UOBKayHian

Sector – Update | Greater China

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China Property

New Home Sales Accelerate In Tier 1 Cities In Early-Sep 26 But Weaken In Lower-tier Cities

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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	12.31	19.88
CR Mixc	1209 HK	BUY	38.32	55.00

Source: Bloomberg, UOB Kay Hian

Highlights

- New-home sales in 19 major cities fell 3% yoy in 1-13 Sep 26, but the composition was sharply split: the four Tier 1 cities rose 23% yoy while Tier 2 and Tier 3 cities fell 12% and 28% yoy respectively. Beijing/Shanghai/Guangzhou rose 28%/35%/12% yoy, leaving Shenzhen (-14% yoy) as the only Tier 1 city to decline. On a ytd basis (as of 13 September), 19 major cities fell 4% yoy, with Tier 1/2 cities changing by +4%/-8% yoy respectively.
- Second-hand transactions told the same story. In 1-13 Sep 26, average daily sales in three Tier 1 cities rose 13% yoy, still led by Shanghai at +26% yoy, while nine Tier 2 cities were broadly flat. On a ytd basis, Tier 1/2 cities changed by +10%/-4% yoy respectively. Meanwhile, second-hand home listing prices continued to trend downward.
- Maintain UNDERWEIGHT. Our top picks are COLI and CR Mixc.

Analysis

- **High-frequency data for 1-13 Sep 26 show the recovery broadening within Tier 1 cities.** New-home sales in the four Tier 1 cities rose 23% yoy and 10% mom, with Beijing and Guangzhou joining Shanghai in positive territory, while Tier 2 and Tier 3 cities fell 12% and 28% yoy respectively. The second-hand market had the same shape: three Tier 1 cities up 13% yoy against nine Tier 2 cities that were broadly flat. We read this as a mix shift towards the four Tier 1 cities rather than a national turn.
  a) **New-home sales in 19 major cities fell 3% yoy in 1-13 Sep 26.** Average daily new-home sales in Tier 1/2 cities changed by +23%/-12% yoy respectively, against +16%/-11% yoy in 1-16 Aug 26 — Tier 1 momentum strengthened while Tier 2 weakened further, and Tier 3 cities dropped 28% yoy. Among Tier 1 cities, Beijing/Shanghai/Guangzhou/Shenzhen recorded yoy sales changes of +28%/+35%/+12%/-14% respectively, so Shenzhen was the only Tier 1 city to decline. Measured against the full month of Aug 26, Tier 1 cities rose 10% mom while Tier 2 and Tier 3 cities fell 14% and 12% mom respectively. On a ytd basis (as of 13 September), average daily new-home sales in 19 major cities declined 4% yoy, with Tier 1/2 cities changing by +4%/-8% yoy respectively; within Tier 1 cities, Beijing was flat while Shanghai/Guangzhou/Shenzhen rose 8%/3%/3% yoy respectively. The early-September pick-up has broadened from Shanghai to Beijing and Guangzhou, but it still stops at the Tier 1 boundary.

Peer Comparison

Company	Ticker	Rec	Price 14-Sep-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	29.30	39.60	35.2%	12/25	8.0	8.9	8.0	4.4	4.7%	208,936.5	0.60
China Overseas Land	688 HK	BUY	12.31	19.88	61.5%	12/25	8.9	10.0	9.3	4.0	2.7%	134,731.5	0.29
Longfor Properties	960 HK	BUY	5.38	8.76	63.0%	12/25	4.4	N.A.	N.A.	0.2	-1.9%	38,148.5	0.20
Yuexiu Property	123 HK	BUY	3.06	4.50	47.3%	12/25	40.7	42.8	33.8	1.2	0.5%	12,297.6	0.19
CR Mixc Lifestyle	1209 HK	BUY	38.32	55.00	43.5%	12/25	19.0	17.1	15.4	6.5	26.6%	87,465.4	4.62
China Overseas Property Holdings	2669 HK	BUY	3.31	4.20	27.1%	12/25	6.8	7.6	7.7	5.6	18.5%	10,853.5	1.42

Source: Bloomberg, UOB Kay Hian

b) **Second-hand transactions in Tier 1 cities stayed positive,** with the gain still concentrated in Shanghai while Tier 2 cities stalled. During 1-13 Sep 26, average daily sales of second-hand homes in three Tier 1 cities rose 13% yoy while nine Tier 2 cities were broadly flat. Shanghai/Beijing/ Shenzhen changed by +26%/+4%/-6% yoy respectively, against +21%/-3%/0% yoy in 1-16 Aug 26. Against the full month of Aug 26, three Tier 1 cities grew 6% mom while nine Tier 2 cities dropped 2% mom. On a ytd basis (as of 13 September), three Tier 1 cities expanded 10% yoy while nine Tier 2 cities declined 4% yoy, with Shanghai/Beijing/Shenzhen up 15%/6%/2% yoy respectively. Tier 1 second-hand demand is still a Shanghai story, and we still see no sign of it spreading to Tier 2 cities.

c) **Overall price trends remained on a downtrend.** According to the ICE Index updated on 13 Sep 26, average listing prices of second-hand homes in 100 major cities fell 0.1% wow and 0.6% mom. Among the four Tier 1 cities, the listing price indices of Beijing/Shanghai/Guangzhou/ Shenzhen changed by -0.1%/+0.1%/-0.1%/-0.1% wow, -0.6%/+0.0%/-0.6%/-0.3% mom, and -3.7%/+1.4%/-3.9%/-1.9% ytd respectively.

d) **All four Tier 1 cities have continued to work down their inventory months, which peaked between Dec 25 and Mar 26.** As of 13 Sep 26, saleable GFA in Beijing/Shanghai/Guangzhou/Shenzhen changed by -22.2%/-2.6%/-12.5%/-37.5% yoy respectively, and inventory months have fallen 2.5/1.0/2.4/8.3 months ytd to 17.8/7.9/15.4/15.4 months. Shenzhen is doing the heavy lifting on both legs – its saleable pool is down more than a third yoy – while Shanghai's decline owes more to stronger new-home sales, and still carries the lowest inventory months of the four.

1-13 Sep 26 Daily New-Home Sales (GFA) Of Key Cities
(Cities with relatively better yoy performance are highlighted in orange)

GFA	T1 cities			T2 cities						
(000 sqm)	BJ	SH	GZ	SZ	Wuhan	Qingdao	Suzhou	Fuzhou	Chengdu	Nanning
1-13 Sep 25	10	28	14	6	18	30	5	4	25	14
1-31 Aug 26	12	30	18	6	30	30	5	6	14	9
1-13 Sep 26	13	38	15	5	15	25	7	3	13	16
YoY	28%	35%	12%	-14%	-17%	-17%	39%	-17%	-45%	21%
MoM	8%	30%	-14%	-9%	-50%	-17%	47%	-45%	-5%	84%

Source: iFind, UOB Kay Hian

1-13 Sep 26 Daily Secondary-Home Transactions (In Units) Of 12 Cities
(Cities with relatively better yoy performance are highlighted in orange)

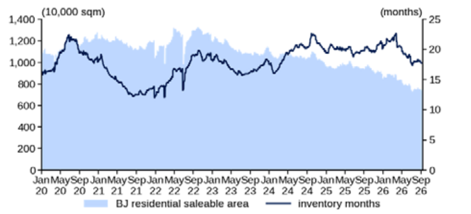
Units	SH	BJ	SZ	HZ	NJ	QD	Suzhou	Wuxi	DG	XM	CD	FS
1-13 Sep 25	633	503	202	149	225	143	137	105	109	76	653	244
1-31 Aug 26	746	503	175	145	260	159	171	97	135	82	576	238
1-13 Sep 26	801	524	190	153	254	132	192	102	129	79	551	241
YoY	26%	4%	-6%	3%	13%	-8%	40%	-3%	18%	3%	-16%	-1%
MoM	7%	4%	8%	6%	-2%	-17%	12%	5%	-4%	-5%	-4%	1%

Source: iFind, UOB Kay Hian

Valuation/Recommendation

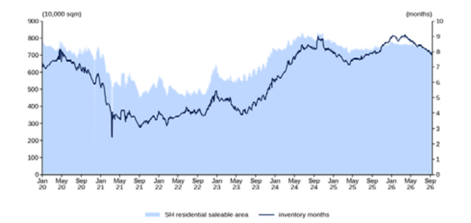
- **Maintain UNDERWEIGHT on China's property sector.** We continue to prefer developers with low reliance on presale proceeds and strong Tier 1 exposure. Our top picks are COLI and CR Mixc.
- **COLI's Aug 26 contracted sales fell 12.8% yoy, but 8M26 sales remained up 10.1% yoy and Aug 26 land spending stayed heavy.** COLI recorded Aug 26 contracted sales of Rmb15.98b on a sales area of 511,600 sqm, down 12.8% yoy in value and 42.4% yoy in area, an implied ASP of Rmb31,241/sqm against Rmb20,630/sqm a year earlier. For 8M26, contracted sales reached Rmb165.45b (+10.1% yoy) on 5,565,000 sqm (-16.5% yoy), an implied ASP of Rmb29,731/sqm. On the land side, the group added five parcels in Beijing (two parcels), Hong Kong, Ningbo and Shanghai in Aug 26, with attributable GFA of 972,586 sqm and

Beijing's Inventory Months



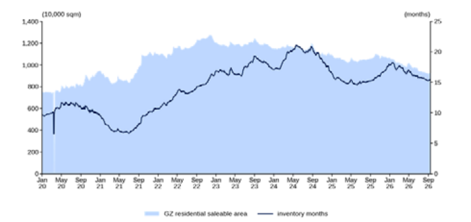
Source: UOB Kay Hian

Shanghai's Inventory Months



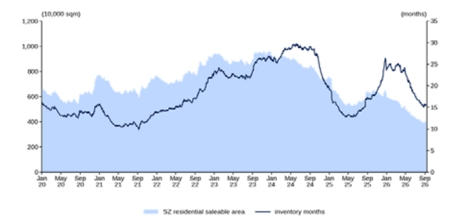
Source: UOB Kay Hian

Guangzhou's Inventory Months



Source: UOB Kay Hian

Shenzhen's Inventory Months



Source: UOB Kay Hian

attributable land premium of Rmb26.76b, accounting for 41% and 55% of the 8M26 totals, respectively. For 8M26, attributable GFA reached 2,380,520 sqm and attributable land premium Rmb48.36b. Mix rather than volume is carrying COLI's sales value, and August land spending was concentrated in Shanghai and Beijing.

- **Longfor's development sales kept shrinking while its recurring income continued to grow.** Aug 26 contracted sales were Rmb2.20b on 250,000 sqm, down 53.5% yoy in value, of which contracted sales attributable to shareholders were Rmb1.50b on 174,000 sqm. For 8M26, contracted sales totalled Rmb20.84b, down 54.4% yoy, on 2,239,000 sqm, and no land acquisition was disclosed for the month. Against that, 8M26 revenue excluding tax from property operations and property services reached Rmb18.18b, up 2.8% yoy, split between operating income of Rmb9.73b (+3.6% yoy) and service income of Rmb8.45b (+1.8% yoy). The investment case now rests on the recurring income platform rather than on development sales.
- **Yuexiu's Aug 26 sales edged up, but ASP remained under pressure.** Aug 26 contracted sales, including projects of JVs and associates, were Rmb5.60b, up 1.7% yoy, on GFA of 168,300 sqm, down 0.6% yoy. For 8M26, contracted sales were Rmb61.21b, down 16.2% yoy, while the corresponding GFA rose 12.4% yoy to 2,029,200 sqm – an implied ASP of Rmb30,163/sqm, 25% below the 8M25 level. No land was acquired in Aug 26; on 4 Sep 26, the company won two residential parcels in Tianhe district, Guangzhou for Rmb2.48b, equivalent to Rmb36,590/sqm of plot-ratio accountable GFA. Volume is holding up, but the shift towards lower-priced projects is what keeps earnings under pressure.

Sector Catalyst/Risk

- Stronger-than-expected fiscal and monetary easing.