China Property

Shanghai Shifts Housing Supply From New Build To Renewal; National Land Supply Keeps Shrinking

Highlights

- Shanghai's 15th Five-Year Plan targets to cut new supply of residential units and step up efforts in commercial facilities upgrading. This may become a recurring trend over the next five years in higher tier cities.
- We expect pre-sale reforms to further cool the land market, following an 18.4% yoy decline in land sales across 300 in 8M26. Sales remained divergent: new-home sales in 19 major cities fell 3% yoy in Aug 26 but rose 3% yoy in 1-6 September, led by Tier 1 cities (+12% and +39%, respectively).
- Maintain UNDERWEIGHT. Our top pick is COLI.

Analysis

- **Shanghai published its 15th Five-Year Plan for urban renewal and housing development on 3 September cutting new supply of residential units and stepping up efforts to upgrade commercial facilities.** The table below summarises the key targets. Over 2026-30, Shanghai plans to reduce new residential housing supply by 33-40% and new residential land supply by 21-38%, while targets for commercial properties upgrading increase 56% and the target for retrofit activity increases by 92%. Specifically, the commercial property upgrading will primarily driven by a) expansion of usage; b) repositioning of underperforming buildings; c) tenant remixing and upgrading; d) data monitoring; and e) focusing on key areas (Lujiazui, Hongqiao, Caohejing and Wujiaochang). Indicated by Shanghai's plan, we expect tighter residential supply and the upgrading of commercial properties to become defining trends over the next five years in higher tier cities.

Shanghai's 15th Five-Year Plan: Supply Cuts And Renewal Targets

Indicator	Achievement of 2021-25	Target for 2026-30	Change
New supply of residential property projects (m sqm)	42.0	25.0-28.0	-33% to -40%
New supply of various residential lands (ha)	2,921	1,800-2,300	-21% to -38%
Old residential estate renovation (m sqm)	68.8	30.0-40.0	-42% to -56%
Number of governments approved comprehensive urban-village redevelopment projects	70	12	-83%
Affordable rental housing supply (000 units)	267	250-270	-6% to +1%
Areas of commercial properties upgraded (m sqm)	2.6	5.0	+92%
Number of commercial & office buildings upgraded	n.a.	150	New target
Number of key renewal districts	n.a.	20	New target
Beds for migrant workers (000)	73	120	+64%
Energy-efficiency retrofit of buildings (m sqm)	32.0	50.0	+56%

Source: Shanghai Municipal Government, CRIC, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec	Price 7 Sep 26 (HK$)	Target Price (HK$)	Upside To TP (%)	Last Year End	PE 2024 (x)	PE 2025F (x)	PE 2026F (x)	Yield 2025F (%)	ROE 2025F (%)	Market Cap. (HK$m)	Price/ NAV ps (x)
China Resources Land Ltd	1109 HK	BUY	29.88	39.60	32.5%	12/25	8.2	9.1	8.1	4.3	4.7%	213,072.5	0.61
China Overseas Land	688 HK	BUY	12.91	19.88	54.0%	12/25	9.3	10.5	9.7	3.8	2.7%	141,298.4	0.31
Longfor Properties	960 HK	BUY	6.02	8.76	45.6%	12/25	4.9	N.A.	N.A.	0.2	-1.9%	42,690.9	0.23
Yuexiu Property	123 HK	BUY	3.26	4.50	38.0%	12/25	43.4	45.6	36.0	1.1	0.5%	13,122.8	0.21
CR Mixc Lifestyle	1209 HK	BUY	39.90	55.00	37.8%	12/25	19.7	17.8	16.0	6.2	26.6%	91,071.8	4.81
China Overseas Property Holdings	2669 HK	BUY	3.51	4.20	19.8%	12/25	7.2	8.1	8.2	5.3	18.5%	11,510.3	1.51

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	12.91	19.88
CR Mixc	1209 HK	BUY	39.90	55.00

Source: Bloomberg, UOB Kay Hian

- **National land supply keeps shrinking.** In 8M26, total land sales across CREIS's 300 cities fell 18.4% yoy to Rmb1,288.6b, with residential land sales down 21.5% yoy to Rmb882.2b on a 21.3% yoy fall in transacted GFA. National market saw a sharper decline in land sales, with local government's land sales revenue declining 30.8% yoy in 7M26. As pre-sale policies tighten, we expect the land market to cool more noticeably from Sep 26. A further contraction in land-sale revenue would intensify local governments' fiscal pressures and could, in turn, further increase the likelihood of tighter tax & fee policies.
- **Rental yields in core cities edged up in Aug 26.** On a two-source basis (CREIS and CityRE), the average rental yield of the four Tier 1 cities was 2.16% at end-Aug 26, up 0.16ppt ytd, while the Tier 2 cities averaged 2.66%. Beijing/Shanghai/Guangzhou/Shenzhen stood at 2.3%/2.1%/2.5%/1.8%. Yields are rising because second-hand prices are falling faster than rents. However, they remained below the average first-home mortgage rate of 3.06%.

Rental Yield (%) In Major Cities

(%)	BJ	SH	GZ	SZ	HZ	XM	NN	NC	CD	WH	Suzhou	CQ	CS	QD
2025-08	2.2	2.1	2.4	1.8	2.3	1.5	2.8	2.7	3.0	3.7	2.1	2.8	3.5	2.2
2025-12	2.1	2.0	2.2	1.7	2.1	1.5	2.9	2.9	2.7	2.9	2.1	2.9	3.5	2.0
2026-06	2.3	2.1	2.4	1.7	2.3	1.6	2.9	3.0	2.9	3.3	2.1	2.9	3.6	2.6
2026-08	2.3	2.1	2.5	1.8	2.3	1.6	2.9	3.0	3.0	n.a.	2.2	2.9	3.6	2.5
ytd chg	0.3	0.1	0.2	0.0	0.2	0.1	0.1	0.1	0.3	n.a.	0.1	0.1	0.1	0.5

Source: CREIS, CityRE, UOB Kay Hian

- **High-frequency data for 1-6 Sep 26 show the gap between Tier 1 and lower-tier cities widening again. New-home sales across 19 major cities rose 3% yoy□the first positive reading in months. Tier 1 cities rose 39% yoy while Tier 2 cities fell 5%. Second-hand transactions showed the same split. Overall price trends remained on a downward trajectory.**

  a) New-home sales in 19 major cities rose 3% yoy in 1-6 Sep 26. Average daily new-home sales in Tier 1/2 cities changed by +39%/-5% yoy respectively. For August: 19-city sales fell 3% yoy, with Tier 1 up 12% yoy, Tier 2 down 9% and Tier 3 down 13%, so early-September marks a widening of the gap. Shanghai (+68% yoy) and Guangzhou (+32%) led in 1-6 September, Beijing rose 15% and Shenzhen fell 11%. Among Tier 2 cities, Chengdu (-49%) and Qingdao (-24%) stayed weak.

  b) Second-hand transactions in Tier 1 cities stayed positive, driven by Shanghai. During 1-6 Sep 26, average daily second-hand sales in the three Tier 1 cities rose 11% yoy while the nine Tier 2 cities fell 10% yoy. For August as a whole, both tiers were positive – Tier 1 was up 12% yoy and Tier 2 was up 5% yoy. Shanghai rose 19% yoy in Aug 26 and 30% yoy in 1-6 September, and recorded 23,137 transactions in August, the highest for the month since 2021; Beijing and Shenzhen rose 4% and 5% yoy in August. Chengdu (-22%) and Wuxi (-14%) were the weakest Tier 2 cities in early-September.

  c) Overall price trends remained on a downward trajectory. According to the ICE Index updated on 6 September, average listing prices of second-hand homes in 100 major cities fell 0.2% wow and 0.6% mom, with the four Tier 1 cities down 0.1% wow. Falling prices against broadly flat rents are lifting rental yields.

1-6 Sep 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
1-6 Sep 25	10	23	12	6	13	32	6	4	26	17
1-6 Aug 26	9	30	18	5	15	29	5	4	14	9
1-6 Sep 26	12	38	16	6	17	24	6	4	13	26
YoY	15%	68%	32%	-11%	30%	-24%	-12%	5%	-49%	59%
MoM	34%	26%	-12%	3%	14%	-18%	16%	-9%	-7%	210%

Cities with relatively better yoy performance are highlighted in yellow
Source: iFind, UOB Kay Hian

1-6 Sep 26 Daily Secondary-Home Transactions (In Units) Of 12 cities

Units	SH	BJ	SZ	HZ	NJ	QD	Suzhou	Wuxi	DG	XM	CD	FS
1-6 Sep 25	586	475	206	139	223	130	143	107	116	77	637	263
1-6 Aug 26	712	432	160	152	234	156	169	98	137	83	576	234
1-6 Sep 26	764	470	172	134	256	129	163	92	106	66	498	254
YoY	30%	-1%	-16%	-4%	15%	-1%	14%	-14%	-8%	-14%	-22%	-3%
MoM	7%	9%	8%	-12%	10%	-17%	-3%	-6%	-22%	-20%	-14%	9%

Cities with relatively better yoy performance are highlighted in yellow
Source: iFind, UOB Kay Hian

Valuation/Recommendation

- **Maintain UNDERWEIGHT on China's property sector.** Shanghai's plan confirms that the policy direction is less focused on residential supply, and will instead be about the revitalisation of commercial stock. Tighter access to presale proceeds and a longer cash conversion cycle will raise balance sheet and earnings recognition pressure in the near term. We will reassess our rating once there is greater clarity on the impact on earnings. We continue to prefer developers with low reliance on presale proceeds and strong Tier 1 exposure.
- **Our top pick for the property segment is COLI.** In Aug 26, its contracted sales fell 12.8% yoy to Rmb15.98b, but 8M26 sales were still up 10.1% yoy at Rmb165.45b. In Aug 26, COLI (excl. COGO) acquired five land parcels in Beijing (two parcels), Hong Kong, Ningbo and Shanghai, accounting for 41% of its 8M26 attributable new land holdings by GFA and 55% by attributable land premium, which totalled 2,380,520 sqm and Rmb48.36b, respectively. It is trading at 0.30x 2026F P/B (1SD below mean) and 10.4x 2026F PE (0.9SD above mean). We reiterate COLI as our top pick.

Sector Catalyst/Risk

- Stronger-than-expected fiscal and monetary easing.