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China Property

Signs of recovery or a false dawn?

Equities

China

Real Estate

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What drives the recovery? HPF and Shanghai relaxation

Since March 2026, tier 1 cities' secondary transaction volume has picked up with falling secondary listings and property price stabilization, triggering investors to think about whether it is early signs of market bottoming. We think it is too early to call for a recovery in the absence of rising rental prices. We see the recovery so far as driven by 1) relaxation of housing provident fund (HPF) borrowing cap in multiple cities, 2) relaxation of Shanghai home purchase restriction sthat attracted non-locals to buy property. In this note, we compare with previous false alarm cycles, HK property market recovery since June 2025, and channel check with property developers and agents.

Comparison of previous false alarm cycles in Sept 2024 - March 2025

In the Sept 2024 and March 2025 cycles, both new home and secondary transactions improved due to policy easing in Sept 2024 and rising demand for high end properties due to the removal of price caps. On the other hand, the current recovery is more seen in secondary transaction but less so in new home market, due to rising demand for old and small residential properties (see Figure 5), where rental yield is higher at 2.5% which is similar to the HPF borrowing rate of 2.6%. Rental yield for new homes is generally lower, and hence less benefits new homes from that (top 100 developers contract sales declined by 25% YoY in 1Q26). To have a sustainable recovery, we think rental price in tier 1 cities is key, as it is less affected by the policy and reflects the underlying demand supply dynamics. In March 2026, the four tier 1 cities' rental price declined by 2.6% YoY, suggesting the underlying demand remains weak.

Lessons learned from Hong Kong property market recovery since June 2025

We attribute the HK property market recovery since mid-2025 to rising rentals (due to population inflow from the Top Talent Pass Scheme launch) since Jan 2023 and US interest rate cut since Sept 2024. In contrast, the four tier 1 cities in mainland China have limited scope to replicate it, as the barriers to Hukou registration in Shanghai, Guangzhou and Shenzhen are relatively low already. On the other hand, we see that the relaxation of the HPF borrowing cap is essentially lowering interest rates to homebuyers due to less reliance on mortgage (at 3.1%).

Channel checks with developers, sales directors and agents

Based on our channel checks with developers, frontline sales directors and property agents, the recent pickup in the secondary market appears to be driven primarily by more attractive rental yields and improved buyer sentiment. New home sales have also shown marginal improvement, due to improved liquidity in secondary transactions. However, sustainability of the current recovery remains uncertain.

Stock implication:

We like CR Land and Seazen (H) on business model transformation and accelerated capital recycling that enhance ROE. We also like CR Mixc due to its rising competitive advantages over peers on the rising number of third party managed projects in the next five years.

Property price stabilization?

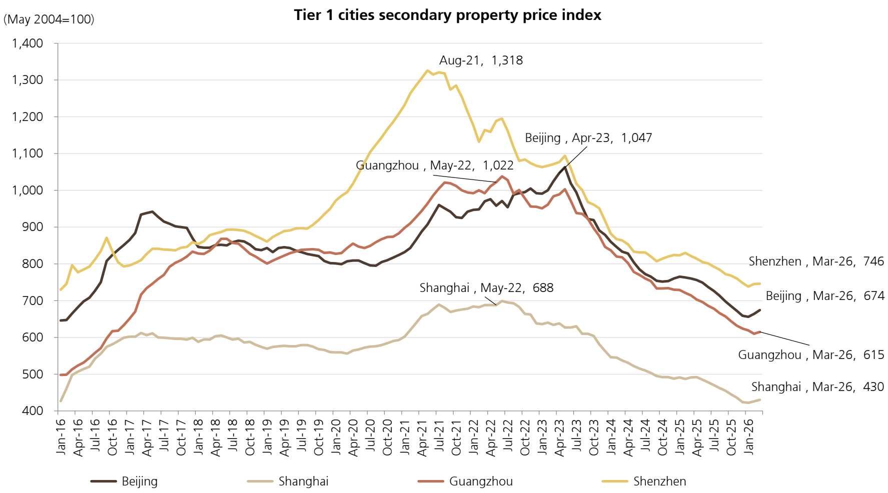
Recent market discussions have resurfaced hopes of China property price stabilization, following selective indicators of sequential improvement, e.g., Centaline's secondary property price recorded a 0.8% MoM increase in March 2026 (Figure 2). We view the current stabilization as a false dawn, based on our analysis of 1) comparison of the false alarm cycle in Mainland China in Sept 2024- March 2025; 2) comparison of HK property market recovery since June 2025; 3) feedback from recent channel checks with property developers and agents.

Figure 1: We see the recovery as partly driven by relaxation of housing provident fund (HPF) borrowing cap in multiple cities

City	Date	Borrowing cap post relaxation
Jinan	4/20/2026	-Individual: Raise HPF loan cap from Rmb0.6mn to Rmb0.9mn -Families: Raise HPF loan cap from Rmb1.0mn to Rmb1.3mn -Additional quota: Can add up to 80% (previously: 60%) for multi children/ high quality housing/ completed housing
Qingdao	4/20/2026	-Individual: Raise HPF loan cap from Rmb0.6mn to Rmb0.9mn -Families: Raise HPF loan cap from Rmb1.0mn to Rmb1.3mn -Additional quota: Can raise to Rmb1.6mn/ 2.4mn for individual/ families (previously: Rmb1.1mn/ 1.7mn) for multi children/ green housing
Wuhan	4/2/2026	-Raise the LTV to 80% for first-home and 70% for second-home (previously LTV is based on housing age)
Hangzhou	4/1/2026	-Individual: Raise HPF loan cap from Rmb0.65mn to Rmb0.9mn -Families: Raise HPF loan cap from Rmb1.3mn to Rmb1.8mn -Additional quota: Can add up to 70% (previously: 50%) for multi children/ new migrants/ young families/ green building/ replacement
Chengdu	3/25/2026	-Individual: Raise HPF loan cap from Rmb0.6mn to Rmb0.8mn -Families: Raise HPF loan cap from Rmb1.0mn to Rmb1.2mn -Additional quota: Can add up to 20% (previously: 0%) for completed housing/ resettlement
Shanghai	2/25/2026	-Individual: Raise HPF loan cap from Rmb0.65mn to Rmb1mn for first-home; from Rmb0.5mn to Rmb0.8mn for second-home -Families: Raise HPF loan cap from Rmb1.3mn to Rmb2mn for first-home; from Rmb1mn to Rmb1.6mn for second-home

Source: UBS.

Figure 2: Tier 1 cities secondary property price index decreased 12% YoY, while it rose 0.8% MoM in March 2026



Source: Centaline, UBS.

Comparison with Sept 2024 - March 2025 false alarm

What looks similar?

Secondary transaction volume has picked up: Year-to-date, we have seen improvement in secondary property transaction volume. In 2026 YTD, weekly average real time secondary transaction volume in major six cities, including four tier 1 cities, Hangzhou and Chengdu, reached 19k units, +1% YoY. As of the week of 19 April 2026, real time secondary transaction volume in major six cities increased 17% YoY to 23k units per week, 7% higher than the average weekly level in Q424-Q125 (Figure 3). This mirrors the prior cycle during in Q424-Q125, when secondary transaction volumes surged 59% YoY. We attribute the recent market recovery to 1) sentiment improvement from policy tone change in the Qiushi article (see our note) in Jan 2026; 2) incremental property policy relaxation in Beijing in Dec 2025, and in Shanghai in Feb 2026 (see our note); 3) stronger demand for old and small residential properties (Figure 5: 49% of transaction volume from housing value under Rmb2mn in Shanghai), reflecting buyer preference for higher rental yield (c.2.6%), broadly in line with the housing provident fund rate of 2.6%.

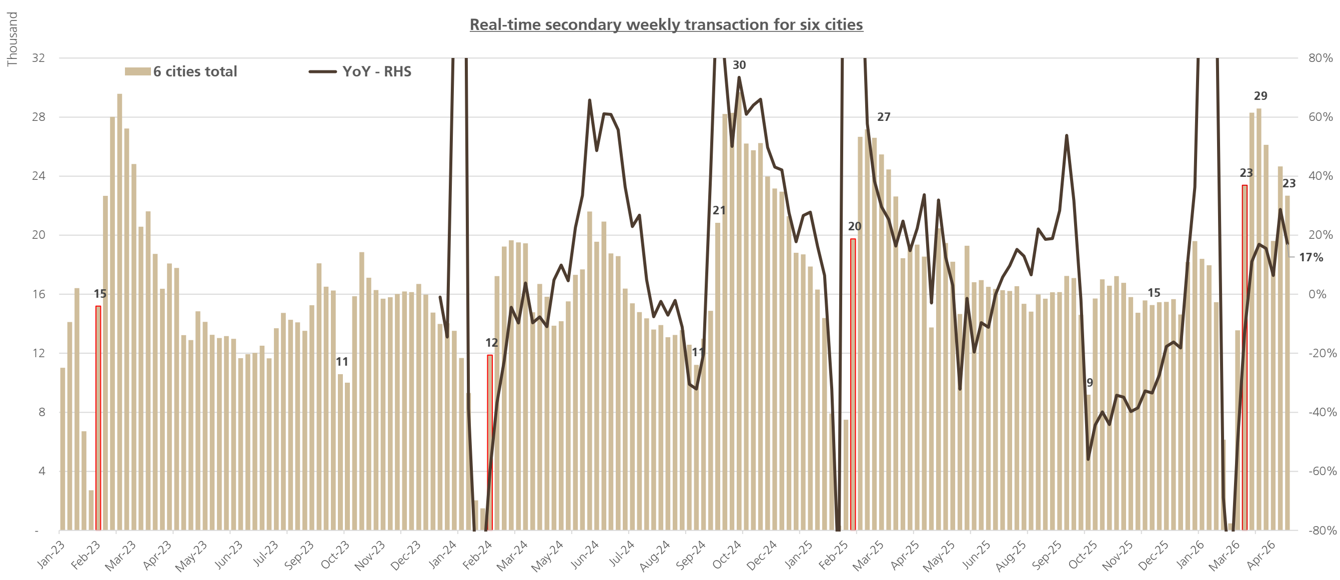
Rental price remained weak: In March, according to Centaline, secondary rental price still declined 2.6% YoY in March 2026 (Figure 6). Shenzhen was the only exception, with rents up 0.5% YoY, which we believe was driven by spillover demand from Hong Kong rather than a broad-based improvement.

What is different this time?

Falling secondary listings: A notable difference is that this time we saw secondary listings for sale and for rent both drop, suggesting reduced supply pressure from the secondary market. As of 22 April 2026, tier 1 cities' secondary listings for sale and for rent have decreased by 7.7% (Figure 8) and 5.5% (Figure 10) respectively, mainly driven by Shanghai's decline of 28.3% and 6.5% respectively.

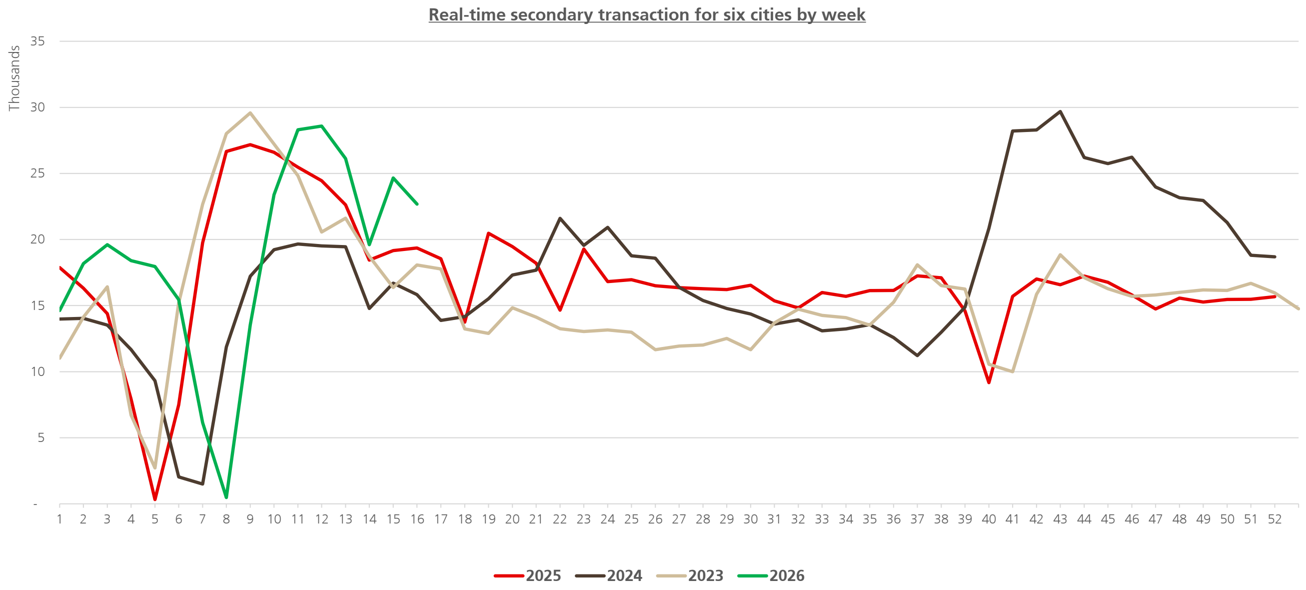
Weaker new home sales: For the first three months in 2026, the top 100 developers' gross contract sales have decreased 25% YoY (Figure 10), vs a much milder decline of 4% YoY in Q424-Q125. We think this suggests that the rebound in secondary transactions is largely being driven by price concessions to meet buyers' required yields, rather than by a genuine improvement in underlying demand. This suggests the demand pickup mainly comes from chasing yield instead of improved upgrade demand.

Figure 3: As of the week of 19 April 2026, real time secondary transaction volume in six major cities has increased 17% YoY



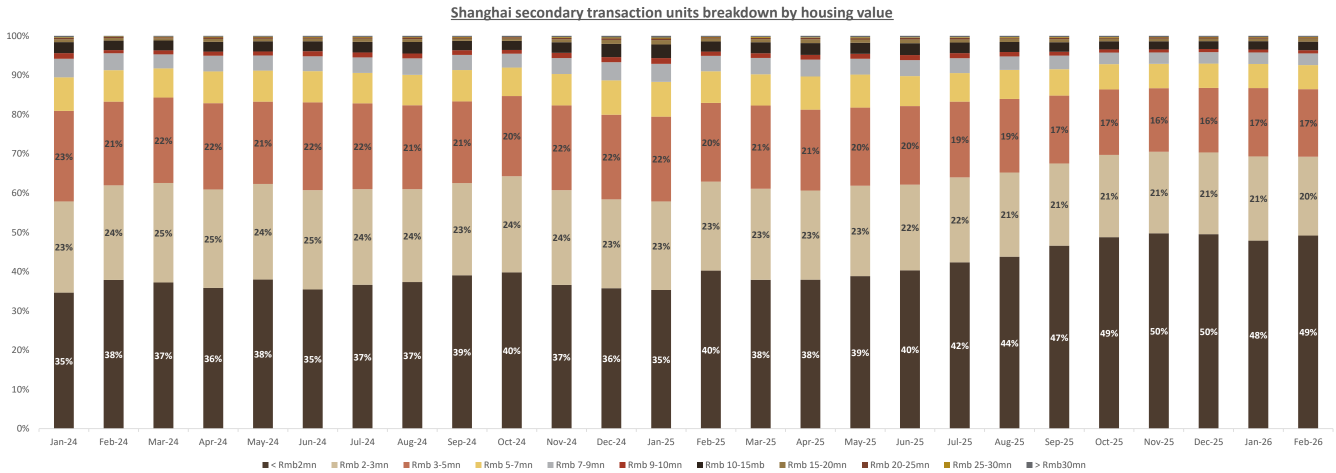
Source: Bingshan, UBS.

Figure 4: As of the week of 19 April 2026, real time secondary transaction volume in six major cities has surpassed 2023-2025 level



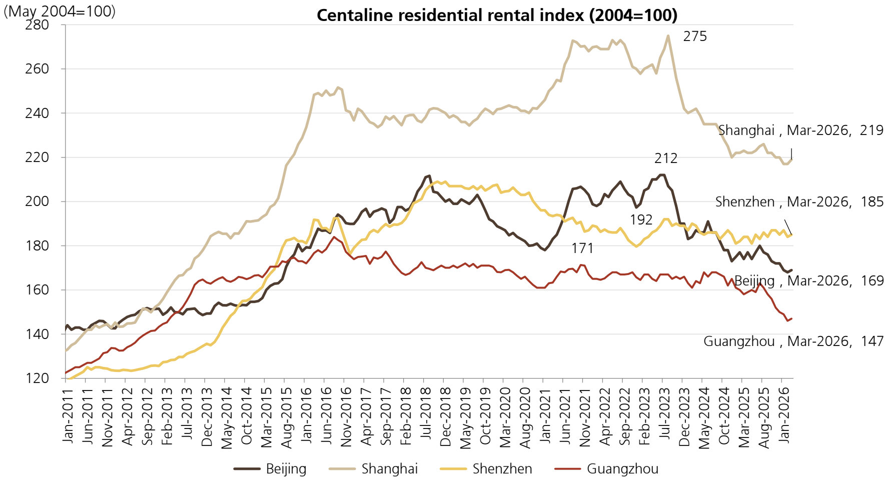
Source: Bingshan, UBS.

Figure 5: Shanghai secondary transaction mix of housing value under Rmb2mn increased from 35% in Jan 2024 to 49% in Feb 2026



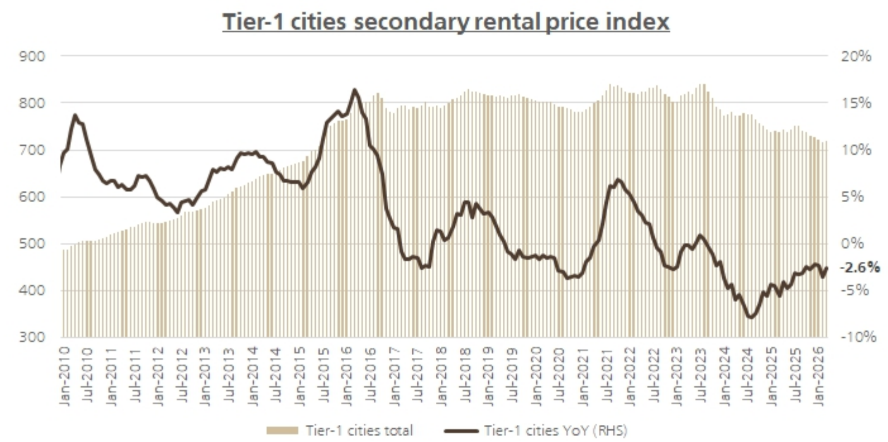
Source: CRIC, UBS.

Figure 6: Shanghai secondary rental index decreased 1.8% YoY in March 2026



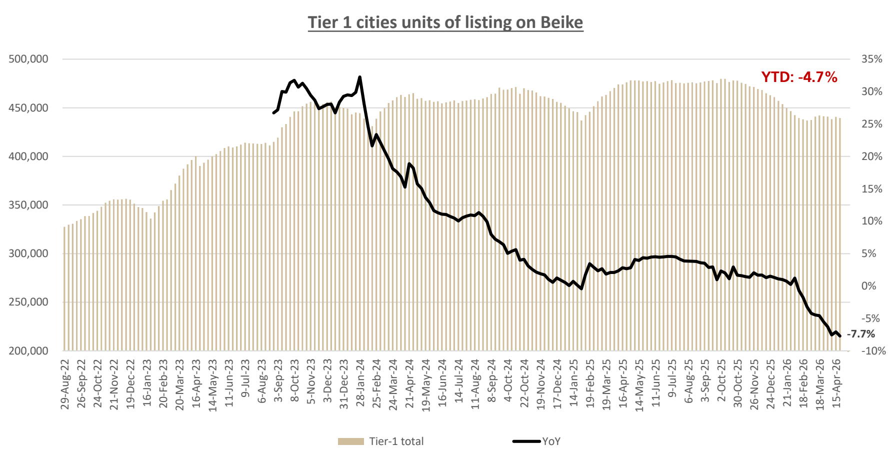
Source: Centaline, UBS.

Figure 7: Tier-1 cities' rental price index decreased 2.6% YoY in March 2026



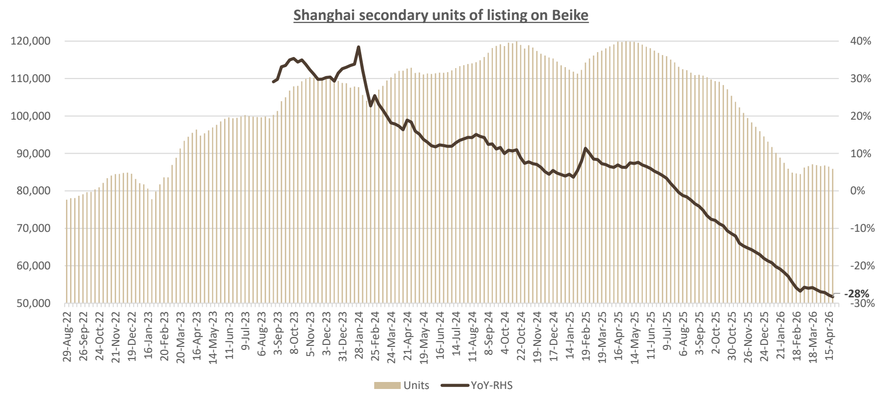
Source: Centaline, UBS.

Figure 8: Tier 1 cities' secondary listings decreased 7.7% YoY as of 22 April 2026



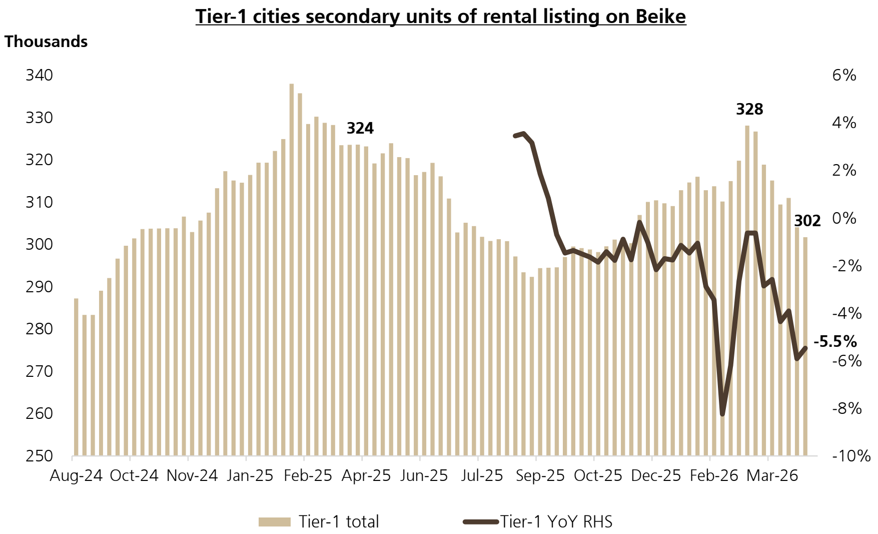
Source: BEKE, UBS.

Figure 9: Shanghai's secondary listings decreased 28% YoY as of 22 April 2026



Source: BEKE, UBS.

Figure 10: Tier 1 cities' rental listings decreased 5.5% YoY as of 22 April 2026



Source: BEKE, UBS.

Figure 11: Shanghai's rental listings decreased 6.5% YoY as of April 2026

Source: BEKE, UBS.

Comparison with HK recovery since June 2025

Since June 2025, Hong Kong residential prices have rebounded by 14% from bottom, based on the CCL index (Figure 12). We summarize reinforcing factors of HK residential market recovery, 1) residential rental growth of 21% from the trough in Jan 2023 (Figure 13); 2) US interest rate cut since Sept 2024 (Figure 14).

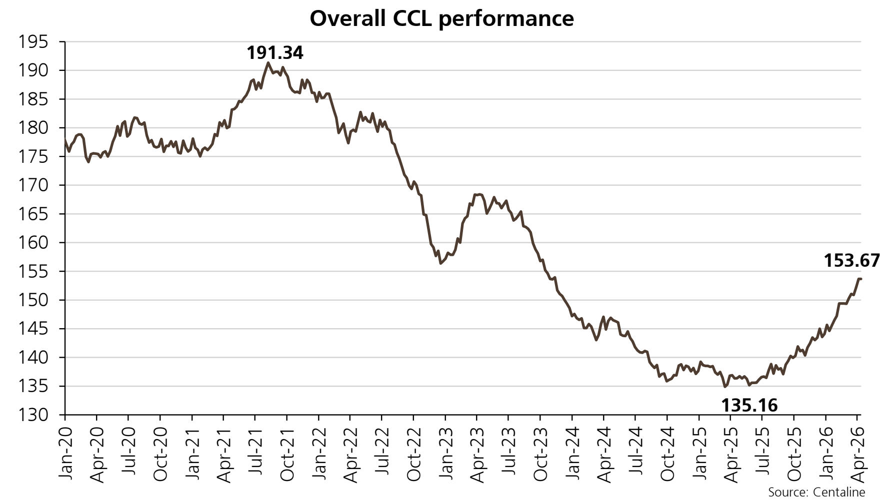
What is similar?

Lower interest rate: Although the Chinese government did not cut interest rates, we see the relaxation of the HPF borrowing cap as essentially lowering interest rates to homebuyers due to less reliance on mortgage (at 3.1%).

What is still missing?

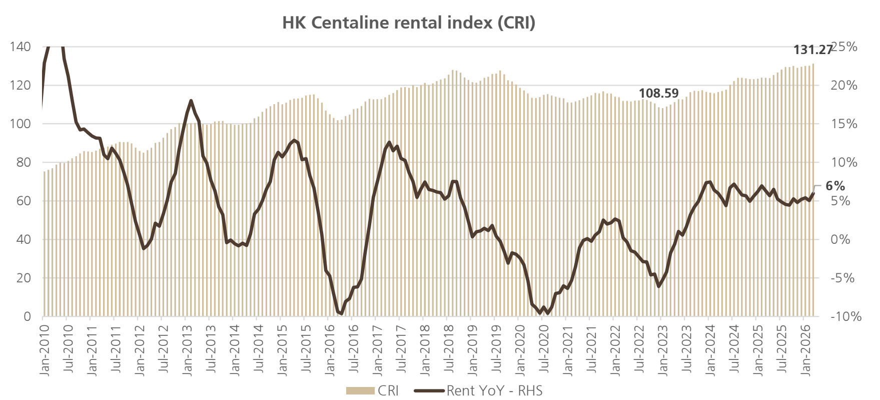
Rental price still declines: We attribute HK's rental growth to its population inflow. Since 2023, Hong Kong residential rents have rebounded, driven by the launch of the Top Talent Pass Scheme, an increased influx of mainland students, and the gradual return of foreign expatriates. In contrast, four tier 1 cities in Mainland China have limited scope to replicate this dynamic, as the barriers to Hukou registration in Shanghai, Guangzhou and Shenzhen is already low. To attract population flow to tier 1 cities, we think employment and economic growth will be more important.

Figure 12: HK CCL index increased 14% from bottom in June 2025



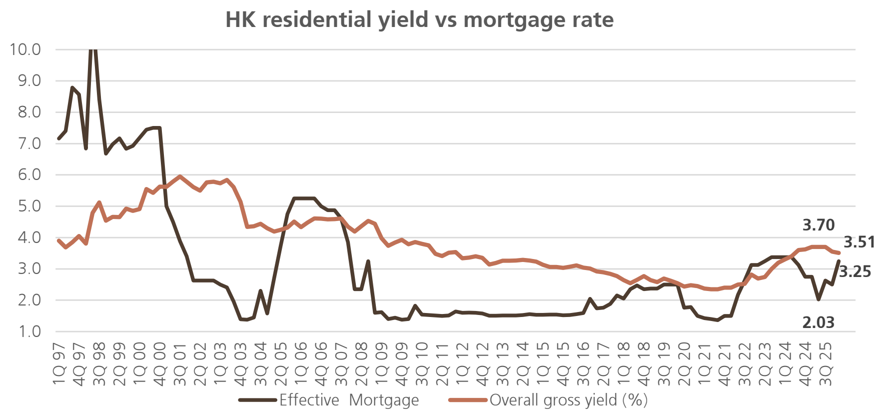
Source: Centaline, UBS.

Figure 13: HK CRI index increased 21% from bottom in 2023



Source: Centaline, UBS.

Figure 14: HK mortgage rate reached 3.25% as of end-1Q26, vs gross rental yield of 3.51%



Source: CEIC, Centaline, UBS.

Summary in a nutshell

Figure 15: Summary in a nutshell

	Tier 1 cities in YTD 2026	Tier 1 cities in Q424-Q125	HK in June 2025
Rental	Decline by 2.6% YoY	Decline by 5.5% YoY	Increase by 21% since Jan 2023
Mortgage rate	Yes, by the relaxation of HPF borrowing cap	Cut LPR by 25 bps	Cut Prime rate by 87.5bps
Recovery?	**?**	**No**	**Yes**

Source: UBS.

Figure 16: Valuation comps - China developers

Company (EN)	Ticker	Rating	Price (LC)	Price target (LC)	Price target upside (%)	Market cap (US$ bn)	3M avg trading value (US$ m)	PE 26E (x)	PE 27E (x)	P/BV 26E (x)	P/BV 27E (x)	Dividend yield 26E (%)	Dividend yield 27E (%)	24E NAV discount (%)	25-27E EPS CAGR (%)	NDER 1H25A	ROE 26E
CN developers (H-share)																	
CR Land	1109.HK	Buy	31.38	36.00	15%	28.6	73.5	8.8	8.7	0.64	0.61	4.2%	4.2%	N/A	0%	39%	8%
COLI	0688.HK	Neutral	12.41	13.80	11%	17.3	37.7	11.5	13.3	0.30	0.30	3.2%	2.8%	N/A	-17%	28%	3%
Longfor	0960.HK	Neutral	8.08	10.20	26%	6.8	21.9	-	48.3	0.29	0.29	0.0%	0.6%	N/A	N/A	51%	-1%
Vanke (H)	2202.HK	Sell	2.85	2.60	-9%	4.2	14.9	-	-	0.26	0.39	0.0%	0.0%	N/A	-2%	86%	-36%
C&D International	1908.HK	Buy	14.21	17.00	20%	3.7	12.6	6.3	6.4	0.93	0.87	7.2%	7.2%	N/A	-1%	50%	15%
Greentown China	3900.HK	Buy	9.06	15.00	66%	2.9	16.2	17.4	8.0	0.54	0.52	2.4%	5.2%	N/A	150%	64%	3%
Jinmao	0817.HK	Neutral	1.52	1.50	-1%	2.6	9.7	20.4	17.4	0.45	0.45	1.8%	2.2%	N/A	15%	95%	2%
Yuexiu Property	0123.HK	Neutral	3.66	4.40	20%	1.9	6.1	14.7	12.0	0.23	0.23	2.7%	3.3%	N/A	54%	53%	2%
Seazen	1030.HK	Buy	2.09	3.30	58%	1.9	10.3	11.3	9.1	0.27	0.26	0.0%	0.0%	N/A	45%	55%	2%
Wgt avg - H-share					**17%**			**10.6**	**14.3**	**0.48**	**0.47**	**3.1%**	**3.2%**	**0%**	**5%**	**45%**	**3%**
CN developers (A-share)																	
China Merchants Shekou	001979.SZ	Neutral	8.47	9.80	16%	11.2	82.0	23.2	19.0	0.75	0.86	2.1%	2.5%	N/A	16%	53%	3%
Poly Developments	600048.SS	Neutral	5.78	6.60	14%	10.1	134.7	137.2	529.8	0.35	0.35	0.3%	0.1%	N/A	-84%	60%	0%
Vanke (A)	000002.SZ	Sell	3.73	3.14	-16%	6.5	98.8	-	-	0.39	0.59	0.0%	0.0%	N/A	-2%	86%	-36%
Wgt avg - A-share					**8%**			**59.2**	**200.1**	**0.52**	**0.61**	**0.9%**	**1.0%**	**0%**	**-25%**	**63%**	**-7%**
Wgt avg - A + H share					**14%**			**23.3**	**72.9**	**0.46**	**0.47**	**2.6%**	**2.6%**	**0%**	**-6%**	**50%**	**-1%**

Source: company data, UBSe. Data as of 27 April 2026.

Valuation Method and Risk Statement

We base our valuations of China's property developers including CR Land, Seazen Group and CR Mixc, on PE or P/BV multiples.
We believe key downside risks related to the Chinese property market include: 1) government administrative policies that restrict demand and mortgage lending; 2) tight financing for China's developers; 3) lower-than-expected residential growth in China's economy.
We believe key upside risks include: 1) material policy loosening that effectively boosts residential property sales, investments and prices to positive YoY growth; 2) large-scale asset disposals at fair prices by some developers to ease liquidity pressures.