China Property

Beijing Further Eases Home Purchase Restrictions After Underperforming Other Tier 1 Cities

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Highlights

- Beijing further relaxed home purchase restrictions on 8 August, cutting the social-security requirement for non-hukou buyers inside the Fifth Ring from two years to one and raising the provident-fund loan cap to Rmb3.4m. Beijing, Shanghai and Shenzhen now all have a social security requirement of just one year.
- High-frequency data for the first nine days of Aug 26 showed demand narrowing further towards Tier 1 cities. New-home sales in the four Tier 1 cities rose 17% yoy while Tier 2 cities fell 17%, leaving 19 major cities down 8% yoy. On a ytd basis (as of 9 August), Tier 1/2 cities changed by +3%/-8% yoy respectively. Second-hand transactions in three Tier 1 cities rose 8% yoy, but the gain came from Shanghai alone, while nine Tier 2 cities fell 8% yoy. Meanwhile, second-hand home prices continued to trend downward.
- Maintain UNDERWEIGHT. Our top picks are COLI and CR Mixc.

Analysis

- **Beijing further relaxed its home purchase restrictions on 8 August.** Beijing has cut the social-security requirement for non-hukou buyers inside the Fifth Ring from two years to one, and lifted the provident-fund loan cap to Rmb3.4m.
- **We believe Beijing's latest measures are positive for both the property market and real estate equities.** The July Politburo meeting called for" effectively strengthening the safety net… and stabilising the property market" ("切实筑牢安全屏障 … 稳定房地产市场"). Beijing has promptly followed up with further measures to support the real estate sector. We expect more local governments - and potentially central government ministries - to introduce additional supportive policies, following Beijing's lead. This should underpin a further recovery in both transaction volumes and investor sentiment. As of Aug 26, the minimum social security requirement for non-hukou households to purchase homes in all of Beijing, Shanghai and Shenzhen has been lowered to one year.

Beijing's Latest Home Purchase Restrictions

	Now	Before
Non-hukou in 5th-ring area: social security requirement	1 year	2 years
Non-hukou outside 5th ring: social security requirement	1 year	1 year
The household housing provident fund loan ceiling	Rmb 3.4m	Rmb 2.4m
Multi-child families within 5th ring allowed to buy	2 homes	2 homes
Non-hukou in 5th-ring area: allowed to buy	1 home	1 home

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

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	13.19	19.88
CR Mixc	1209 HK	BUY	40.16	55.00

Source: Bloomberg, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec*	Price 10 Aug 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	32.90	39.60	20.4	12/25	9.0	10.0	8.9	3.9	4.7	234,607.9	0.68
China Overseas Land	688 HK	BUY	13.19	19.88	50.7	12/25	9.5	10.7	9.9	3.7	2.7	144,363.0	0.31
Longfor Properties	960 HK	BUY	6.63	10.12	52.8	12/25	5.4	N.A.	N.A.	0.2	-1.9	47,020.3	0.25
Yuexiu Property	123 HK	BUY	3.60	4.50	25.0	12/25	47.9	50.4	39.8	1.0	0.5	14,491.4	0.23
CR Mixc Lifestyle	1209 HK	BUY	40.16	55.00	37.0	12/25	19.9	17.9	16.1	6.2	26.6	91,665.2	4.8
China Overseas Property Holdings	2669 HK	BUY	3.47	4.20	21.0	12/25	7.2	8.0	8.1	5.3	18.5	11,395.3	1.5

Source: Bloomberg, UOB Kay Hian

- **High-frequency data for the first nine days of Aug 26 showed new-home sales in 19 major cities declining 8% yoy, as a 17% yoy gain in Tier 1 cities was more than offset by a 17% yoy decline in Tier 2 cities.** Second-hand transactions told the same story: three Tier 1 cities rose 8% yoy against nine Tier 2 cities that declined 8% yoy. Meanwhile, overall housing prices continued to trend downward. We see that Beijing underperformed other Tier 1 cities in terms of both property price and new home sales yoy growth (ytd).
- **New-home sales in 19 major cities fell 8% yoy in 1-9 Aug 26**. Average daily new-home sales in Tier 1/2 cities changed by +17%/-17% yoy respectively, against +16%/+4% yoy in Jul 26 - the gap between the two tiers widened sharply. Among Tier 1 cities, Beijing/Shanghai/Guangzhou/Shenzhen recorded yoy sales changes of -1%/+26%/+18%/+9% respectively. On a ytd basis (as of 9 August), average daily new-home sales in 19 major cities fell 4% yoy, with Tier 1/2 cities changing by +3%/-8% yoy respectively. Among Tier 1 cities, Beijing/Shanghai/Guangzhou/Shenzhen recorded yoy sales changes of -2%/+6%/+2%/+2% respectively. Beijing showed the worst new-home sales performance among Tier 1 cities. Overall, Tier 1 momentum held into Aug 26 while Tier 2 cities swung from a modest gain in Jul 26 to a 17% yoy decline, which suggests the recovery is narrowing.
- **Second-hand transactions in Tier 1 cities stayed positive,** but the strength narrowed to Shanghai while Tier 2 cities weakened. During 1-9 Aug 26, average daily sales of second-hand homes in three Tier 1 cities rose 8% yoy while nine Tier 2 cities fell 8% yoy. Beijing/Shanghai/Shenzhen changed by -7%/+23%/-8% yoy respectively, against +12%/+19%/+4% yoy in Jul 26 - Shanghai is now the only one of the three to still see growth. On a ytd basis (as of 9 August), three Tier 1 cities rose 10% yoy while nine Tier 2 cities fell 5% yoy; Beijing/Shanghai/Shenzhen rose 6%/14%/2% yoy respectively. Overall, Tier 1 second-hand demand is no longer broad-based, and we still see no signs of the recovery spreading to Tier 2 cities.
- **Overall price trends remained on a downward trajectory**. According to the ICE Index updated on 9 August, average listing prices of second-hand homes in 100 major cities fell 0.1% wow and 0.5% mom. Among the four Tier 1 cities, the listing price index of Beijing/Shanghai/Guangzhou/Shenzhen fell 0.1%/0.0%/0.3%/0.0% wow, changed by -0.6%/+0.0%/-0.7%/-0.5% mom, and changed by -2.8%/+1.6%/-2.7%/-1.5% ytd respectively. Beijing underperformed other tier 1 cities in terms of property price as well.

1-9 Aug 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
1-9 Aug 25	9	21	16	5	22	29	5	2	20	12
1-9 Jul 26	12	32	15	11	14	33	7	4	26	19
1-9 Aug 26	9	27	19	5	15	28	4	4	12	8
YoY	-1%	26%	18%	9%	-31%	-2%	-22%	79%	-40%	-38%
MoM	-29%	-16%	28%	-56%	9%	-14%	-44%	-19%	-53%	-60%

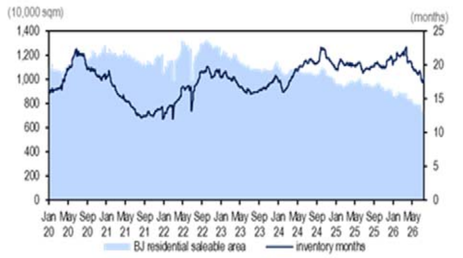
Cities with relatively better yoy performance are highlighted in yellow
Source: iFind, UOB Kay Hian

1-9 Aug 26 Daily Secondary-Home Transactions (In Units) Of 12 Cities

Units	SH	BJ	SZ	HZ	NJ	QD	Suzhou	Wuxi	DG	XM	CD	FS
1-9 Aug 25	608	411	157	143	242	162	138	93	87	76	564	234
1-9 Jul 26	734	454	213	166	298	193	218	120	146	101	728	311
1-9 Aug 26	748	382	145	145	234	132	113	84	118	74	470	230
YoY	23%	-7%	-8%	1%	-3%	-19%	-18%	-10%	36%	-2%	-17%	-2%
MoM	2%	-16%	-32%	-13%	-22%	-32%	-48%	-30%	-19%	-27%	-35%	-26%

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

Beijing's Inventory Months

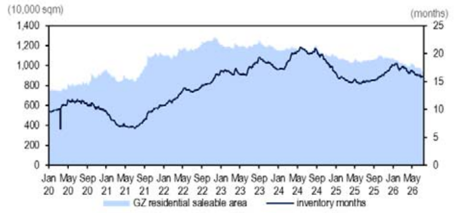


Source: UOB Kay Hian

Shanghai's Inventory Months

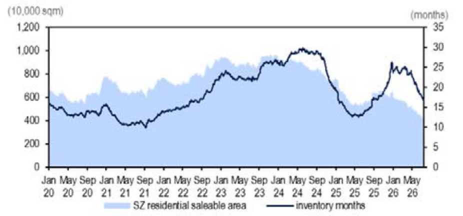
Source: UOB Kay Hian

Guangzhou's Inventory Months



Source: UOB Kay Hian

Shenzhen's Inventory Months



Source: UOB Kay Hian

- **All four Tier 1 cities have seen their inventory months decline from the Feb-Mar 26 peak.** As of 9 Aug 26, saleable GFA in Beijing/Shanghai/Guangzhou/Shenzhen changed by -20.3%/+0.4%/-11.4%/-28.4% yoy, respectively, and inventory months declined by 2.2/0.8/2.2/7.7 months ytd. In Shanghai, where saleable GFA was little changed, stronger new-home sales were the main driver of the decline in inventory months.

Valuation/Recommendation

- **Maintain UNDERWEIGHT on China's property sector. B**efore Beijing's latest move, its HPRs were tighter than Shanghai and Shenzhen. We see Beijing has underperformed other Tier 1 cities in terms of both property prices and new-home sales yoy growth (ytd). This may support our view that policies are still a key factor in influencing the property market. We expect more local governments - and potentially central government ministries - to introduce additional supportive policies, following Beijing's lead. Besides, Beijing is enforcing stricter Hukou policies than other Tier 1 cities. We see potential room for further easing in this area.
- **Our top pick for the property segment is COLI,** an SOE developer with a strong pipeline and a 13% yoy growth in its 7M26 sales. It is trading at a low valuation of 0.31x 2026F P/B (1SD below mean) and 10.2X 2026F PE (0.9SD above mean). We reiterate COLI (688 HK/BUY/Target: HK$19.88) as our top pick. Backed by Beijing-based central SOE China State Construction Engineering Corporation (CSCEC), COLI has significant exposure to the Beijing market. In 2025, COLI ranked No. 1 in contracted sales in Beijing among all property developers.
- **Longfor announced Jul 26 operation figures.** In Jul26/7M26, contracted sales decreased by 76.8% yoy/56.3% yoy to Rmb1.39b/Rmb17.94b, respectively. In Jul 26, implied recurring income was approximately Rmb2.21b (+1.4% yoy), of which revenue from property operation was around Rmb1.22b (+3.4% yoy). In 7M26, aggregated revenue from property operation and property service was approximately Rmb15.91b (+3.0% yoy; Rmb16.96b before tax), of which property operation was Rmb8.52b (+4.0% yoy).
- **Yuexiu Property announced Jul 26 operation figures.** In Jul26/7M26, contracted sales decreased by 15.0% yoy/17.6% yoy to Rmb5.10b/Rmb55.61b, respectively. Contracted GFA decreased by 6.9% yoy to 162,200 sqm in Jul 26 but increased by 13.7% yoy to 1,860,900 sqm in 7M26, implying ASP of Rmb31,461/sqm in Jul 26 (-8.7% yoy) and Rmb29,882/sqm in 7M26 (-27.6% yoy). In Jul 26, Yuexiu acquired one land parcel in Baiyun District, Guangzhou by way of a land auction through a 95.475%-owned subsidiary, with total GFA of 56,933 sqm planned for residential and cultural facility uses. The land premium attributable to the company was around Rmb966m, implying an average land cost of about Rmb17,800/sqm.
- **Our top pick for the property management segment is CR Mixc,** for its strong recurring cash flow and margin resilience supported by high-end commercial properties. It is trading at 16.7x 2026F PE (0.8SD below mean) with a 5.9% dividend yield (0.9SD above mean).

Sector Catalyst/Risk

- Stronger-than-expected fiscal and monetary easing.