

China Property

Oct 26: Supply Keeps Contracting While Sales Diverge, With Tier 1 And Second-hand Homes Ahead

Highlights

- Supply continued to contract. MOF data showed land sales revenue fell 27.9% yoy in 9M26, with the decline gradually narrowing. Tier 1 inventory months decreased further in Oct 26, led by Beijing, where they dropped by 1.0 month and saleable GFA dropped 3.4% mtd.
- On the demand side, sales diverged among cities and markets. High frequency data for 1-25 Oct 26 showed Tier 1 still leading, though new-home growth slowed: new-home sales rose 2% yoy in four Tier 1 cities and fell 23% in nine Tier 2 cities, while second-hand sales grew 22% yoy in three Tier 1 cities and declined 1% in eight Tier 2 cities. ICE listing prices edged down 0.6% mom.
- Maintain UNDERWEIGHT. Our top picks are COLI and CR Mixc.

Analysis

- Supply continued to contract, with land sales revenue falling 27.9% yoy in 9M26...** According to the MOF, land sales revenue was Rmb1,608.7b in 9M26, and the cumulative decline narrowed from 30.8% in 7M26 and 28.6% in 8M26. Derived from the cumulative figures, Sep 26 land sales revenue was about Rmb233.4b, down 23.2% yoy, a smaller drop than the 9M26 average.
- ...while saleable GFA in Tier 1 inventory months declined further in Oct 26, led by Beijing.** As of 25 Oct 26, saleable GFA in Beijing/Shanghai/Guangzhou/Shenzhen changed by -20.0%/-5.5%/-11.3%/-37.4% yoy respectively, and inventory months dropped 3.2/1.2/1.7/7.7 months ytd to 17.1/7.7/16.1/15.9 months. Since end-Sep 26, Beijing's saleable GFA has decreased 3.4% and its inventory months have gone down by 1.0 month, while the other three cities have each seen declines of less than 0.2 months.
- On the demand side, sales diverged among cities and markets.** Property sales continued to show the following trends in October: a) Tier 1 cities outperformed Tier 2 cities, and b) the secondary market outperformed the new-home market. In our view, this reflects continued divergence across market segments amid relatively weak overall demand.
 - a) During 1-25 Oct 26, new-home sales rose 2% yoy in four Tier 1 cities and declined 23% yoy in nine Tier 2 cities.** Among Tier 1 cities, Beijing/Shanghai/Guangzhou/Shenzhen changed by +40%/-7%/-4%/-18% yoy, with Shanghai turning negative from +3% in 1-18 Oct 26. On a ytd basis (as of 25 Oct 26), 19 major cities fell 5% yoy, with Tier 1/2 cities at +4%/-9% yoy.

Peer Comparison

Company	Ticker	Rec	Price 26 Oct 26 (HK\$)	Target Price (HK\$)	Upside To TP (%)	Last Year End	PE 2025 (x)	PE 2026F (x)	PE 2027F (x)	Yield 2027F (%)	ROE 2026F (%)	Market Cap. (HK\$m)	Price/ NAV ps (x)
China Resources Land Ltd	1109 HK	BUY	30.30	39.60	30.7%	12/2025	8.3	9.2	8.2	4.2	4.7%	216,067.5	0.62
China Overseas Land	688 HK	BUY	12.65	19.88	57.2%	12/2025	9.2	10.3	9.5	3.9	2.7%	138,452.8	0.30
Longfor Properties	960 HK	BUY	4.96	8.76	76.6%	12/2025	4.1	N.A.	N.A.	0.2	-1.9%	35,203.1	0.19
Yuexiu Property	123 HK	BUY	3.04	4.50	48.0%	12/2025	40.5	42.6	33.6	1.2	0.5%	12,237.2	0.19
CR Mixc Lifestyle	1209 HK	BUY	39.84	55.00	38.1%	12/2025	19.7	17.8	16.0	6.2	26.6%	90,934.8	4.81
China Overseas Property Holdings	2669 HK	BUY	3.22	4.20	30.4%	12/2025	6.7	7.4	7.5	5.7	18.5%	10,574.4	1.38

Source: Bloomberg, UOB Kay Hian

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UNDERWEIGHT (Maintained)

Segmental Rating

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

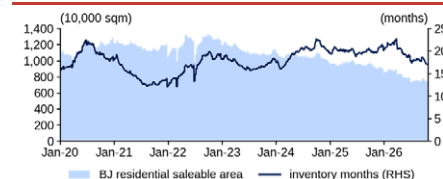
Source: Bloomberg, UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (HK\$)	Target Price (HK\$)
COLI	688HK	BUY	12.65	19.88
CR Mixc	1209 HK	BUY	39.84	55.00

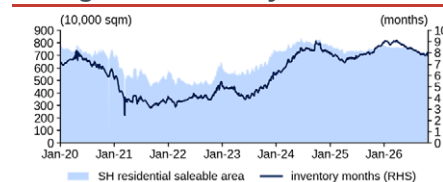
Source: Bloomberg, UOB Kay Hian

Beijing's Inventory Months



Source: iFind, UOB Kay Hian

Shanghai's Inventory Months

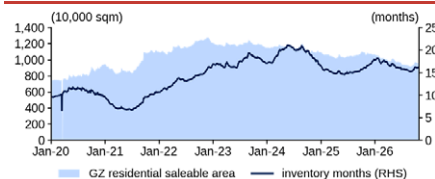


Source: iFind, UOB Kay Hian

b) During 1-25 Oct 26, second-hand sales in three Tier 1 cities rose 22% yoy, while eight Tier 2 cities fell 1% yoy. Shanghai/Beijing/Shenzhen grew 37%/11%/1% yoy respectively. On a ytd basis (as of 25 Oct 26), three Tier 1 cities increased 10% yoy and eight Tier 2 cities fell 5% yoy; Shanghai/Beijing/Shenzhen rose 16%/5%/2% yoy respectively. We think the mortgage rate subsidy, which targets units priced below Rmb1.5m, will mainly benefit the second-hand housing market.

c) Overall price trends remained on a downward trajectory. According to the ICE Index updated on 25 Oct 26, average listing prices of second-hand homes in 100 major cities dropped 0.1% wow and 0.6% mom. Among the four Tier 1 cities, the listing price indices of Beijing/Shanghai/Guangzhou/Shenzhen fell 0.1%/0.1%/0.2%/0.1% wow, changed by -0.6%/-0.2%/-0.7%/-0.5% mom, and changed by -3.3%/+1.2%/-3.0%/-1.8% ytd respectively. Notably, Shanghai's listing price momentum also turned negative, with all four Tier 1 cities now recording declines in listing prices.

Guangzhou's Inventory Months



Source: iFind, UOB Kay Hian

Shenzhen's Inventory Months



Source: iFind, UOB Kay Hian

1-25 Oct 26 Daily New-Home Sales (GFA) Of Key Cities

GFA	T1 cities				T2 cities					
(000 sqm)	BJ	SH	GZ	SZ	Wuhan	Qingdao	Suzhou	Fuzhou	Chengdu	Nanning
Oct 25	12	24	20	5	37	29	8	4	19	15
Oct 26	17	22	19	4	19	27	8	2	15	13
YoY	40%	-7%	-4%	-18%	-47%	-7%	1%	-63%	-23%	-16%

Cities with relatively better yoy performance are highlighted in orange

Same-day basis: each city uses only days with data in both years

Source: iFind, UOB Kay Hian.

1-25 Oct 26 Daily Second-Hand Home Transactions (Units) Of 12 Cities

Units	SH	BJ	SZ	HZ	NJ	QD	Suzhou	Wuxi	DG	XM	CD	FS
Oct 25	556	376	164	131	266	145	101	n.a.	100	61	862	180
Oct 26	761	416	165	152	303	162	138	n.a.	113	64	687	204
YoY	37%	11%	1%	16%	14%	12%	37%	n.a.	13%	5%	-20%	13%

Cities with relatively better yoy performance are highlighted in orange

Same-day basis: each city uses only days with data in both years

Source: iFind, UOB Kay Hian.

Valuation/Recommendation

- Maintain UNDERWEIGHT on the China property and property management segments; awaiting more policy support.** The downward trend in home prices indicates that the overall market remains weak, and the government may need to introduce further policy support, such as expanding mortgage subsidies. On the other side, we expect the second-hand property market to continue outperforming the new-home market, supported by mortgage rate subsidies that primarily benefit smaller units, which account for a larger share of second-hand transactions. Meanwhile, presale reforms are likely to slow the pace of new-project launches. Our top picks are COLI and CR Mixc.

Sector Catalyst/Risk

- Stronger-than-expected fiscal and monetary easing.

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