China Property

UNDERWEIGHT
(Maintained)

Divergence Between Tier 1 And Tier 2 Markets Continues In Jul 26, With Recovery Remaining Uneven

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Highlights

- High-frequency data in Jul 26 showed demand remained concentrated in Tier 1 cities. New-home sales in 19 major cities rose 6% yoy, while Tier 1 cities continued to outperform Tier 2 in both new-home and second-hand transactions. On a ytd basis (as of 2 Aug), Tier 2 cities still recorded declines, suggesting the recovery remains narrow.
- Inventory continued to decline in Tier 1 cities, but housing prices remained under pressure. Inventory months fell across all four Tier 1 cities, supported by lower saleable GFA and stronger sales in Shanghai, while second-hand home prices continued to trend downward.
- Maintain UNDERWEIGHT. Our top picks are COLI and CR Mixc.

Analysis

- **High-frequency data for the full month of Jul 26 showed that new-home sales in 19 major cities increased 6% yoy, mainly driven by Tier 1 cities. Second-hand home transactions in Tier 1 cities continued to post strong sales growth, though Tier 2 cities were much weaker. Meanwhile, overall housing prices continued to trend downwards.**
  a) **New-home sales in 19 major cities increased 6% yoy in Jul 26.** In Jul 26, average daily new-home sales in Tier 1/2 cities rose 15%/4% yoy, respectively. Among Tier 1 cities, Beijing/Shanghai/Guangzhou/Shenzhen recorded yoy sales increases of 6%/17%/2%/78%, respectively. On a ytd basis (as of 2 Aug), average daily new-home sales in 19 major cities fell 5% yoy, with Tier 1/2 cities changing by +2%/-9% yoy, respectively. Among Tier 1 cities, Beijing/Shanghai/Guangzhou/Shenzhen recorded yoy sales changes of -2%/+5%/+1%/+4%, respectively. Overall, the Jul 26 improvement was narrow while Tier 2 cities' 9% ytd decline suggests the underlying trend is still deteriorating.
  b) **Second-hand transactions in Tier 1 cities continued to post resilient sales growth, but Tier 2 cities lagged.** In Jul 26, average daily sales of second-hand homes in three Tier 1 cities and nine Tier 2 cities rose 14% and 2% yoy respectively. Beijing/Shanghai/Shenzhen saw their average daily second-hand home sales rise 12%/19%/4% yoy respectively. On a ytd basis (as of 2 Aug), three Tier 1 cities rose 10% yoy while nine Tier 2 cities fell 5% yoy. Beijing/Shanghai/Shenzhen saw their average daily second-hand home sales jump 6%/14%/3% yoy respectively. Overall, the second-hand market remains resilient in Tier 1, but the strength has yet to broaden beyond Tier 1.

Segmental Rating

Segment	Rating
China Property	UNDERWEIGHT (Maintained)
Property management	UNDERWEIGHT (Maintained)

Source: UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (HK$)	Target Price (HK$)
COLI	688HK	BUY	13.40	19.88
CR Mixc	1209 HK	BUY	40.18	55.00

Source: Bloomberg, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec	Price 3 Aug 26 (HK$)	Target Price (HK$)	Upside To TP (%)	Last Year End	PE 2025A (x)	PE 2026E (x)	PE 2027E (x)	Yield 2027E (%)	ROE 2026E (%)	Market Cap. (HK$m)	Price/ NAV ps (x)
China Resources Land Ltd	1109 HK	BUY	33.10	39.60	19.6%	12/25	9.0	10.1	9.0	3.9	4.7%	236,034.1	0.68
China Overseas Land	688 HK	BUY	13.40	19.88	48.4%	12/25	9.7	10.9	10.1	3.7	2.7%	146,661.4	0.32
Longfor Properties	960 HK	BUY	6.86	10.12	47.6%	12/25	5.6	N.A.	N.A.	0.1	-1.9%	48,652.7	0.26
Yuexiu Property	123 HK	BUY	3.59	4.50	25.3%	12/25	47.8	50.3	39.7	1.0	0.5%	14,451.2	0.23
CR Mixc Lifestyle	1209 HK	BUY	40.18	55.00	36.9%	12/25	19.9	17.9	16.1	6.2	26.6%	91,710.9	4.8
China Overseas Property Holdings	2669 HK	BUY	3.48	4.20	20.7%	12/25	7.2	8.0	8.1	5.3	18.5%	11,428.2	1.5

Source: UOB Kay Hian

c) **Overall price trends remained on a downward trajectory.** According to the ICE Index updated on 2 August, average listing prices of second-hand homes in 100 major cities fell 0.1% wow and 0.5% mom. Among the four Tier 1 cities, the listing price index of Beijing/Shanghai/Guangzhou/Shenzhen fell 0.1%/0.0%/0.0%/0.2% wow, changed by -0.5%/+0.0%/-0.5%/-0.7% mom, and by -2.7%/+1.7%/-2.4%/-1.5% ytd respectively.

Jul 26 Daily New-Home Sales (GFA) Of Key Cities
(Cities with relatively better yoy performance are highlighted in yellow)

GFA	---------------- T1 cities ----------------				------------------------------------ T2 cities ------------------------------------					
(000 sqm)	BJ	SH	GZ	SZ	Wuhan	Qingdao	Suzhou	Fuzhou	Chengdu	Nanning
Jul 25	12	25	17	5	28	33	5	6	22	13
Jun 26	18	35	24	13	48	36	12	7	23	12
Jul 26	12	30	17	9	30	31	7	6	21	13
YoY	6%	17%	2%	78%	6%	-7%	48%	14%	-7%	0%
MoM	-29%	-15%	-28%	-31%	-38%	-14%	-39%	-10%	-9%	14%

Source: iFind, UOB Kay Hian

Jul 26 Daily Secondary-Home Transactions (In Units) Of 12 cities
(Cities with relatively better yoy performance are highlighted in yellow)

Units	SH	BJ	SZ	HZ	NJ	QD	Suzhou	Wuxi	DG	XM	CD	FS
Jul 25	624	469	187	170	269	174	159	117	126	83	748	231
Jun 26	839	625	212	178	314	189	220	137	141	108	730	252
Jul 26	744	525	194	158	284	179	201	114	143	94	658	290
YoY	19%	12%	4%	-7%	6%	3%	26%	-2%	13%	14%	-12%	25%
MoM	-11%	-16%	-8%	-11%	-10%	-5%	-8%	-17%	1%	-13%	-10%	15%

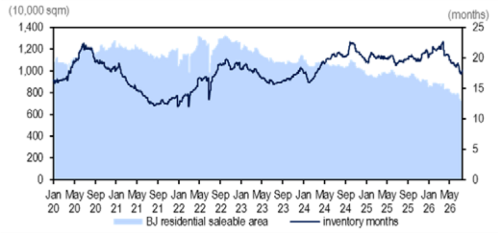
Source: iFind, UOB Kay Hian

- **All four Tier 1 cities have seen their inventory months decline from the Feb-Mar 26 peak, mainly due to the ongoing reduction in saleable GFA.** As of 2 Aug 26, saleable GFA in Beijing/Shanghai/Guangzhou/Shenzhen changed by -20.4%/+0.3%/-10.5%/-28.1% yoy, respectively. In Shanghai, where saleable GFA was little changed, stronger new-home sales were the main driver of the decline in inventory months.
- **Maintain UNDERWEIGHT on China's property sector,** as: a) the 1H26 previews confirm that the development-margin trough is not yet behind us; b) ongoing earnings contraction leaves sector valuations unattractive, with one-year forward dividend yields already near or below -1SD from the 2020 mean; and c) according to CRIC, in 7M26, total sales for top 20 mainland developers fell 10.4% yoy. However, we see selective opportunities in developers with strong Tier 1 city exposure.
- **Our top pick for the property segment is COLI,** an SOE developer with a strong pipeline and a 13% yoy growth in its 7M26 sales. It is trading at a low valuation of 0.32x 2026F P/B (1SD below mean) and 10.4X 2026F PE (0.9SD above mean).
- **Our top pick for the property management segment is CR Mixc,** for its strong recurring cash flow and margin resilience supported by high-end commercial properties. It is trading at 16.8x 2026F PE (0.8SD below mean) with a 5.9% dividend yield (0.9SD above mean).

Sector Catalyst/Risk

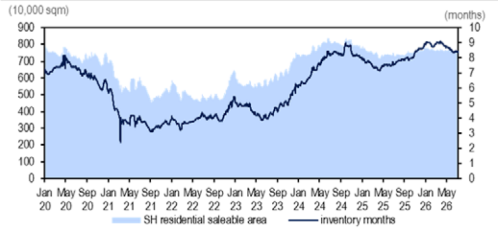
- Stronger-than-expected fiscal and monetary easing.

Beijing's Inventory Months



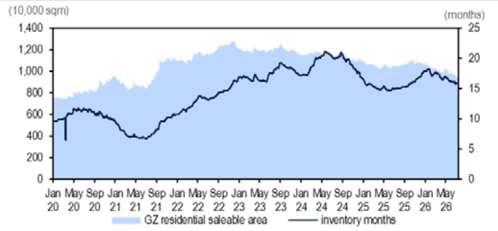
Source: iFind, UOB Kay Hian

Shanghai's Inventory Months



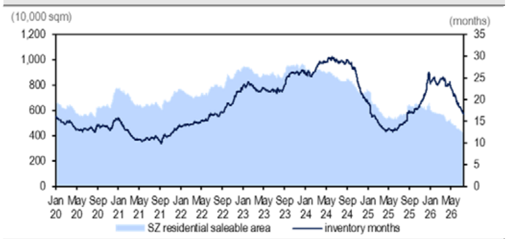
Source: iFind, UOB Kay Hian

Guangzhou's Inventory Months



Source: iFind, UOB Kay Hian

Shenzhen's Inventory Months



Source: iFind, UOB Kay Hian

Preliminary Contracted Sales Of Major Mainland Developers In Jul 26

Company	Stock code	7M26 (Rmbm)	7M26 – yoy	Jul 26 (Rmbm)	Jul 26 – yoy	Jul 26 – mom
Poly Development	600048 CH	150,000	-8%	14,894	-17.3%	-50.0%
COLI	688 HK	149,462	13%	15,110	27.5%	-51.8%
CR Land	1109 HK	130,600	6%	14,100	6.0%	-38.7%
CMSK	001979 CH	109,860	5%	13,615	-13.1%	-32.6%
Greentown	3900 HK	65,500	-24%	5,300	-1.9%	-54.7%
Vanke	2202 HK	41,680	-49%	6,660	-50.5%	-9.6%
C&D	1098 HK	73,300	-5%	9,500	49.8%	-20.7%
China Jinmao	817 HK	66,700	8%	9,200	8.7%	-41.7%
Yuexiu	123 HK	55,600	-18%	5,094	-15.2%	-62.2%
Binjiang Group	002244 CH	51,290	-17%	8,144	-7.5%	-14.7%
Huafa Group	600325 CH	24,990	-54%	2,850	-29.8%	-28.4%
Greenland Holdings	600606 CH	41,487	9%	5,596	24.4%	-54.1%
Longfor	960 HK	18,630	-55%	2,080	-65.3%	-27.8%
Poly Property	119 HK	26,300	-11%	3,100	10.7%	-13.9%
Country Garden	2007 HK	19,800	-17%	2,760	-18.3%	-7.1%
Sunac China	1918 HK	10,235	-59%	1,283	-16.2%	45.7%
Gemdale	600383 CH	11,030	-44%	1,500	-41.9%	-11.8%
Midea	N/A	8,300	-53%	800	-60.0%	-38.5%
Sino Ocean	3377 HK	8,990	-39%	850	-43.7%	-51.1%
CIFI	884 HK	5,610	-50%	590	-43.3%	-45.4%
Average of SOEs	SOE		-9%		3%	-39%
Average of quasi-SOEs	Quasi-SOE		-31%		-28%	-32%
Average of POEs	POE		-42%		-35%	-15%

Source: CRIC, UOB Kay Hian