

Hong Kong Property

Major Developers' Balance Sheets And Profitability Repaired; SHKP Family Buying; Residential Prices Consolidating

Highlights

- **Developers' latest results sent a positive signal.** Hong Kong development margins recovered in 1H26. Net gearing fell at SHKP, Wharf REIC, Kerry and Hysan, while New World and Link REIT saw higher gearing.
- **SHKP's controlling shareholder is buying.** Kwong Siu-hing bought 2.41m shares (about HK\$258m) between 11 Sep 26 and 2 Oct 26, lifting her stake from 28.13% to 28.21%.
- **Maintain MARKET WEIGHT; prices are consolidating.** The RVD price index rose 7.0% in 8M26. Rents are at a historical high, but agreements nearly halved from Jun 26 to Aug 26 as Mainland rules on offshore money tightened and 1M HIBOR reached 3.02% on 28 Sep 26. We expect prices to move sideways in 2H26. Top picks: SHKP, Kerry Properties and Link REIT.

Analysis

- **Developers' latest results signal improving profitability and strengthened balance sheets.** Hong Kong development margins rebounded in 1H26 at SHKP (14.8%), Sino Land (18.8%) and Kerry (15.0%). Net gearing declined at most covered names, with a 7.1ppt yoy decline at Kerry Properties, 4.4ppt decline at SHKP while Sino Land's net cash increased to HK\$55.1b. New World was the outlier, with its gearing rising 10.2 ppt to 68.3%. Link REIT's gearing also increased to 23.9% as of Mar 26. Capital recycling helped reduce leverage, while the margin recovery points to improving Hong Kong market conditions.

Developers: Net Gearing And Hong Kong Development Margin, Latest Results

Company	Period	----- Net gearing -----					--- HK development margin ---		
		Jun-26	Dec-25	Jun-25	YoY	HoH	1H26	2H25	1H25
SHKP	FY26	10.7%	13.5%	15.1%	-4.4ppt	-2.8ppt	14.8%	7.6%	8.7%
Sino Land (net cash)	FY26	HK\$55.1b	HK\$51.4b	HK\$49.5b	+HK\$5.7b	+HK\$3.7b	18.8%	7.2%	10.5%
Wharf REIC	1H26	15.9%	17.2%	17.6%	-1.7ppt	-1.3ppt	n.a.	n.a.	n.a.
Kerry	1H26	31.3%	33.3%	38.4%	-7.1ppt	-2.0ppt	15.0%	7.1%	9.2%
Hysan	1H26	30.9%	32.4%	32.9%	-2.0ppt	-1.5ppt	n.a.	n.a.	n.a.
New World	FY26	68.3%	59.7%	58.1%	+10.2ppt	+8.6ppt	n.m.	n.m.	n.m.
Link REIT	FY25/26	23.9%	22.5%	21.5%	+2.4ppt	+1.4ppt	n.a.	n.a.	n.a.

Source: Respective companies, HKEXm UOB Kay Hian. HoH vs Dec 25 (Link REIT: Sep-25); Link REIT columns are Mar 26 / Sep 25 / Mar 25. Margins by calendar half (SHKP, Sino Land: fiscal 2H26 / 1H26 / 2H25); SHKP and Sino Land = segment results / revenue incl. JVs, Kerry = gross margin. n.a. = no Hong Kong development; n.m. = New World not comparable.

Peer Comparison

Company	Ticker	Rec	Price	Target	Upside	Last	----- PE -----			Yield	ROE	Market Cap.	Price/NAV ps
			5-Oct-26 (HK\$)	Price (HK\$)	To TP (%)	Year End	2025A (x)	2026E (x)	2027E (x)				
New World Development	17 HK	HOLD	5.70	6.44	13.0%	06/2026	N.A.	N.A.	-4.1	0.0	-2.5%	14,344.8	0.09
Sun Hung Kai Properties	16 HK	BUY	105.00	143.80	37.0%	06/2026	14.0	13.9	13.3	4.1	3.6%	304,266.9	0.49
Sino Land	83 HK	BUY	10.01	14.00	39.9%	06/2026	22.2	20.0	19.8	5.8	2.8%	95,957.3	0.55
Kerry Properties	683 HK	BUY	17.42	27.80	59.6%	12/2025	6.4	11.8	10.1	7.7	1.8%	25,281.7	0.24
Wharf Real Estate Investment Co Ltd	1997 HK	BUY	29.46	36.00	22.2%	12/2025	14.6	15.1	14.1	4.3	3.3%	89,447.3	0.47
Link REIT	823 HK	BUY	36.40	44.30	21.7%	03/2026	N.A.	14.6	15.1	6.7	3.9%	93,999.2	0.58
Hysan Development	14 HK	BUY	15.32	20.74	35.4%	12/2025	10.2	8.0	7.8	7.2	3.0%	15,733.8	0.24

Source: Bloomberg, UOB Kay Hian

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MARKET WEIGHT (Maintained)

Segmental Rating

Segment	Rating
Hong Kong Property	MARKET WEIGHT (Maintained)
Hong Kong Landlords	MARKET WEIGHT (Maintained)

Source: Bloomberg, UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (HK\$)	Target Price (HK\$)
SHKP	16 HK	BUY	106.00	143.80
Kerry	683 HK	BUY	17.49	27.80
Link REIT	823 HK	BUY	36.44	44.30

Source: Bloomberg, UOB Kay Hian

- **Kwok family is increasing stake in SHKP.** Kwong Siu-hing bought 2.41m SHKP shares (about HK\$258m) on nine trading days between 11 Sep 26 and 2 Oct 26 at an average of about HK\$107.40, lifting her stake from 28.13% to 28.21%. Other major shareholding increases include BlackRock, which raised its Hysan holding by 1.33m shares to 5.05%. Major shareholders' purchases do not mark an absolute bottom, but we see them as a sign that the owners view the shares as cheap.

Major Shareholder And Director Dealings, 1 Sep-5 Oct 26

Company	Trade date	Holder	Shares	Price (HK\$)	% of shares
SHKP	11 Sep	Kwong Siu-hing*	380,000	108.22	0.0131%
SHKP	15 Sep	Kwong Siu-hing*	413,500	108.67	0.0143%
SHKP	16 Sep	Kwong Siu-hing*	234,000	109.13	0.0081%
SHKP	17 Sep	Kwong Siu-hing*	199,500	106.60	0.0069%
SHKP	24 Sep	Kwong Siu-hing*	338,000	107.74	0.0117%
SHKP	25 Sep	Kwong Siu-hing*	240,500	105.96	0.0083%
SHKP	29 Sep	Kwong Siu-hing*	31,500	106.60	0.0011%
SHKP	30 Sep	Kwong Siu-hing*	68,500	106.46	0.0024%
SHKP	2 Oct	Kwong Siu-hing*	500,000	105.86	0.0173%
SHKP total			2,405,500	107.40	0.0830%
Kerry	25 Sep	Kuok Khoon Hua (director)	85,500	17.43	0.0059%
Sino Land	23 Sep	Lee Ching Keung, Gordon	200,000	10.215	0.0021%
Hysan	24 Sep	BlackRock (5.05% holder)	1,326,405	n.a.	0.1292%

*Other Kwok family members and trusts hold deemed interests in the same SHKP shares. No sales found.

Source: HKEX Disclosure of Interests.

- **The property market outlook remains mixed.** Tighter regulations and higher taxes on overseas funds have weighed on buyers' sentiment. According to the Land Registry, residential transactions (including both primary and secondary) fell from 7,650 in Jun 26 to 4,462 in Jul 26 and 4,019 in Aug 26 (-24.0% yoy), although the total transactions for Jan-Aug 26 was still up 23.2% yoy. HIBOR is rising with US yields, with 1M HIBOR reaching 3.02% on 28 Sep 26, its highest since end-25, while 3M HIBOR touched 3.27% on 5 Oct 26. We believe that the strong IPO activity (HK\$328b raised in 7M26, +154% yoy) has deepened the liquidity pool, limiting the upside risk to HIBOR. However, the key risk lies in a potential hike in P-rate, which will immediately raise mortgage rate. Historical high rents are positive. The RVD overall rental index reached a historical high of 210.3 in Aug 26, rose 4.9% in 8M26, and rose 5.3% yoy. By class, A/B/C/D/E rents rose 3.1%/5.7%/8.5%/8.0%/6.9% in 8M26 respectively.

RVD Rental And Price Indices By Class, Aug 26 (8M26)

Class (sqm)	Rent idx	YTD	yoy	Price idx	YTD	yoy
Overall	210.3	4.9%	5.3%	320.5	7.0%	11.0%
A (<40)	226.7	3.1%	3.1%	340.3	7.0%	10.1%
B (40-70)	210.5	5.7%	6.2%	312.5	6.7%	11.2%
C (70-100)	182.5	8.5%	9.0%	306.8	7.2%	12.6%
D (100-160)	169.4	8.0%	9.3%	289.8	6.9%	9.6%
E (>=160)	151.5	6.9%	8.7%	284.1	5.5%	9.3%

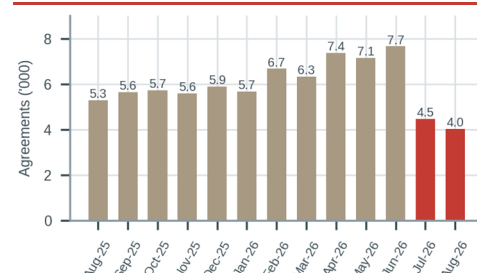
Source: RVD, UOB Kay Hian. Jun-Aug 26 prints are provisional.

- **We expect prices to move sideways for the rest of 2026.** We keep our +7% full-year forecast for the RVD price index, which the index had already achieved by Aug 26 (+7.0% in 8M26), so we expect prices to hold at current levels until the end of the year. The Centaline CCL also peaked at 162.2 on 16 Aug 26, having held at 161-162 for six weeks and then falling to 160.1 in the week to 27 Sep 26 (+11.1% ytd).

Valuation/Recommendation

- **Maintain MARKET WEIGHT on the Hong Kong property sector.** We expect residential prices to move sideways in 2H26, with the Prime rate being

Residential Sale And Purchase Agreements ('000)



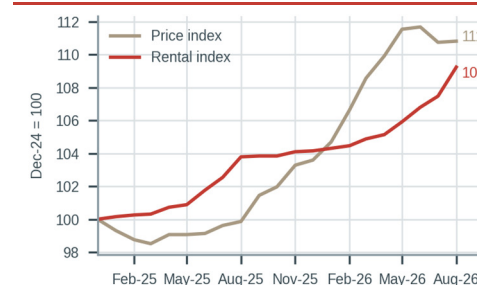
Source: Land Registry, UOB Kay Hian. Sep-26 not yet published.

HIBOR And US 10-Year Yield, Jan 25 To Date



Source: HKAB, FRED, UOB Kay Hian. UST 10Y to 2 Oct 26.

RVD Price And Rental Indices, Overall



Source: RVD, UOB Kay Hian. Jun-Aug 26 provisional.

Centaline City Leading Index (Weekly)



Source: Centaline, UOB Kay Hian. To week of 27 Sep 26.

the main uncertainty. We prefer names with strong balance sheets and improved profitability. Our top pick is SHKP for: a) its low gearing (10.7%); b) it being a proxy to the Hong Kong residential market; and c) 4.1% FY27 yield. Our top picks for high-yield names are: a) Kerry Properties for its 7.7% yield and falling gearing, and b) Link REIT for a 7.0% yield backed by a 60.0% fixed-rate debt ratio.

Sector Catalyst/Risk

- Lower-than-expected HIBOR.
- A further rise in US yields and HIBOR.
- Further Mainland tightening on offshore money after the 22 Oct 26 trust-income deadline.

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