

# *The Impact of the Covid-19 on Real Estate Companies: Vanke A and Poly Development*

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**Abstract:** The COVID-19 pandemic has had a profound impact on the global macroeconomic landscape, social order, and corporate operations. In light of the prevailing trend of economic globalization, the pandemic has significantly affected this process, but it will not deter the progress of economic globalization. The COVID-19 pandemic has not only had a considerable impact on various countries worldwide but has also affected China. To protect the lives and health of our citizens, China has implemented strict containment policies. The pandemic has also had a significant impression on company operations. Our research focuses on two major Chinese real estate companies, "Poly Developments" and "Vanke A." Both companies have publicly available and transparent financial reports that include information on profit figures, profit margins, cash flow, and debt situations. Despite the impact of the COVID-19 pandemic, Vanke witnessed a downward trend in total revenue and cash flow from 2019 to 2021, but a slight recovery was observed in 2022. Vanke displayed stable revenue growth in its development activities and gradually stabilized its profitability. The company also prioritized effective cash flow management and pursued a diversified development strategy, leading to a significant year-on-year increase in investment cash flow. Overall, Vanke exhibited remarkable performance in sustainable strategic planning, collaboration, and operational activities, maintaining its position as an industry leader.

**Keywords:** COVID-19, Vanke A, Poly Development

## 1. Introduction

The real estate industry is a crucial pillar of the Chinese economy and an essential component of the global economy. The COVID-19 pandemic has significantly impacted the Chinese economy. Firstly, the outbreak led to severe production disruptions and supply chain issues, leaving many businesses facing challenges such as shutdowns and reduced orders. Secondly, the pandemic resulted in a decline in consumer demand, causing significant impact on industries such as retail and dining. Additionally, international trade was affected as both exports and imports experienced a decline [1]. The pandemic has also had profound implications for the Chinese real estate industry, as its stable development not only relates to the sustained growth of the Chinese economy but also affects the global economic landscape [2].

Currently, both academia and industry have conducted numerous studies on the impact of the pandemic on the Chinese real estate industry, mainly focusing on market demand, capital flow, supply chains, and policy adjustments. Through empirical analysis and evaluation, the external impact of the COVID-19 pandemic on the real estate market is explored. The authors conducted empirical research by collecting extensive relevant data and employing statistical analysis methods to examine the changes in the real estate market during the pandemic [3]. The COVID-19 pandemic has caused significant disruptions to the real estate industry in China. Firstly, it has led to a decrease in market demand, resulting in a decline in housing purchasing intention and affecting transaction volume and sales revenue. Secondly, the pandemic has imposed restrictions on real estate development and construction activities, leading to project delays. Moreover, the pandemic has also influenced capital flow and the financial environment, creating financing difficulties for businesses [4]. These are far-reaching impacts of the current pandemic on the Chinese real estate industry and have also dealt a significant blow to the Chinese economy. Lastly, Huang et al. also proposed some countermeasures and suggestions regarding the impact of the pandemic on the real estate market. Firstly, it is essential to strengthen marketing and promotion efforts to boost the confidence and willingness to purchase among buyers. Secondly, real estate companies should accelerate digital transformation and promote the development of online sales and services. The government should implement proactive fiscal and financial policies to provide support and assistance to the real estate industry [5].

This study aims to explore the impact of the COVID-19 pandemic on the Chinese real estate industry. In this research, we selected Poly Development and Vanke A as case studies based on their leading positions in the Chinese real estate industry. By analyzing their operational performance and financial data during the pandemic, we can gain in-depth insights into the impact of the COVID-19 pandemic on the real estate industry and discuss the strategies adopted by companies in response to challenges.

## 2. Vanke Enterprise Co., Ltd

Vanke A Vanke Enterprise Co., Ltd. is also one of the leading real estate development enterprises in China, established in 1984 and entered the real estate industry in 1988. The headquarter is located in Vanke Center, No. 33, Huanmei Road, Dameisha, Yantian District, Shenzhen, Guangdong Province, China. Vanke has always adhered to providing good products and services to ordinary people. Through its own efforts, based on cash flow and strategic goals, Vanke has created practical value to meet people's various needs for a better life and made great contributions to the new era. As of 2022, Vanke Enterprise Co., Ltd. has total assets of 1.869 trillion yuan and operating revenue of approximately 503.8 billion yuan. In recent years, Vanke not only has its international influence gradually increased, but also has repeatedly collaborated with major domestic enterprises to advocate for building the homes they want with customers and achieving high-quality delivery under the premise of high quality. At present, Vanke, as a leading player in China's real estate industry, is not only at the forefront of the Fortune Global 500, but also deeply loved by the general public. Affected by the epidemic, from 2019 to 2021, Vanke Enterprise Co., Ltd.'s total operating revenue showed a downward trend from 23.59% in 2019 to 8.04% in 2021. However, in 2022, there was a slight turnaround, reaching 11.27%. At the same time, cash flow has also shown varying degrees of decline, which still exists as of 2022, as shown in the Table. 1.

Table 1. Income statement of Vanke.

Income statement	2022	2021	2020	2019	2018
gross revenue	11.27%	8.04%	13.92%	23.59%	22.55%
Total operating costs	12.88%	15.01%	19.09%	25.55%	18.21%

In terms of development, revenue growth is stable, and profitability is gradually stabilizing. In 22 years, the company's real estate development settlement revenue was 444.4 billion yuan, a year-on-year increase of 10.5%. Property services achieved a revenue of 25.8 billion yuan, a year-on-year increase of 30.0%, and the growth rate continued to increase; Sales revenue reached 417 billion yuan, a year-on-year decrease of 33.6%; The total land storage area of the company's ongoing and planned projects is approximately 120 million square meters, a year-on-year decrease of 20.4%. From this, it can be seen that Vanke is gradually alleviating the losses caused by the epidemic and focusing on land quality rather than area.

In terms of fund operation, Vanke still maintains its original strategic model and focuses on strengthening the control of period expenses and the strategic concept of diversified development. To further transform Vanke into a "city supporting service provider" through its existing property services, real estate logistics, educational operations, elderly care services, apartment rental and other businesses. The rigorous investment strategy resulted in Vanke's investment activities generating a staggering 792.18% year-on-year cash flow in 2022, as shown in the Table. 2.

At the same time, the added environmental protection concept has made the case of the carbon neutral community of the Vanke Center in Dameisha selected for the international financial forum and become the only low-carbon transformation case in the real estate industry. Vanke Enterprise Co., Ltd. has performed well in sustainable strategic planning and has cooperated with other industries in China multiple times after the epidemic, achieving "providing good products and services to ordinary people" in various aspects. From the cash flow generated by Vanke's operating activities, it can be seen that in 2022, the cash received from selling goods and providing services decreased significantly compared to the same period last year. However, the cash received from other operating activities showed a huge leap. This is because Vanke has participated in the construction and operation of affordable rental housing through multiple channels and methods since the end of the epidemic. Stabilize the position of industry first in cooperation.

Table 2. Cash flow statement of Vanke.

Cash flow statement (cash flow from operating activities)	2022	2021	2020	2019	2018
Cash received from selling goods and providing services	-30.28%	-1.74%	9.14%	8.69%	8.07%
Received other cash related to operating activities	108.96%	-44.11%	-2.79%	43.84%	-41.17%

### 3. Poly Developments & Holdings Group Co., Ltd

Established in 1993, Poly Development is one of the leading real estate development companies in China. The company is engaged in a wide range of businesses, including residential development, commercial real estate, property services and hotel management, with its main business being real estate development, especially residential development. In 2022, Poly Development's total revenue reached RMB281.1 billion, up minus 1.37% year-on-year, and the company's net profit attributable to the mother company was RMB18.35 billion, down 33.01% year-on-year, of which the main revenue from real estate sales was RMB256.6 billion, accounting for 91.30% of revenue, and its market capitalization as at 12 May 2023 was RMB170.22 RMB 170.22 billion as at 12 May 2023.

In 2021, Poly Development's revenue reached RMB285 billion, up 17.19% year-on-year. The company's attributable net profit reached RMB27.39 billion, a decline of minus 5.39% year-on-year, with main revenue from real estate sales of RMB260.8 billion, while the company's total assets grew further with the expansion of its business and scale. In 2020, the company's total revenue was

RMB243.2 billion, up 3.07% year-on-year, and net profit attributable to the mother was RMB28.95 billion, up 3.54% in parallel. In 2019, the company's total revenue was RMB236 billion, up 21.29% year-on-year, and net profit attributable to the mother was RMB27.96 billion, up 47.90% year-on-year. This resulted in a slowdown in the growth rate of Poly Development's net attributable profit during the epidemic and the first negative growth rate in FY21-22, but overall net profit remained up [6]. Table 3 shows the financial charts for years 19-22.

Table 3. Income statement of Poly Development.

	2022	2021	2020	2019
Total operating income	2811 billion	2850 billion	2432 billion	2360 billion
Net income attributed to shareholders	183.5 billion	273.9 billion	289.5 billion	279.6 billion

The year 2019 is the year of the epidemic outbreak, as can be seen from Table 4, the company reserves a large amount of net cash flow of 39,155 million in the initial year, and gradually decreases in the latter 3 years compared to 19 years as the impact of the epidemic decreases. The company's net cash flow as an important indicator of the business health of the company can reflect its adequate response to the impact of the epidemic. Overall, China Poly Development has performed solidly over the four years from 2019 to 2022, maintaining high earnings growth and making positive progress in business expansion and innovation, with an upward trend in total operating income. With higher cash flows and a high safety moat during the epidemic, it has responded adequately to the arrival of the epidemic [7].

Table 4. Cash flow statement of Poly Development.

	Cash Flow Statement	Range of variation
2019	391.55 billion	-
2020	151.56 billion	-61.42%
2021	105.51 billion	-30.43%
2022	74.22 billion	-29.67%

#### 4. Suggestions & Implications

Continued attention should be given to the cash flow situation. Despite an increase in cash flow from investment activities for Vanke, it is still important to closely monitor the cash flow condition. Strengthening cash flow management is recommended to ensure sufficient liquidity to address potential market uncertainties and challenges. Enhancing collaboration and innovation is also advised. Poly Developments has made positive progress in business expansion and innovation [8]. It is recommended to further strengthen collaborations with other industries, seek more win-win opportunities, and maintain innovative capabilities to drive higher levels of business development. Paying attention to market trends and changes in demand is crucial. As the market environment continues to evolve, it is recommended for both companies to closely monitor market trends and changes in people's demand for real estate. Timely adjustment of product and service strategies to meet evolving market demands will help maintain a competitive advantage [9, 10].

#### 5. Conclusion

To sum up, this study examined two leading companies in the Chinese real estate industry, Poly Developments and Vanke A, and analyzed their operational performance and financial data during

the pandemic. The research found that the pandemic had a certain impact on the operations of these two companies, but they gradually adapted to the new market environment through corresponding strategies and measures. However, this study has certain limitations. Firstly, the data is limited to financial data up until 2022 and may not fully reflect the current situation of the companies. Secondly, the focus of this study was on the financial performance of the companies, and other factors such as market competition and policy changes were not deeply analyzed, which may affect the comprehensiveness of the research findings. Future research can expand the sample size to include more real estate companies to obtain more comprehensive industry data and trends. Furthermore, in-depth research can be conducted on other factors such as market strategies, innovation capabilities, and human resource management to better understand the competitive advantages and sustainable development capabilities of companies. Despite its limitations, this study is still of great significance. It provides valuable insights into the performance of the real estate industry during the pandemic and reveals the experiences and strategies of Poly Developments and Vanke A in addressing challenges and promoting sustainable development. These findings have guiding implications for real estate companies, policymakers, and investors, helping them make informed decisions and plans to foster the sustainable development and stable growth of the real estate industry.

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