中達證券 CENTRAL WEALTH

Industry Research | China Property

28-Dec-20

This Week in China

MOHURD meeting: Stable policy and accelerating urban renewal

Topic of the week:

It is mentioned for the first time that the long-term mechanism will be fully implemented, and land market regulation is expected to become the focus. The latest National Housing and Urban-Rural Development Work Conference first proposed that the key task in 2021 is to "fully implement the long-term real estate mechanism (全面落实房地产长效机制)." After the epidemic, housing prices have increased, but rent prices have declined significantly, core city market popularity is still high is the main reason for the continuation of the policy tone. According to our policy framework, premium rate of land transactions has become an upside risk of regulatory policies. The Central Economic Work Conference also proposed to "solve outstanding housing problems in big cities (解决好大城市住房突出问题)". Therefore, the supervision of land supply and land price is expected to be the focus of the implementation of the main responsibility of the city next year.

The market+security layered system is expected to become the focus of the long-term mechanism development in the future. Today, the weight of "stability" and "fairness" in the system has gradually increased. The recent Central Economic Work Conference and National Housing and Urban-Rural Development Work Conference also proposed "speed up the construction of a housing security system with affordable rental housing and common property housing as the main body (加快构建以保障性租赁住房和共有产权住房为主体的住房保障体系)". Therefore, we expect that a market-based system based on the commercial housing market and a security system based on public housing will be developed to meet the housing needs of high income and relatively low income groups.

Urban renewal becomes the work focus, and the urban development pattern is expected to change. From the perspective of the domestic cycle and transformation and upgrading, urban renewal may be a better way to stimulate domestic demand and drive upstream and downstream investment, and related fields also have actual needs. The increase in the importance of urban renewal indicates that the urban development model has gradually shifted to endogenous growth to improve efficiency, and the optimization and adjustment of spatial functions have been adapted to the population agglomeration trend of core cities. As the old reform of the GBA started earlier and has a larger space, relevant developers may directly benefit from the promotion of urban renewal.

Data points:

As of Dec 25th, new house transaction area in 42 major cities this week increased 7% WoW, and cumulative transaction area in 2020 increased 2% YoY.

As of Dec 25th, saleable area (inventory) in 13 major cities this week increased 3% WoW; average inventory period was 11.1 months, average change was 7%.

As of Dec 25th, second-hand housing transactions in 15 major cities this week increased 7% WoW, and cumulative transaction area in 2020 fell 1% YoY.

Suggestion:

Entering the Christmas holiday, the overall market is relatively calm. In terms of policy, the MOHURD meeting continues the tone of the previous top-level meeting, stable development is still the main policy goal. The top level raised the urban renewal work to a more important position. As an important starting point for promoting the "internal cycle", urban renewal is expected to be an important starting point for developers to obtain incremental development opportunities; related developers, especially those in the GBA, are expected to achieve more deterministic growth. Maintain “Overweight” rating.

Overweight

(Maintain)

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1. MOHURD meeting：Stable policy and accelerating urban renewal

A few days ago, the National Housing and Urban-Rural Development Work Conference held by the MOHURD put forward eight key tasks for 2021. How to view the implementation of the long-term mechanism next year? Which areas have potential development opportunities?

1.1 The implementation of the long-term mechanism is proposed for the first time, and land regulation is expected to become the focus

For the first time, it is proposed that the long-term mechanism should be fully implemented, and the policy tone will continue. Looking back at the National Housing and Urban-Rural Development Work Conference at the end of the past three years, the key tasks next year have detailed descriptions of the long-term mechanism of the real estate industry. After the "731" meeting in 2018, the top level's thinking on the regulation of the property market has obviously changed. Therefore, the long-term mechanism of the 2018 National Housing and Urban-Rural Development Work Conference is "strive to establish and improve a long-term mechanism for the stable and healthy development of the real estate market (着力建立和完善房地产市场平稳健康发展的长效机制)." The statement in 2019 is “continue to steadily carry out the long-term mechanism plan for the stable and healthy development of the real estate market (继续稳妥实施房地产市场平稳健康发展长效机制方案)”, indicating that the specific measures of “three stable” and “housing for living, not for speculation” have been gradually implemented. Judging from the statement of the latest National Housing and Urban-Rural Development Work Conference, **the key task in 2021 is to "fully implement the long-term real estate mechanism (全面落实房地产长效机制)"**. It is expected that the "three stable" measures will be rolled out to cities at all levels across the country, and the overall control strategy will continue the keynote of the past two years , **cities with high market enthusiasm may face certain regulatory pressures.**

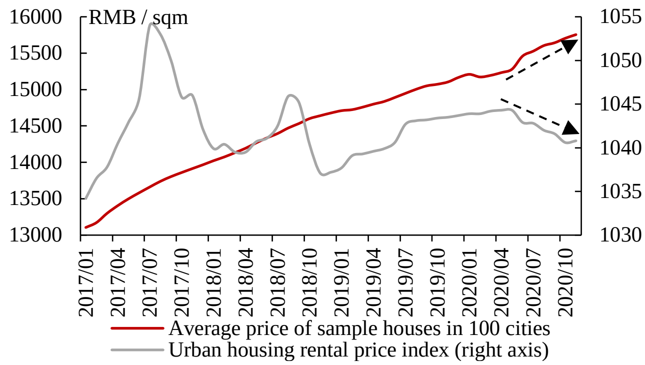
Table 1: It is the first time to mention the full implementation of long-term mechanisms, and regulatory policy keynote is unlikely to change

Meeting	Long-term real estate mechanism related expressions
2018 National Housing and Urban-Rural Development Work Conference	坚持房子是用来住的、不是用来炒的定位，着力建立和完善房地产市场平稳健康发展的长效机制，坚决防范化解房地产市场风险。坚持因城施策、分类指导，夯实城市主体责任，加强市场监测和评价考核，切实把稳地价稳房价稳预期的责任落到实处。继续保持调控政策的连续性稳定性，加强房地产市场供需双向调节，改善住房供应结构，支持合理自住需求，坚决遏制投机炒房，强化舆论引导和预期管理，确保市场稳定。
2019 National Housing and Urban-Rural Development Work Conference	着力稳地价稳房价稳预期，保持房地产市场平稳健康发展。长期坚持房子是用来住的、不是用来炒的定位，不把房地产作为短期刺激经济的手段，继续稳妥实施房地产市场平稳健康发展长效机制方案，着力建立和完善房地产调控的体制机制。
2020 National Housing and Urban-Rural Development Work Conference	牢牢坚持房子是用来住的、不是用来炒的定位，全面落实房地产长效机制，强化城市主体责任，完善政策协同、调控联动、监测预警、舆情引导、市场监管等机制，保持房地产市场平稳运行。

Source: MOHURD, CWSI Research

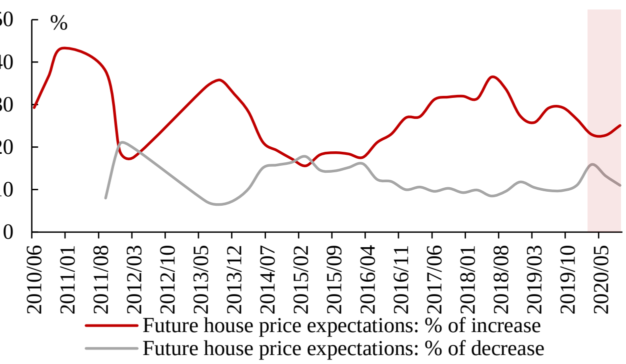
The continued high market enthusiasm in core cities is the main reason for the continuation of the policy keynote. Observing this year's housing price and rent data, we can find that housing prices have accelerated after the epidemic, but rent prices have declined significantly. Since housing prices and rents reflect the needs of high income groups and relatively low income groups, the above phenomenon shows that the income and wealth levels of the two groups have become more divergent after the epidemic. Reflected in the housing price expectations, the housing price rise expectation heated up in the second half of this year, and the trend is significantly different from 2018 and 2019. The recent National Housing and Urban-Rural Development Work Conference also proposed that next year's key tasks include "strengthening the main responsibility of the city (强化城市主体责任)", and it is expected that the related regulation of popular cities will continue the previous path.

Chart 1: After the epidemic, housing prices and rent trends have deviated



Source: Wind, CWSI Research

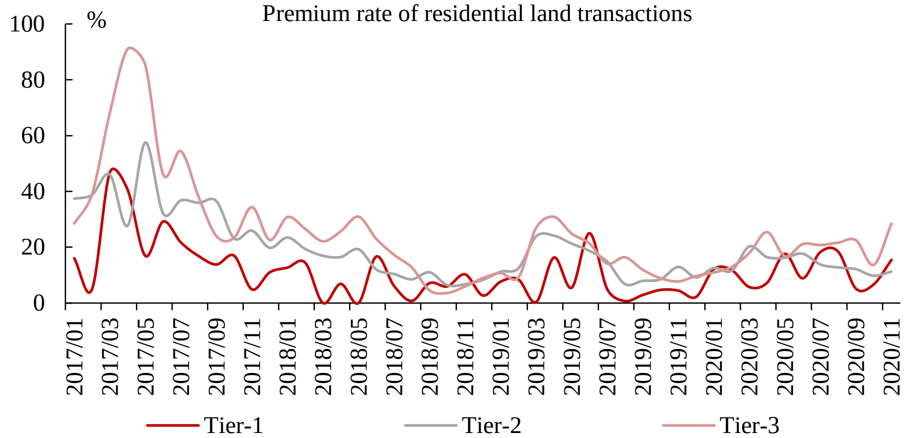
Chart 2: Unlike the previous two years, the expected price increase at the end of this year is still high



Source: Central Bank, CWSI Research

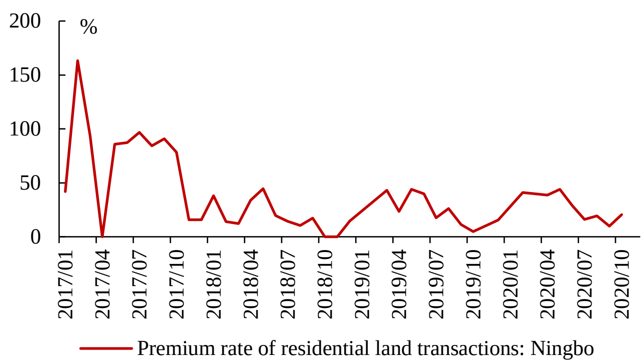
Land market regulation may become the focus of local policy next year. Due to multiple factors such as loose liquidity in the first half of the year, increased popularity of core cities, and scale demands before the "three red lines" landed, the land market in core cities has continued to be hot since the beginning of the year, and new "land kings" have even appeared in some cities. According to our policy framework, the premium rate of land transactions has become an upside risk of regulatory policies. The Central Economic Work Conference also proposed to "solve outstanding housing problems in big cities (解决好大城市住房突出问题)". Therefore, land supply and land price supervision are expected to be the focus of the implementation of the main responsibilities of cities in the next year. Judging from the market situation this year in popular cities such as Hangzhou and Ningbo, the simple new house price limit and land auction price limit may not fully meet the established policy goals, improving the land supply structure or possible policy directions. In fact, Beijing, as the capital, only completed its land supply plan in 2017.

Chart 3: Recently, the premium rate of residential land transactions in some cities has increased significantly



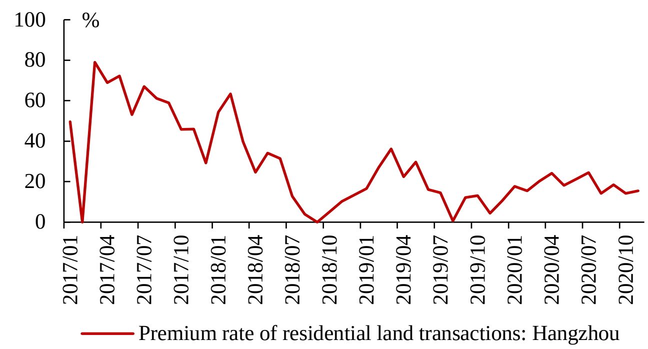
Source: Wind, CWSI Research

Chart 4: Ningbo's land transaction premium rate has increased significantly since the beginning of 2020



Source: Wind, CWSI Research

Chart 5: The premium rate of Hangzhou's land transactions is still relatively high



Source: Wind, CWSI Research

The increase in land supply will not push up the overall sales amount. Constrained by the leverage ratio of residents, it is unlikely that the sales of commercial housing will increase significantly in the future. The sales GFA and ASP show a trade-off relationship, that is, the sales GFA will go down when the ASP goes up, and the sales GFA is expected to go up when the house price goes down, while overall sales The amount remained stable. Even if there is a certain increase in land supply in core cities in the future, the overall market sales growth rate is expected to be similar to this year.

How to view the long-term mechanism of the future property market? The market + security layered system is expected to become the focus. In the past, China's urban development logic was more of extensional expansion, and the faster the population inflow rate, the lower the plot ratio of urban land supply, which reflected the importance of "development" and "efficiency" in the overall system. Today, the problems of the traditional growth model have gradually emerged, and the weight of "stability" and "fairness" in the system has gradually increased. The recent Central Economic Work Conference and National Housing and Urban-Rural Development Work Conference also proposed to "speed up the construction of a housing security system with affordable rental housing and common property housing as the main body (加快构建以保障性租赁住房和共有产权住房为主体的住房保障体系)". Therefore, we expect that in the future, a market-based system based on the commercial housing market and a security system based on public housing will be developed to meet the housing needs of higher income groups and low- and middle-income groups.

The construction of the affordable housing system will not cause a significant impact on the commercial housing market. On the one hand, the construction and supply of public housing takes a long time; on the other hand, the construction of the social housing system cannot be separated from the commercial housing market funds. The logic of historical economic reforms is nothing more than the trade-off between development and stability, efficiency and fairness, and the pursuit of stability and fairness is actually for long-term and better development. The construction of the social security housing system more reflects the policy objectives of income distribution and the social security system.

1.2 Urban renewal has become a work focus, and the urban development pattern is expected to change

The importance of urban renewal has increased significantly. In the November "Recommendations of the Central Committee of the Communist Party of China on Formulating the Fourteenth Five-Year Plan for National Economic and Social Development and the Long-Term Goals for 2035", it has clearly proposed "implementing urban renewal actions (实施城市更新行动)" and "strengthen the old community renovation and the community construction in cities and towns (加强城镇老旧小区改造和社区建设)". The subsequent Central Economic Work Conference also discussed related issues. In the recent National Housing and Urban-Rural Development Work Conference, **the full implementation of the urban renewal action became the first item in the key tasks of next year’s housing and urban-rural development work**, reflecting the top-level emphasis on urban renewal.

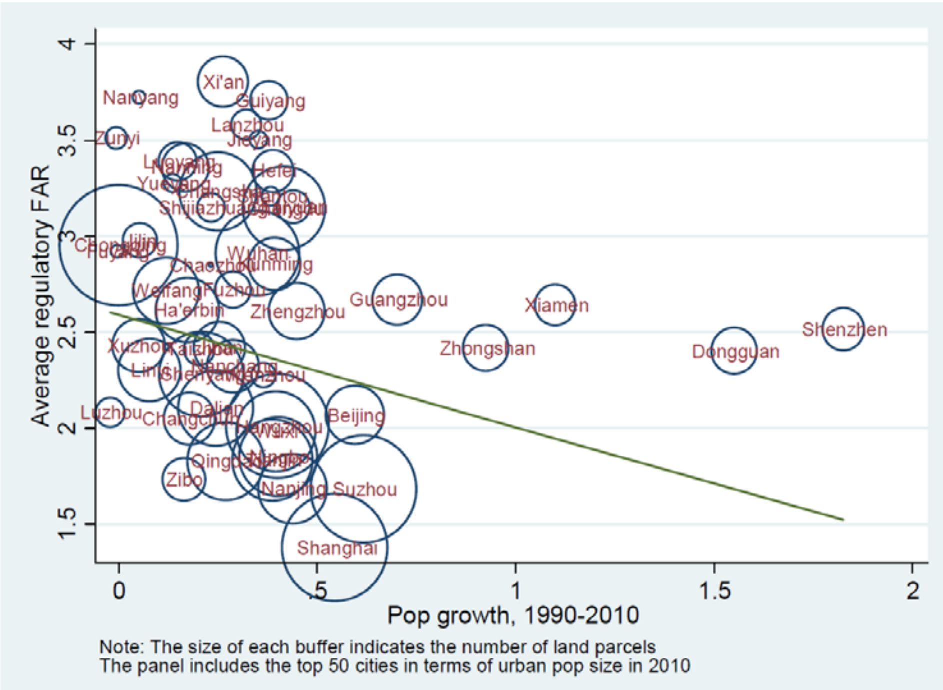
Table 2: The top level pays more attention to urban renewal significantly

Time	Meeting/document	Urban renewal related expressions
2020.11	《中共中央关于制定国民经济和社会发展第十四个五年规划和二〇三五年远景目标的建议》	实施城市更新行动，…，加强城镇老旧小区改造和社区建设。
2020.12	Central Economic Work Conference	坚持扩大内需这个战略基点。...要实施城市更新行动，推进城镇老旧小区改造。
2020.12	National Housing and Urban-Rural Development Work Conference	全力实施城市更新行动，推动城市高质量发展。切实转变城市开发建设方式，统筹城市规划、建设、管理，推动城市结构优化、功能完善和品质提升，深入推进以人为核心的新型城镇化，加快建设宜居、绿色、韧性、智慧、人文城市。完善城市空间结构，构建以中心城市、都市圈、城市群为主体，大中小城市和小城镇协调发展的城镇体系。

Source: Government websites, MOHURD, CWSI Research

In the past, urban development was more of an extensional expansion, and the faster the inflow of population, the scarcer the urban land supply. The urban space development model is usually divided into the upward development of internal renewal and the extensional expansion, and most domestic cities choose the latter. On the other hand, Professor Zhou Li'an, Deputy Dean of Guanghua School of Management, Peking University, and his collaborators analyzed all land transaction data (focusing on residential land) in 202 cities in China during 2000-2012, and found that there is a significant negative correlation between urban population growth and average plot ratio; the above conclusion shows that in the past 20 years, the faster the population growth of the city, the lower the plot ratio, that is, the fewer total floors of new buildings. This shows that the faster the development of the city, the more inclined to expand the city, with fewer buildings, rather than intensive use of scarce land. What is behind this is the credit expansion and the fiscal and financial system with land credit as the core in the past.

Chart 6: The population growth rate of major cities is obviously negatively correlated with the average plot ratio of land supply



Source: Wang, Zhang, and Zhou (2016)

Urban renewal may become an important starting point for the "domestic cycle", replacing the general trend of shed reform. It has long been a social consensus to transform the development model and enhance the strength of technological innovation. From the perspective of the domestic cycle, urban renewal may be a better way to stimulate domestic demand and drive upstream and downstream investment, and related fields also have actual needs. The increase in the importance of urban renewal indicates that the urban development model has gradually shifted to endogenous growth to improve efficiency, and the optimization and adjustment of spatial functions have been adapted to the population agglomeration trend of core cities. In addition, compared with the shed reform that has dominated in the past few years, urban renewal has a higher degree of marketization, relevant investment has actual demand, and large-scale urban renewal is required for core cities that have developed earlier, and financial risks are also more controllable. On the whole, **urban renewal will become an important investment tool to stimulate domestic demand during the "14th Five-Year Plan" period**.

The urban renewal in the Greater Bay Area started earlier and has a larger space, related developers may directly benefit from the promotion of urban renewal. Due to historical reasons, the Guangdong-Hong Kong-Macao Greater Bay Area developed earlier. In recent years, a large number of old factories have remained in the urban core area after the "exit the secondary industry and enter the tertiary industry". In addition, there are also a large number of old residential communities and old villages, and there is a large space for urban renewal. At the same time, the GBA is also an area where urban renewal started early in China. The relevant laws and regulations are relatively mature and practical cases are relatively abundant. Therefore, most local developers in the GBA have abundant and high-quality reserves of urban renewal resources, such as Kaisa, Logan, Aoyuan, KWG, Times, Fantasia, etc. In terms of reserve volume and average annual conversion value, Kaisa has a certain leading advantage in the field of urban renewal. With the advancement of urban renewal work by the top and the transformation of urban development models, the aforementioned companies are expected to obtain scarce incremental development opportunities.

Table 3: GBA developers generally have endowment advantages in urban renewal

Developer	Estimated saleable value of the urban renewal reserve (RMB)	Urban renewal projects overview
Kaisa	2.6 tn	167 urban renewal projects in reserve, covering a site area of more than 42 mn sqm, 99% of which are located in the Greater Bay Area (Shenzhen accounts for 27%, Guangzhou accounts for 36%, and Zhongshan accounts for 20%)
Logan	454.9 bn	Covering 11 cities with 87 projects, Shenzhen, Guangzhou and Dongguan account for 15%, 16% and 25% respectively
China Aoyuan	658.7 bn	More than 50 urban renewal projects in different stages, with a planned GFA of approximately 30.58 mn sqm. It is estimated to provide additional saleable resources of approximately RMB 658.7 bn, of which 95% are located in the Greater Bay Area
KWG	610.0 bn	32 projects are in progress, of which 26 projects have been signed, the total saleable GFA is estimated to be about 18 mn sqm, and the total saleable value is estimated to be about RMB 610 bn
Fantasia	192.3 bn	46 urban renewal projects in the Greater Bay Area, most of which are located in Shenzhen, and the company has already covered Huizhou, Dongguan, Zhongshan, Foshan, Guangzhou and other cities
Times China	-	Has more than 150 urban renewal projects, with a potential total GFA of approximately 52 mn sqm

Source: Company announcements, CWSI Research; note: data as of mid-2020, and the saleable value of Fantasia is calculated based on the assumption that relocation houses account for 50%

1.3 Summary: How to view the key tasks of housing and urban-rural development work next year?

It is mentioned for the first time that the long-term mechanism will be fully implemented, and land market regulation is expected to become the focus. The latest National Housing and Urban-Rural Development Work Conference first proposed that the key task in 2021 is to "fully implement the long-term real estate mechanism (全面落实房地产长效机制)." After the epidemic, housing prices have increased, but rent prices have declined significantly, core city market popularity is still high is the main reason for the continuation of the policy tone. Due to multiple factors such as loose liquidity in the first half of the year, increased popularity of core cities, and scale demands before the "three red lines" landed, the land market in core cities has continued to be hot since the beginning of the year, and new "land kings" have even appeared in some cities. According to our policy framework, the premium rate of land transactions has become an upside risk of regulatory policies. The Central Economic Work Conference also proposed to "solve outstanding housing problems in big cities (解决好大城市住房突出问题)". Therefore, the supervision of land supply and land price is expected to be the focus of the implementation of the main responsibility of the city next year.

The market + security layered system is expected to become the focus of the development of long-term mechanisms in the future. In the past, China's urban development approach pursued more "development" and "efficiency". Today, the problems of the traditional growth model have gradually emerged, and the weight of "stability" and "fairness" in the system has gradually increased. The recent Central Economic Work Conference and National Housing and Urban-Rural Development Work Conference also proposed "speed up the construction of a housing security system with affordable rental housing and common property housing as the main body (加快构建以保障性租赁住房和共有产权住房为主体的住房保障体系)". Therefore, we expect that in the future, a market-based system based on the commercial housing market and a security system based on public housing will be developed to meet the housing needs of high income groups and relatively low income groups.

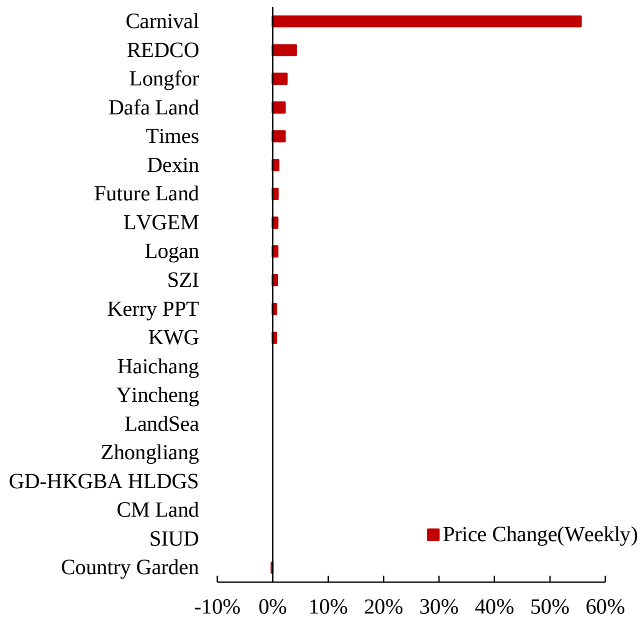
Urban renewal becomes the work focus, and the urban development pattern is expected to change. In the past, urban development was more of an extensional expansion, and the faster the inflow of population, the scarcer the urban land supply. This reflects the past credit expansion and the fiscal and financial system centered on land credit. From the perspective of the domestic cycle and transformation and upgrading, urban renewal may be a better way to stimulate domestic demand and drive upstream and downstream investment, and related fields also have actual needs. The increase in the importance of urban renewal indicates that the urban development model has gradually shifted to endogenous growth to improve efficiency, and the optimization and adjustment of spatial functions have been adapted to the population agglomeration trend of core cities. As the old reform of the Greater Bay Area started earlier and has a larger space, relevant developers may directly benefit from the promotion of urban renewal.

2. Sector Performance

2.1 Performance of developer sector

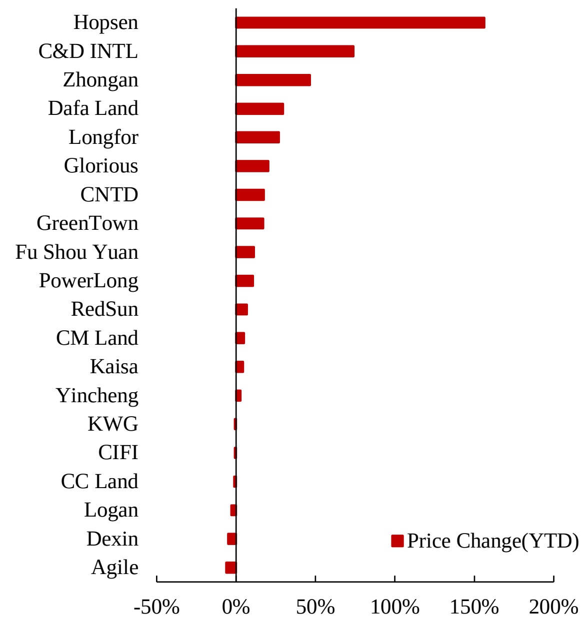
This week, Carnival, REDCO and Longfor had larger price increase than peers. Hopsen, C&D INTL and Zhongan had better share price performance, YTD.

Chart 7: This week, Carnival, REDCO and Longfor had larger price increase than peers



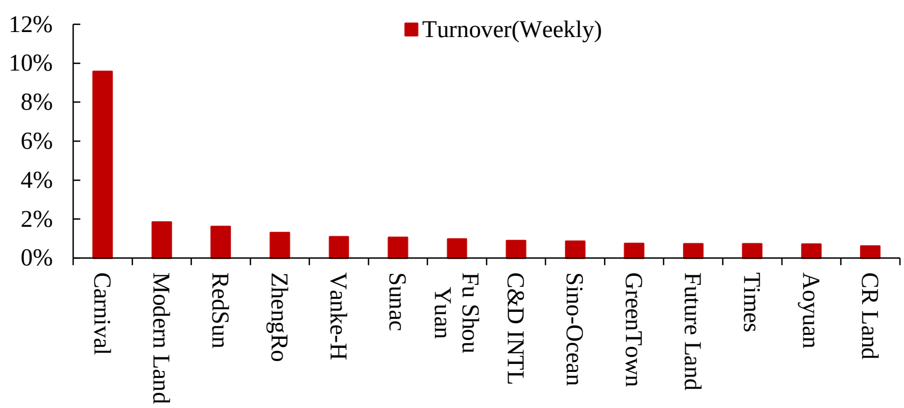
Source: Wind, CWSI Research

Chart 8: Hopsen, C&D INTL and Zhongan had better share price performance, YTD



Source: Wind, CWSI Research

Chart 9: Carnival, Modern Land and RedSun were most actively traded this week

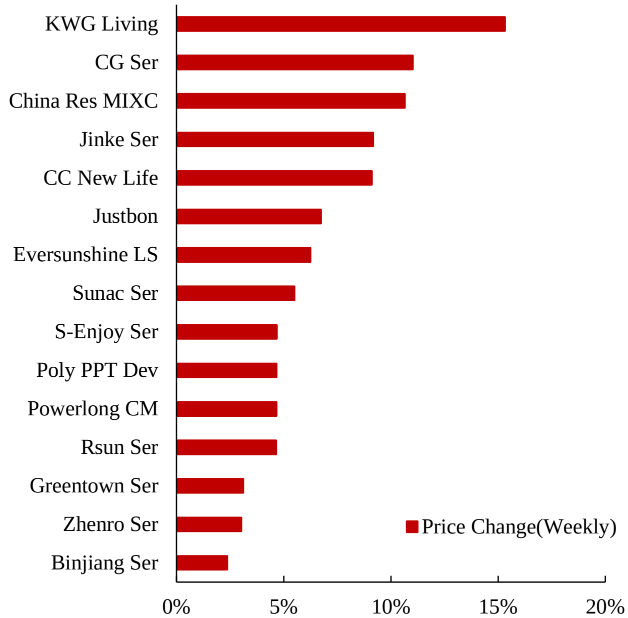


Source: Wind, CWSI Research

2.2 Performance of property management sector

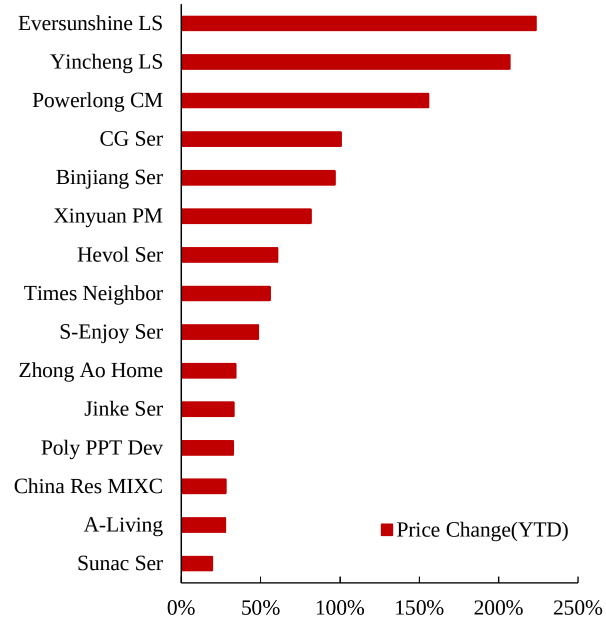
This week, KWG Living, CG Ser and China Res MIXC had larger price increase than peers. Yincheng LS, Eversunshine LS and Powerlong CM had better share price performance YTD.

Chart 10: This week, KWG Living, CG Ser and China Res MIXC had larger price increase than peers



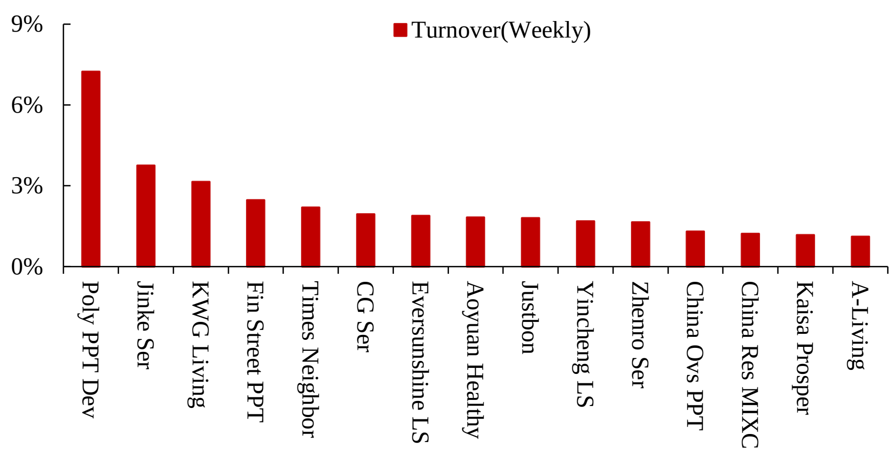
Source: Wind, CWSI Research

Chart 11: Yincheng LS, Eversunshine LS and Powerlong CM and had better share price performance YTD



Source: Wind, CWSI Research

Chart 12: Poly PPT Dev, Jinke Ser and KWG Living 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 increased 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	264,748	27%	-12%	985	4%	21%	764	5%	4%	7,634	8%
Shanghai	455,800	14%	55%	1,476	5%	28%	1,256	17%	38%	13,703	2%
Guangzhou	463,800	17%	104%	1,736	19%	123%	1,382	34%	126%	11,504	28%
Shenzhen	83,788	-36%	-24%	540	-11%	25%	444	-13%	21%	4,398	24%
Tier 1	**1,268,136**	**12%**	**36%**	**4,737**	**7%**	**49%**	**3,845**	**15%**	**47%**	**37,239**	**13%**
Tier 2	**2,944,148**	**13%**	**-7%**	**12,308**	**8%**	**-9%**	**10,351**	**12%**	**-6%**	**120,157**	**-1%**
Tier 3	**2,442,675**	**-2%**	**12%**	**10,804**	**-6%**	**15%**	**8,730**	**-5%**	**13%**	**113,629**	**3%**
Beijing	264,748	27%	-12%	985	4%	21%	764	5%	4%	7,634	8%
Qingdao	443,303	17%	25%	1,681	17%	-5%	1,380	21%	8%	15,331	6%
Jinan	219,378	46%	36%	684	-37%	-21%	433	-51%	-39%	10,650	8%
Dongying	78,753	-5%	195%	426	-52%	215%	327	-57%	186%	4,965	181%
PBR	**1,006,181**	**22%**	**19%**	**3,776**	**-13%**	**6%**	**2,904**	**-17%**	**2%**	**38,579**	**16%**
Shanghai	455,800	14%	55%	1,476	5%	28%	1,256	17%	38%	13,703	2%
Nanjing	283,390	23%	15%	1,251	22%	1%	1,085	26%	8%	9,902	18%
Hangzhou	135,084	16%	-53%	745	29%	-39%	671	23%	-28%	8,232	0%
Suzhou	305,154	-3%	39%	1,127	90%	17%	995	114%	18%	10,786	7%
Wuxi	97,300	-10%	112%	445	-12%	1%	301	-41%	17%	5,854	-19%
Yangzhou	92,889	2%	19%	297	19%	-3%	297	19%	-1%	2,628	12%
Jiangyin	57,705	-20%	74%	268	17%	-9%	221	31%	6%	3,015	-3%
Wenzhou	321,067	46%	80%	1,242	36%	37%	901	26%	22%	11,922	-1%
Jinhua	62,175	-7%	39%	222	-9%	30%	188	-8%	31%	2,368	26%
Changzhou	23,367	20%	-85%	149	-15%	-73%	116	-21%	-74%	2,693	-46%
Huaian	93,019	-25%	-2%	432	-14%	-4%	371	-6%	-1%	4,660	-6%
Lianyungang	172,418	-36%	94%	935	58%	79%	854	74%	87%	6,816	3%
Shaoxing	23,342	-9%	-77%	149	-1%	-46%	133	20%	-39%	2,360	0%
Zhenjiang	108,076	-27%	-39%	560	-8%	-9%	444	-9%	-13%	6,272	-17%
Jiaxing	0	-100%	-100%	120	-63%	-26%	104	-63%	-21%	3,130	19%
Wuhu	92,227	73%	229%	324	-12%	116%	263	-18%	118%	2,634	37%
Yancheng	104,155	-5%	55%	491	27%	78%	380	23%	59%	3,993	12%
Zhoushan	22,887	9%	-8%	103	-7%	18%	76	-3%	9%	1,344	18%
Chizhou	13,503	14%	-9%	64	-12%	-26%	56	-1%	-28%	827	-34%
Ningbo	96,718	-7%	-66%	583	0%	-20%	451	-3%	-27%	7,815	3%
YRD	**2,560,274**	**2%**	**2%**	**10,983**	**14%**	**4%**	**9,161**	**16%**	**7%**	**110,956**	**0%**
Guangzhou	463,800	17%	104%	1,736	19%	123%	1,382	34%	126%	11,504	28%
Shenzhen	83,788	-36%	-24%	540	-11%	25%	444	-13%	21%	4,398	24%
Fuzhou	71,571	53%	12%	263	-16%	77%	218	-15%	58%	2,738	7%
Dongguan	220,845	16%	39%	947	25%	60%	736	30%	54%	7,200	34%
Quanzhou	20,167	-75%	-72%	235	-18%	43%	191	-20%	50%	2,920	-10%
Putian	55,238	20%	-	210	16%	371%	175	25%	1091%	1,744	-9%
Huizhou	56,013	-29%	-32%	408	-13%	12%	383	0%	30%	3,285	14%
Shaoguan	20,247	-34%	-22%	119	7%	-3%	87	6%	-7%	1,680	8%
Foshan	368,584	18%	22%	1,351	-1%	23%	1,096	5%	24%	12,683	-1%
Jiangmen	45,449	3%	33%	173	17%	14%	140	25%	7%	1,452	23%
PRD & Southern China	**1,405,702**	**4%**	**31%**	**5,981**	**5%**	**54%**	**4,853**	**11%**	**54%**	**49,605**	**13%**
Taian	44,358	-22%	52%	259	-18%	41%	200	-19%	31%	2,750	8%
Northern China	**44,358**	**-22%**	**52%**	**259**	**-18%**	**41%**	**200**	**-19%**	**31%**	**2,750**	**8%**
Wuhan	735,239	33%	45%	2,784	5%	11%	2,319	13%	19%	18,962	-18%
Yueyang	36,142	-26%	-31%	162	-18%	-14%	141	-9%	-11%	2,273	10%
Baoji	93,150	20%	-	392	14%	87%	336	18%	136%	3,518	10%
Nanchang	35,967	-66%	-70%	398	-17%	-12%	300	-16%	-23%	4,187	-5%
Central China	**900,498**	**15%**	**32%**	**3,736**	**1%**	**11%**	**3,096**	**9%**	**17%**	**28,940**	**-11%**
Chengdu	326,625	-6%	-50%	1,612	-19%	-32%	1,461	-11%	-32%	21,254	8%
Liuzhou	182,401	35%	27%	632	0%	11%	517	9%	12%	6,858	11%
Nanning	228,919	8%	-32%	870	-8%	-45%	735	-6%	-44%	12,082	-21%
Western China	**737,945**	**7%**	**-35%**	**3,114**	**-13%**	**-31%**	**2,713**	**-6%**	**-31%**	**40,195**	**-2%**
Total	**6,654,959**	**7%**	**6%**	**27,849**	**2%**	**7%**	**22,927**	**5%**	**8%**	**271,025**	**2%**
Num. of cities Up		**22**	**22**		**19**	**25**		**21**	**27**		**28**
Num. of cities Down		**19**	**17**		**23**	**17**		**21**	**15**		**14**

Source: Local governments, CWSI Research; Note: Till 2020/12/25

Table 5: Major cities inventory period was 11.1 months this week

City	Inventory (sqm 000)	wow	yoy	Inventory period	Last week	wow	yoy
Beijing	13,001	2%	16%	13.2	12.9	2%	-4%
Shanghai	7,118	-5%	-12%	4.8	5.8	-17%	-31%
Guangzhou	9,552	2%	24%	5.5	5.6	-1%	-44%
Shenzhen	3,141	-1%	4%	5.8	5.2	11%	-16%
Tier 1 Average		**0%**	**8%**	**7.3**	**7.4**	**-1%**	**-24%**
Hangzhou	5,260	2%	45%	7.1	7.7	-9%	136%
Nanjing	7,829	9%	30%	6.3	6.1	2%	28%
Suzhou	9,063	3%	42%	8.0	8.8	-8%	22%
Fuzhou	6,804	2%	72%	25.9	25.9	0%	-3%
Jiangyin	4,694	-1%	16%	17.5	17.9	-2%	28%
Wenzhou	12,614	0%	20%	10.2	11.5	-12%	-12%
Quanzhou	7,064	1%	0%	30.0	24.1	25%	-30%
Ningbo	3,644	20%	9%	6.3	4.9	29%	35%
Dongying	1,654	-1%	0%	3.9	2.3	70%	-68%
Overall Average		**3%**	**21%**	**11.1**	**10.7**	**7%**	**3%**

Source: Local governments, CWSI Research; Note: Till 2020/12/25; Average WoW and average YoY are defined as average change of each city

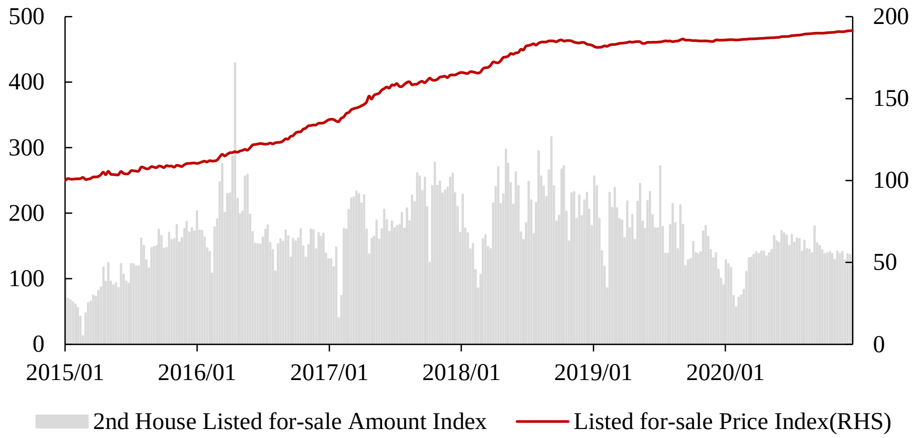
3.2 Second-hand house transaction and price data

Table 6: Major cities Second-hand house transaction volume, Jinhua and Nanjing 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	391,762	7%	52%	1,663	7%	51%	630	22%	43%	13,777	18%
Shenzhen	123,784	10%	-31%	534	-3%	-26%	212	34%	-29%	7,691	33%
Hangzhou	138,821	-12%	60%	637	**10%**	80%	218	**42%**	70%	5,485	22%
Nanjing	213,287	-4%	10%	890	**-15%**	3%	378	10%	14%	9,536	34%
Chengdu	82,643	**85%**	**-61%**	327	-10%	**-63%**	125	4%	**-67%**	4,489	**-56%**
Qingdao	119,710	0%	23%	533	4%	29%	208	13%	23%	5,138	19%
Wuxi	105,453	-1%	-5%	504	-2%	-15%	187	13%	-1%	5,920	-1%
Suzhou	146,202	40%	0%	553	-3%	-3%	227	15%	-2%	5,556	-41%
Xiamen	89,164	7%	34%	381	8%	50%	149	26%	36%	3,284	-5%
Yangzhou	25,009	5%	28%	102	-11%	19%	44	11%	30%	1,043	0%
Dongguan	43,809	-6%	-33%	203	-6%	-31%	80	7%	-31%	2,646	-12%
Nanning	40,859	**-28%**	-52%	211	6%	-46%	83	**0%**	-50%	2,487	-22%
Foshan	205,412	20%	69%	770	2%	62%	342	26%	73%	6,219	13%
Jinhua	73,360	16%	80%	277	5%	37%	123	22%	33%	2,517	**62%**
Jiangmen	21,674	23%	**87%**	93	9%	**178%**	36	17%	**78%**	812	-1%
Total	**1,820,950**	**7%**	**7%**	**7,678**	**0%**	**6%**	**3,043**	**19%**	**5%**	**76,599**	**-1%**
Num. of cities Up		**10**	**9**		**8**	**9**		**15**	**9**		**8**
Num. of cities Down		**5**	**6**		**7**	**6**		**0**	**6**		**7**

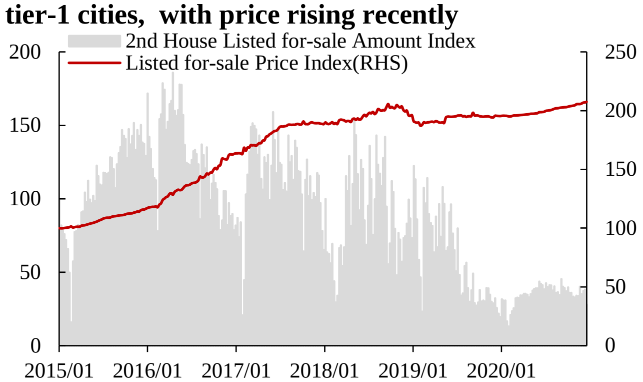
Source: Local governments, CWSI Research; Note: Till 2020/12/25

Chart 13: 2nd house listed for-sale price index rose slightly recently



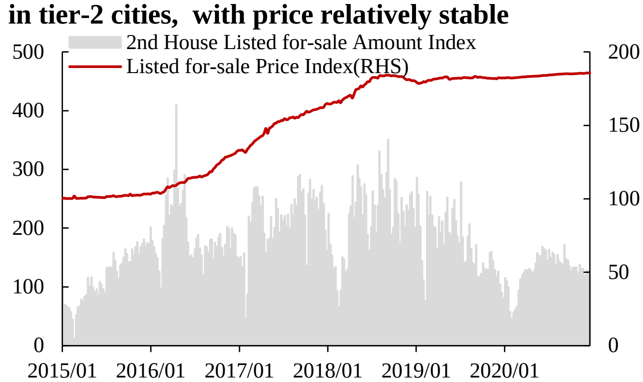
Source: Local Government, CWSI Research; Note: Till 2020/12/20

Chart 14: 2nd house listed for-sale amount index rose in tier-1 cities, with price rising recently



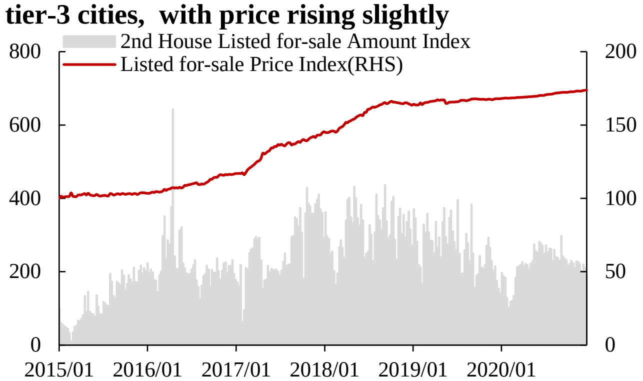
Source: Local Government, CWSI Research; Note: Till 2020/12/20

Chart 15: 2nd house listed for sale amount index rose in tier-2 cities, with price relatively stable



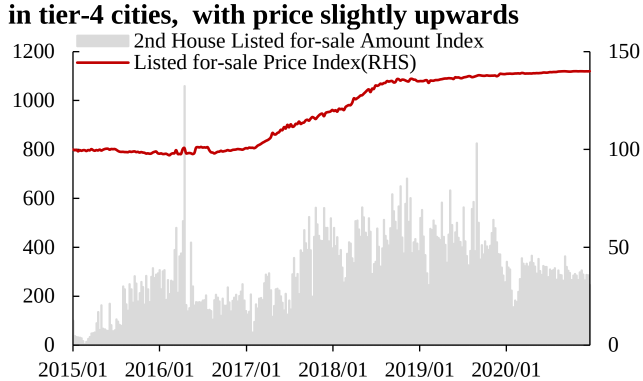
Source: Local Government, CWSI Research; Note: Till 2020/12/20

Chart 16: 2nd house listed for-sale amount index rose in tier-3 cities, with price rising slightly



Source: Local Government, CWSI Research; Note: Till 2020/12/20

Chart 17: 2nd house listed for-sale amount index rose in tier-4 cities, with price slightly upwards



Source: Local Government, CWSI Research; Note: Till 2020/12/20

4. Important Policies and News

4.1 Important Industry Policies News This Week

Table 7: Important Industry Policies News This Week: The National Housing and Urban-Rural Development Work Conference again proposes the long-term mechanism; Suzhou relaxes the Hukou threshold

Date	Region / Institution	Summary
2020-12-21	MOHURD	In 2021, it is necessary to steadily implement the real estate long-term mechanism plan to promote the stable and healthy development of the real estate market. Firmly adhere to the positioning of "housing for living, not for speculation", and fully implement the long-term real estate mechanism. It is necessary to vigorously develop rental housing and solve outstanding housing problems in big cities.
2020-12-22	Jiangsu	Adjust the household registration policy, implement the relaxation of urban settlement conditions, and fully implement the residence permit system; it is necessary to implement the mutual recognition of residence permit years and social security years in settle points of the province’s mega cities Suzhou and Nanjing.
2020-12-24	Beijing	Short-term rental housing in Beijing will be managed differentiated by region, and short-term rental housing is prohibited in the functional core area of the capital.
2020-12-25	Guangzhou	Young talents with a full-time bachelor degree or above in a world-class university construction university announced by the state or a world-class discipline construction university announced by the state can acquire their Hukou after the participation in social insurance.

Source：Wind, Government website, CWSI Research

4.2 Company news and announcements

Table 8: Company news and announcements: Justbon proposed to repurchase shares; Yincheng acquired Changshu project

Date	Company	Summary
2020-12-23	Justbon	Proposed to repurchase no more than 10% of the total number of H shares issued at a price not higher than 5% of the average closing price of the 5 trading days before the repurchase date.
2020-12-23	Joy City	Acquired 3 plots in Xihu District, Nanchang City with a total site area of about about 136,000 sqm for RMB 1.8 bn.
2020-12-23	Zhenro Ser	The controlling shareholder Weizheng Holdings Co., Ltd. increased its holdings of 411,000 shares of the company with approximately HKD 1.626 mn. After the completion of the acquisition, Weizheng Holding Co., Ltd. holds approximately 510 mn shares of the company, accounting for approximately 49.4% of the company's total share capital.
2020-12-24	Risesun	The company's approximately RMB 150 mn "Yi Chuang-Zhongrong Supply Chain Finance No. 1 Asset Support Special Plan" was established.
2020-12-24	Yincheng	An indirect wholly-owned subsidiary acquired the Changshu Shajiabang project for approximately RMB 165 mn.

Source：Company announcements，CWSI Research

Note:

1. Certain uncertainties in the industry regulation and financing policies may affect the sales performance of listed companies;

2. Macroeconomic fluctuations may have certain impact on business operations within the industry;

3.Uncertainties in the control of COVID-19 spread.

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Hold – Describes stocks that we expect to provide a relative return of between -10% and +5%.
Sell – Describes stocks that we expect to provide a relative return of <-10%.
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