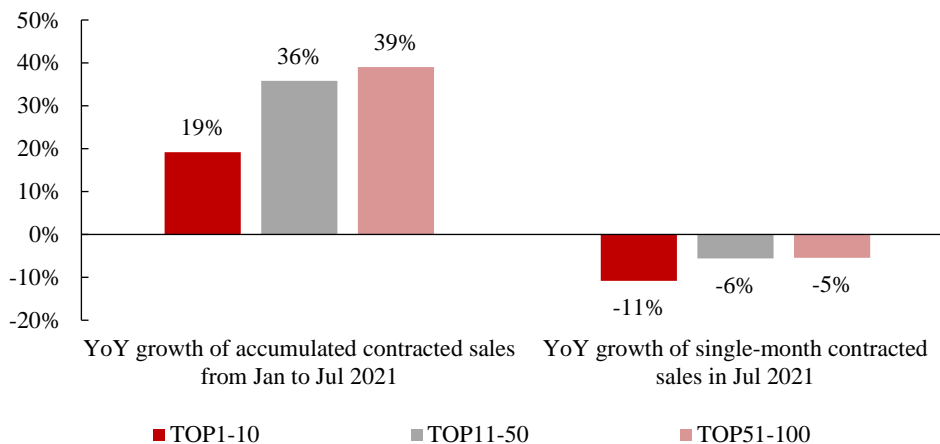
Chart 4: Single-month contracted GFA in Jul 2021 of TOP100 developers decreased 16.4% YoY



Source: CRIC, CWSI Research

Cumulative sales growth of medium and small developers is the fastest, and some large-scale developers have declined significantly in a single month. As of end-Jul 2021, cumulative sales growth rate of developers of all sizes decreased, and developers ranked 51-100 in cumulative sales had the fastest cumulative sales growth, with a YoY increase of 39% (top 10 and top 11-50 developers increased by 19% and 36% respectively). In terms of monthly sales performance in Jul, developers ranked top 51-100 in cumulative sales had the smallest decline, reaching -5% YoY (top 10 and 11-50 developers in cumulative sales decreased 11% and 6% YoY, respectively). Companies that grew the fastest in accumulated contracted sales in Jan-Jul 2021 were C&D (+107% YoY), GreenTown (+93% YoY), PowerLong (+60% YoY), Mideadc(+59% YoY) and Gemdale (+54% YoY).

Chart 5: Cumulative sales growth of medium and small developers is the fastest, and some large-scale developers have declined significantly in a single month



Source: CRIC, CWSI Research

The construction of the affordable housing system has advanced, and the market order has become more standardized. In July, many cities promote the construction of affordable rental housing systems: affordable rental housing will be included in the REITs pilots, Hangzhou proposed that the purchase of shared property rights guarantee housing enjoys the same public service rights as the purchase of commercial housing, etc. On the other hand, eight departments including MOHURD proposed to strive to achieve a significant improvement in the real estate market order in about 3 years, and several cities have also issued relevant policies to regulate the market order within the month: 1) Strengthen the qualification review of housing purchase: Jiaxing Tongxiang will strictly implement the real-name system for house purchase, etc. 2) Regulate new house subscription: Nanjing's popular commercial housing projects will be listed in a centralized manner, and purchasers can only participate in one centralized supply project, etc. 3) Promotion of second-hand housing reference price: Xi'an, Shaoxing, and Wuxi successively introduced the second-hand housing reference price mechanism within the month. At present, the market + guarantee stratification system is an important direction for industry regulation, and the market order tends to be

standardized, which is also more conducive to the healthy development of the market.

Table 1: A Glance of Real Estate Policies in Jul 2021, the construction of the affordable housing system has advanced, and the market order has become more standardized

Date	Region/ Institution	Policy Summary
2021-07-02	NDRC	Issued the requirements for the application of pilot projects for REITs in the infrastructure sector, which mentioned that the pilot industries include: transportation infrastructure, energy infrastructure, municipal infrastructure, ecological and environmental protection infrastructure, warehousing and logistics infrastructure, park infrastructure, and new infrastructure, affordable rental housing, etc.
2021-07-05	Tongxiang, Jiaxing	Will strictly implement the real-name system for housing purchases, and the purchaser shall not be changed without authorization after subscription.
2021-07-06	NDRC	Will strictly restrict the construction of buildings over 250 meters. If construction is really necessary, the construction plan shall be reviewed in combination with special argumentation such as fire protection and submitted to the MOHURD for the record; new super high-rise buildings over 500 meters are not allowed.
2021-07-08	Xi'an	Will establish a mechanism for issuing reference prices for second-hand housing transactions.
2021-07-08	Shenzhen	In order to further regulate other housing consumption provident fund withdrawal behaviors, employees need to have housing (including commercial housing, policy housing or affordable housing) within the city, and the withdrawal amount and withdrawal method will not be adjusted.
2021-07-12	Nanjing	Indemnificatory housing with shared property rights that meets the relevant conditions can be bought and sold for five years after the date of the first purchase invoice, and the purchased housing will no longer be considered as an indemnificatory housing with shared property rights.
2021-07-14	Hangzhou	Will implement differentiated housing purchase policies and actively promote shared property housing.
2021-07-15	Nanjing	Some commercial housing projects with a high degree of concern will be listed for sale in a centralized supply mode. From the date of registration to the day when the result of the ballot is announced, the purchaser can only participate in the purchase registration of one centralized supply project; for the non-centralized supply project, the purchaser can participate in multi-project registration.
2021-07-15	Pudong	The Central Committee of the CPC and the State Council issued opinions on supporting the high-level reform and opening up of the Pudong and building a leading area for socialist modernization.
2021-07-19	NDRC	Will continue to improve the infrastructure REITs system and guide the green development of foreign debt funds.
2021-07-20	The State Council	The central government has introduced support measures for the three-child policy, including taxation, housing and other support policies, and abolished social support payments.
2021-07-21	Hangzhou	The purchase of shared property rights guarantee housing will enjoy the same public service rights as the purchase of commodity housing.
2021-07-23	Shaoxing	Establish a second-hand housing transaction reference price release mechanism, conduct pilot projects in key and hot areas, and promote it throughout the city in a timely manner.



2021-07-23	Shanghai	If a house is transferred by donation, the recipient shall comply with the state and this municipality's housing purchase restriction policy; the house shall still be counted as the number of housing units owned by the donor within 5 years. The first home loan interest rate will be adjusted from 4.65% to 5%, and the second home loan interest rate will be raised from 5.25% to 5.7%. The new regulations will be implemented at 0:00 on the 24th.
2021-07-26	Jinan	For commercial housing projects that have obtained pre-sale permits, the developer shall disclose all the available houses for sale at one time within 10 days, and the number of approved households shall not exceed 1.5 times of the pre-sale listings.
2021-07-26	Wuxi	Establish a second-hand housing transaction reference price release mechanism. The first batch of 100 residential communities will release second-hand housing reference prices, and the list of communities will be adjusted and added in due course.
2021-07-26	Xiamen	Expand the supply of affordable rental housing to meet the rental needs of groups with housing difficulties such as new citizens and young people, and accelerate the construction of a housing security system with public rental housing, affordable rental housing and shared property housing as the mainstay.

Source: Government websites, CWSI Research

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

Company	Sales Amount (RMB '00 mm)				Sales Area (10 thousand sqm)			
	Jan-Jul	Jan-Jul YoY	Jul	Jul YoY	Jan-Jul	Jan-Jul YoY	Jul	Jul YoY
Country Garden	5008	12%	744	-2%	5757	12%	855	-2%
Vanke	4064	7%	516	-13%	2513	2%	292	-26%
EverGrande	4003	0%	441	-12%	4826	10%	600	11%
Sunac	3699	49%	491	-6%	2531	42%	323	-13%
PRE	3272	20%	422	-13%	1917	6%	172	-47%
COLI	2330	20%	276	29%	1180	10%	166	36%
CMSK	1973	48%	204	-11%	865	44%	75	-28%
Gemdale	1885	54%	260	24%	872	47%	147	37%
CR Land	1878	39%	230	-4%	1011	36%	107	-6%
GreenLand	1871	25%	230	62%	1487	26%	140	164%
Shimao	1749	25%	221	-24%	985	24%	125	-24%
Longfor	1617	22%	190	-9%	936	20%	102	-17%
CIFI	1570	53%	209	-5%	904	41%	89	-42%
GreenTown	1517	93%	150	24%	544	74%	60	27%
Jinmao	1477	19%	175	-18%	871	30%	119	-1%
Future Land	1346	14%	155	-26%	1234	15%	97	-51%
Zoina	1264	27%	175	-2%	877	20%	128	5%
Jinke	1188	16%	168	-12%	1202	16%	178	-5%
Yango	1138	5%	125	-30%	706	-16%	66	-77%
Zhongliang	1070	34%	114	-4%	898	42%	114	23%
C&D	1039	107%	106	-14%	510	76%	42	-39%
Logan	1025	46%	143	8%	540	15%	56	-36%
Binjiang	1006	50%	127	1%	221	10%	23	-39%
Ronshine	988	36%	159	31%	480	51%	76	26%
Midead	931	59%	106	1%	778	46%	83	-12%
Kaisa	923	44%	123	-6%	651	22%	88	-40%
Agile	835	27%	82	-23%	535	11%	51	-34%
Aoyuan	772	28%	96	1%	684	13%	88	-4%
R&F	733	10%	87	-26%	547	-1%	65	-34%
China SCE	671	40%	80	4%	393	17%	49	-22%
Risesun	668	19%	75	-3%	598	19%	86	22%
KWG	643	40%	81	-12%	327	17%	41	-32%
Radianc	642	39%	84	-3%	376	8%	54	-18%
PowerLong	625	60%	95	26%	396	55%	57	14%
Sino-Ocean	624	23%	104	15%	344	29%	58	19%
Yuzhou	624	16%	97	-12%	336	2%	48	-30%
RedSun	560	37%	69	-26%	335	18%	44	-36%
Times	533	32%	79	0%	272	-6%	37	-34%
BRC	489	17%	13	-14%	510	21%	8	-74%
TOP1-10 Total	29984	19.2%	3814	-10.8%	23658	12.4%	2930	-16.0%
TOP1-50 Total	66062	27.8%	8281	-8.1%	45501	17.8%	5557	-16.7%
TOP1-100 Total	80376	29.6%	10041	-7.6%	54190	19.7%	6536	-16.4%

Source: CRIC, CWSI Research



Suggestion:

In July, the top 100 developers' single-month sales fell for the first time in the year. On the one hand, it was affected by the fluctuation of the base last year, and on the other hand, it reflected the increased sales pressure in the second half of the year under the background of industry deleveraging. Judging from recent industry trend, the differentiation among developers will continue to intensify, and outstanding companies still have the opportunity to use their comprehensive strength to achieve steady development. 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%.

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