China Property

Nov 26: Supply Continues To Contract While Second-hand Homes Outperform New Homes In Both Tier 1 And 2 Cities

Highlights

- Supply continued to contract. MOF data showed land sales revenue fell 25.8% yoy in 10M26, with the decline gradually narrowing. Beijing's inventory months fell a further 0.8 month in Nov 26 to 15.9 months, and its saleable GFA dropped 2.4% mtd.
- Meanwhile, demand for second-hand homes outperformed that for new homes. High frequency data for 1-22 Nov 26 showed new-home sales falling 1% yoy in four Tier 1 cities and 20% in nine Tier 2 cities, while second-hand sales rose 8% yoy in three Tier 1 cities and 10% in eight Tier 2 cities. ICE listing prices fell 0.7% mom.
- Maintain UNDERWEIGHT. Our top pick is COLI.

Analysis

- **Supply continued to contract, with land sales revenue falling 25.8% yoy in 10M26...** According to the MOF, land sales revenue was Rmb1,852.6b in 10M26, and the cumulative decline narrowed from 28.6% in 8M26 and 27.9% in 9M26. Based on the cumulative figures, Oct 26's land sales revenue was about Rmb243.9b, down 9.0% yoy, a smaller drop than the 10M26 average.
- **...while Beijing's inventory months fell further in Nov 26.** As of 22 Nov 26, saleable GFA in Beijing/Shanghai/Guangzhou/Shenzhen changed by -23.4%/-4.7%/-8.0%/-33.4% yoy respectively, and inventory months dropped 4.3/1.0/1.1/7.4 months ytd to 15.9/7.9/16.7/16.2 months. Since end-Oct 26, Beijing's saleable GFA has decreased 2.4% and its inventory months have gone down by 0.8 month, while the other three cities have each seen increases of 0.1-0.4 month.
- **Meanwhile, demand for second-hand homes continued to outperform that for new homes.** Property sales continued to show the following trends in November: a) in the new-home market, Tier 1 cities outperformed Tier 2 cities, and b) the second-hand market outperformed the new-home market in both Tier 1 and Tier 2 cities. In our view, this reflects a continued divergence across market segments amid relatively weak overall demand.
  a) During 1-22 Nov 26, new-home sales fell 1% yoy in four Tier 1 cities and 20% yoy in nine Tier 2 cities. Among Tier 1 cities, Beijing/Shanghai/Guangzhou/Shenzhen changed by +64%/-12%/-7%/-25% yoy respectively. On a ytd basis (as of 22 Nov 26), 19 major cities fell 5% yoy, with Tier 1/2 cities at +4%/-9% yoy respectively.
  b) During 1-22 Nov 26, second-hand sales in three Tier 1 cities rose 8% yoy, and increased by 10% yoy in eight Tier 2 cities. Shanghai/Beijing/Shenzhen changed by +17%/+2%/-14% yoy respectively. On a ytd basis (as of 22 Nov 26), three Tier 1 cities increased 10% yoy and eight Tier 2 cities fell 3% yoy; Shanghai/Beijing/Shenzhen rose 16%/5%/1% yoy respectively. We think the mortgage rate subsidy, which targets units priced below Rmb1.5m, will mainly benefit the second-hand housing market.

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UNDERWEIGHT (Maintained)

Segmental Rating

Segment	Rating
China Property	UNDERWEIGHT (Maintained)

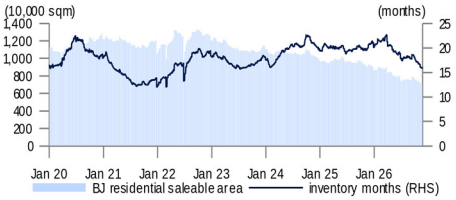
Source: Bloomberg, UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (HK$)	Target Price (HK$)
COLI	688HK	BUY	10.92	19.88

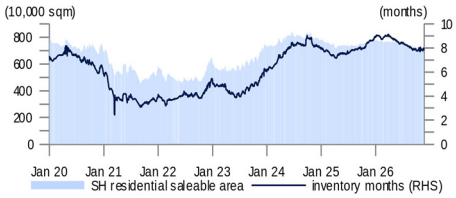
Source: Bloomberg, UOB Kay Hian

Beijing's Inventory Months



Source: iFind, UOB Kay Hian

Shanghai's Inventory Months



Source: iFind, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec	Price 23 Nov 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	27.44	39.60	44.3%	12/2025	7.5	8.3	7.4	4.7	4.7%	195,673.0	0.56
China Overseas Land	688 HK	BUY	10.92	19.88	82.1%	12/2025	7.9	8.9	8.2	4.5	2.7%	119,518.1	0.26
Longfor Properties	960 HK	BUY	3.47	8.76	152.8%	12/2025	2.8	N.A.	N.A.	0.3	-1.9%	24,592.5	0.13
Yuexiu Property	123 HK	BUY	2.57	4.50	75.4%	12/2025	34.2	35.9	28.3	1.4	0.5%	10,325.1	0.16

Source: Bloomberg, UOB Kay Hian

c) **Overall price trends remained on a downward trajectory.** According to the ICE Index updated on 22 Nov 26, average listing prices of second-hand homes in 100 major cities fell 0.1% wow and 0.7% mom. Among the four Tier 1 cities, the listing price index of Beijing/Shanghai/Guangzhou/Shenzhen changed by -0.1%/+0.1%/-0.1%/-0.0% wow, changed by -0.8%/+0.1%/-0.8%/-0.4% mom, and changed by -5.3%/+1.6%/-5.5%/-2.8% ytd respectively. Shanghai's listing price index turned positive again in Nov 26, and Shanghai is now the only Tier 1 city with a ytd rise in second-hand listing prices.

1-22 Nov 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
Nov 25	9	28	16	7	34	28	2	8	24	10
Nov 26	15	24	15	5	19	28	8	1	16	10
YoY	64%	-12%	-7%	-25%	-45%	-2%	224%	-90%	-35%	-1%

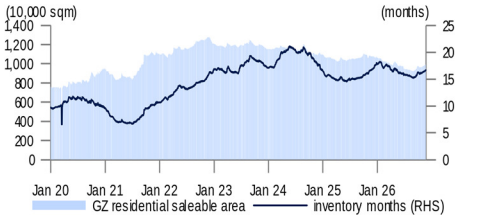
Same-day basis: each city uses only days with data in both years
Source: iFind, UOB Kay Hian.

1-22 Nov 26 Daily Second-Hand Home Transactions (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
Nov 25	747	518	196	157	297	155	151	n.a.	122	81	635	243
Nov 26	878	530	168	171	284	163	201	n.a.	173	74	711	256
YoY	17%	2%	-14%	9%	-4%	5%	33%	n.a.	41%	-9%	12%	5%

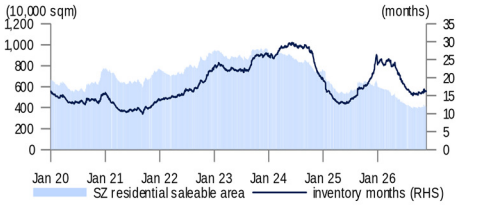
Same-day basis: each city uses only days with data in both years
Source: iFind, UOB Kay Hian.

Guangzhou's Inventory Months



Source: iFind, UOB Kay Hian

Shenzhen's Inventory Months



Source: iFind, UOB Kay Hian

Valuation/Recommendation

- **Maintain UNDERWEIGHT on China's property sector; 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 hand, we expect the second-hand property market to continue outperforming the new-home market, with second-hand transactions accounting for a larger share of total property transactions. We prefer developers with a low reliance on pre-sale proceeds, strong Tier 1 exposure and resilient recurring income. Our top pick is COLI.

Sector Catalyst/Risk

- Stronger-than-expected fiscal and monetary easing.

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