

China Property

First Central Mortgage Interest Subsidy From 1 Oct 26; Tier 1 Land Supply Up 12% mom In Sep 26

Highlights

- The central government will subsidise interest on new first-home mortgages by 1ppt a year from 1 Oct for properties valued below Rmb1.5m, with eligible loans capped at Rmb1m for up to five years. The policy support is expected to **benefit lower-tier cities and the second-hand market, with a mixed impact on investors' sentiment**. Premier Li Qiang separately called for further measures to stabilise the property market.
- Beijing and Shanghai published implementation rules for the 28 August reform of housing sales, setting a reference for other cities, and Tier 1 land supply rose to 17 sites at a Rmb61.8b reserve price in Sep 26, up 12% mom and 3.5x yoy, with the premium on settled lots at 12.9%.
- Maintain UNDERWEIGHT. Our top picks are COLI and CR Mixc.

Analysis

- Central government finally announces nation-wide mortgage interest subsidy.** On 29 September, the Ministry of Finance, the PBOC and the National Financial Regulatory Administration announced a one-year mortgage interest subsidy programme, effective from 1 Oct 26. As we noted in last week's report, this policy was very likely amid an accelerated decline in mortgage lending in 2026. To qualify, these three conditions must be met: a) it must be a newly issued commercial mortgage for a first-home purchase, excluding refinancing; b) the home size should be no more than 120 sqm; and c) the purchase price does not exceed Rmb1.5m. Eligible loans are capped at Rmb1m, with a 1ppt annual interest subsidy for up to five years. For a Rmb1m loan, this means a maximum interest saving of Rmb10,000 per year, or Rmb50,000 over five years.
- Mortgage subsidy to benefit lower-tier cities and second-hand market.** Limited data suggest that homes priced below Rmb1.5m accounted for: a) 34.4% of Guangzhou's combined primary and secondary market transactions in 2025, and b) 61% of new-home sales in Chongqing in 1H26. In general, the second-hand market sees a higher share of low-price units than the new-home market. We expect the policy to benefit second-hand transactions, as well as new-home markets in suburban Tier 1 and Tier 2 areas and lower tier cities.
- Mixed impact on investor sentiment.** On the positive side, this is the first time the central government has subsidised interest on commercial residential mortgages, and the 100bp subsidy is at the upper end of market expectations (40-100bp). However, the eligibility criteria are narrower than expected, covering only a subset of first-home buyers.
- Premier LI Qiang called for further policies to stabilise the property market.** At the State Council executive meeting on 28 September, Li called for stronger counter-cyclical policy support and asked officials to study and introduce measures to stabilise the property market and boost employment and household income. Despite the announced interest subsidy, we expect further easing measures to be introduced.

Peer Comparison

Company	Ticker	Rec	Price 29-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	30.46	39.60	30.0%	12/25	8.3	9.3	8.3	4.2	4.7%	217,208.4	0.63
China Overseas Land	688 HK	BUY	13.37	19.88	48.7%	12/25	9.7	10.8	10.1	3.7	2.7%	146,333.1	0.32
Longfor Properties	960 HK	BUY	5.77	8.76	51.8%	12/25	4.7	N.A.	N.A.	0.2	-1.9%	40,952.0	0.22
Yuexiu Property	123 HK	BUY	3.45	4.50	30.4%	12/25	45.9	48.3	38.1	1.0	0.5%	13,887.6	0.22
CR Mixc Lifestyle	1209 HK	BUY	38.34	55.00	43.5%	12/25	19.0	17.1	15.4	6.5	26.6%	87,511.1	4.63
China Overseas Property Holdings	2669 HK	BUY	3.31	4.20	26.9%	12/25	6.8	7.6	7.7	5.6	18.5%	10,869.9	1.42

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	13.37	19.88
CR Mixc	1209 HK	BUY	38.34	55.00

Source: Bloomberg, UOB Kay Hian

Presale Reform: Beijing And Shanghai Implementation Rules Compared

Rule	Beijing	Shanghai
Presale condition	Topping-out of the main structure for land tendered after 28 Aug 26; full escrow, released after joint inspection.	Same rule; escrow released after combined completion acceptance.
Transition	Planning permits held by 28 Aug 26 keep the old terms; land-only projects until end-27 on district filing.	Same two categories, plus sites tendered before 28 August but handed over after it, which may presale on the old terms if listed before end-27.
Completed-home sales	Preferred on land announced from 28 Aug 26; deposit up to 1% of the price.	Same preference; deposit up to 3% of the price.
Mortgage disbursement	Only after completion filing, provident fund loans included, paid into escrow.	Same.
Land premium	At least 50% within 30 days of signing; balance within two years, interest-free.	At least 50% within 30 days; balance within one year, extendable by a further year on approval.

Source: Beijing Municipal Commission of Housing and Urban-Rural Development, Shanghai Municipal Commission of Housing and Urban-Rural Development, UOB Kay Hian

- **Beijing and Shanghai published detailed rules on pre-sale reform, setting a reference for other cities.** Both cities concurred with national rule that for land parcels put up for sale from 28 Aug 26, projects can only start presales after main-structure topping-out, while mortgage loans can only be disbursed after completion filing. While both cities stated that at least 50% of the land premium is due within 30 days after land sale, Beijing requires the remaining balance to be paid in interest-free instalments over two years, while Shanghai requires payment to be completed within one year, with a second year subject to approval. Last, the deposit for pre-sale capped at 3% of the contracted price in Shanghai, versus 1% in Beijing. We expect more cities to announce local rules, further removing policy uncertainties.
- **Tier 1 land supply has increased since the 828 policy, and the premium rate has edged up slightly.** Beijing, Shanghai, Guangzhou and Shenzhen offered 17 residential sites with a combined reserve price of Rmb61.8bn in Sep 26, up 12% mom and 3.5x yoy. The average premium rate of completed transactions was 12.9%, marginally above the 11.4% of Aug 26. However, market activity diverged by site size. Large sites in Shanghai, Guangzhou and Beijing mostly sold at reserve prices, while smaller central sites in Shenzhen, Shanghai and Beijing attracted strong bidding, with premiums of up to 125%. We believe this reflects developers' growing preference for smaller, faster-selling projects amid longer cash conversion cycles under the 828 policy. Large sites, which require greater upfront capital, are increasingly being acquired at reserve prices, mainly by SOEs and local government platforms.

Tier 1 Residential Lands Put Up For Sale At Reserve Price

Reserve price (Rmb b)	Sep 25	Aug 26	Sep 26	yoy	mom
Beijing	7.4	21.7	25.1	239%	16%
Shanghai	9.9	23.9	26.3	166%	10%
Guangzhou	0.5	9.6	9.3	1,684%	-4%
Shenzhen	0.0	0.0	1.1	n.a.	n.a.
Tier 1 total	17.8	55.1	61.8	247%	12%
Parcels offered	11	17	17	/	/
Premium on settled lots	13.9%	11.4%	12.9%	-1.0 ppt	+1.5ppt

Source: China Index Academy, UOB Kay Hian

- **High-frequency data for 1-27 Sep 26 showed momentum narrowing, partly due to disruption from the Mid-Autumn Festival holiday.** New-home sales in the four Tier 1 cities rose 4% yoy and Tier 2 fell 4%, against +17%/-0.2% yoy during 1-20 Sep 26, with the second-hand market following the same path. Tier 1 second-hand volumes fell 30% wow to 1,233 units/day during 21-27 Sep 26, as Mid-Autumn fell on 25 Sep 26 against 6 October in 2025 and the last week of Sep 25 was a strong base.
 - New-home sales in 19 major cities were flat yoy during 1-27 Sep 26.** Tier 1/2 cities changed by +4%/-4% yoy respectively, against +17%/-0.2% yoy in 1-20 Sep 26. Beijing/Shanghai rose 18%/10% yoy while Guangzhou/Shenzhen fell 5%/17% yoy. Against full-month Aug 26, 19 major cities rose 12% mom. On a ytd basis, 19 major cities fell 4% yoy.
 - Second-hand transactions slowed in both tiers in 1-27 Sep 26.** Average daily second-hand sales rose 5% yoy in three Tier 1 cities and fell 4% yoy

in nine Tier 2 cities, against +13%/+4% yoy in 1-20 Sep 26. Beijing/Shanghai/Shenzhen changed by -2%/+12%/-1% yoy respectively, leaving Shanghai as the only Tier 1 city still growing. Against full-month Aug 26, three Tier 1 cities rose 6% mom. On a ytd basis, three Tier 1 cities rose 9% yoy while nine Tier 2 cities fell 4% yoy.

- c) **Overall price trends remained on a downward trajectory, with Shanghai as the only Tier 1 city still rising.** According to the ICE Index updated on 27 Sep 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, Beijing/Shanghai/Guangzhou/Shenzhen changed by -0.2%/+0.1%/-0.1%/-0.1% wow and by -4.0%/+1.7%/-4.1%/-2.0% ytd respectively; Shanghai leads Tier 1 cities in both monthly and ytd readings.

1-27 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
1-27 Sep 25	14	33	17	6	25	33	8	5	25	13
1-31 Aug 26	12	30	18	6	30	30	5	6	14	9
1-27 Sep 26	17	36	16	5	25	30	7	15	15	13
YoY	18%	10%	-5%	-17%	3%	-7%	-2%	221%	-38%	-4%
MoM	38%	22%	-11%	-11%	-16%	1%	46%	138%	7%	40%

Cities with relatively better yoy performance are highlighted in orange

Source: iFind, UOB Kay Hian

1-27 Sep 26 Daily Second-Hand Home Transactions (In Units) Of 12 cities

Units	SH	BJ	SZ	HZ	NJ	QD	Suzhou	Wuxi	DG	XM	CD	FS
1-27 Sep 25	684	566	189	160	230	154	138	105	104	76	763	237
1-31 Aug 26	746	503	175	145	260	159	171	97	135	82	576	239
1-27 Sep 26	767	553	187	155	264	148	175	111	133	79	584	239
YoY	12%	-2%	-1%	-3%	14%	-4%	26%	5%	28%	4%	-23%	1%
MoM	3%	10%	6%	7%	1%	-7%	2%	14%	-1%	-4%	1%	0%

Cities with relatively better yoy performance are highlighted in orange

Source: iFind, UOB Kay Hian

Valuation/Recommendation

- **Maintain UNDERWEIGHT on China's property sector.** The materialisation of mortgage rate subsidy may lead to a pull-back in stock price in the near term, while we think policy developments are generally supportive of investor sentiment, as endorsed by the positive tone of Premier Li Qiang. We maintain UNDERWEIGHT and continue to prefer developers with low reliance on presale proceeds and strong Tier 1 exposure. Our top picks are COLI and CR Mixc.

Sector Catalyst/Risk

- Stronger-than-expected fiscal and monetary easing.

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