Global Research
13 May 2026

Greater China Property and Conglomerates

China: Ride on AI Supply Chain; Three Reasons to Upgrade HK: What could extend the property rally?

Equities

China Emerging

Real Estate

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May 2026

This document has been prepared by UBS Securities Asia Limited

Section 1

China Property Sector: Ride on AI Supply Chain; Three Reasons to Upgrade; Prefer tier 1 cities

Valuation comps of China developers

								PE		P/BV		Dividend yield		NDER	ROE
Company (EN)	Ticker	Rating	Price (LC)	Price target (LC)	Price target upside (%)	Market cap (US$ bn)	3M avg trading value (US$ m)	26E (x)	27E (x)	26E (x)	27E (x)	26E (%)	27E (%)	FY25A	26E
CN developers (H-share)															
CR Land	1109.HK	Buy	38.12	45.00	18%	34.7	76.3	10.2	9.7	0.78	0.74	3.6%	3.8%	39%	8%
COLI	0688.HK	Buy	16.00	25.00	56%	22.4	47.9	13.0	11.4	0.38	0.38	2.8%	3.2%	34%	3%
Longfor	0960.HK	Neutral	9.79	10.20	4%	8.2	19.6	-	58.3	0.35	0.34	0.0%	0.5%	52%	-1%
Vanke (H)	2202.HK	Sell	3.25	2.60	-20%	4.8	10.6	-	-	0.30	0.45	0.0%	0.0%	125%	-36%
C&D International	1908.HK	Buy	18.18	21.00	16%	5.2	13.1	10.2	8.4	1.17	1.16	4.9%	5.9%	54%	12%
Greentown China	3900.HK	Buy	10.94	15.00	37%	3.5	13.2	22.7	8.8	0.66	0.64	0.0%	4.7%	66%	3%
Jinmao	0817.HK	Buy	1.94	2.30	19%	3.3	8.6	27.7	15.5	0.59	0.58	1.3%	2.4%	107%	2%
Yuexiu Property	0123.HK	Neutral	4.70	4.40	-6%	2.4	5.5	20.7	16.4	0.30	0.29	1.9%	2.4%	55%	1%
Seazen	1030.HK	Buy	2.36	3.30	40%	2.1	5.3	12.7	10.2	0.30	0.29	0.0%	0.0%	59%	2%
Wgt avg - H-share					**25%**			**12.9**	**15.4**	**0.59**	**0.58**	**2.6%**	**3.1%**	**49%**	**3%**
CN developers (A-share)															
China Merchants Shekou	001979.SZ	Buy	9.67	12.00	24%	12.8	77.5	75.1	30.4	0.89	0.86	0.6%	1.5%	72%	1%
Poly Developments	600048.SS	Neutral	6.62	6.60	0%	11.7	117.5	157.1	606.8	0.40	0.40	0.3%	0.1%	66%	0%
Vanke (A)	000002.SZ	Sell	4.10	3.14	-23%	7.2	75.5	-	-	0.43	0.65	0.0%	0.0%	125%	-36%
Wgt avg - A-share					**4%**			**88.2**	**235.6**	**0.61**	**0.65**	**0.3%**	**0.6%**	**82%**	**-8%**
Wgt avg - A + H share					**19%**			**26.3**	**78.9**	**0.56**	**0.57**	**2.1%**	**2.6%**	**56%**	**0%**

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Note: Data as of 12 May 2026. Some companies' P/E is NA due to negative 2026-27E earnings. NDER = net debt over equity reported.

Valuation comps of China property managers

Company (EN)	Ticker	Rating	Price (LC)	Price target (LC)	(%)	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 (%)	Net cash as % of market cap 1H25A (%)	25-27E EPS CAGR (%)	Net cash/ (debt) 1H25A (Rmb m)	ROE 26E
China property management companies																	
CR Mixc	1209.HK	Buy	50.25	55.00	9%	14.7	16.9	21.6	19.0	6.10	5.87	4.6%	5.3%	13%	16%	13,143	29%
Onewo	2602.HK	Neutral	18.07	20.00	11%	2.7	3.9	7.4	7.0	1.23	1.28	11.1%	11.8%	59%	7%	10,888	16%
CG Services	6098.HK	Sell	6.52	2.00	-69%	2.8	5.7	19.9	20.2	0.53	0.54	7.9%	7.9%	82%	-15%	15,615	3%
Poly Property Services	6049.HK	Neutral	32.62	36.50	12%	2.3	3.7	9.8	9.5	1.39	1.29	5.1%	5.3%	74%	3%	11,624	15%
China Overseas Property	2669.HK	Neutral	4.20	5.50	31%	1.8	4.6	7.4	7.1	1.68	1.46	4.9%	5.1%	47%	4%	5,629	25%
Greentown Service	2869.HK	Buy	4.78	5.70	19%	1.9	1.6	12.0	10.2	1.58	1.52	5.8%	6.8%	35%	18%	4,568	13%
Weighted average					**4%**			**17.2**	**15.6**	**3.95**	**3.80**	**5.8%**	**6.3%**	**35%**	**10%**	**11,901**	**22%**
China property brokers																	
Beike	2423.HK	Buy	49.48	60.00	21%	20.4	60.1	20.0	16.3	1.89	1.67	0.0%	0.0%	14%	34%	18,975	10%
Beike	BEKE.N	Buy	18.52	23.00	24%	20.0	17.4	19.6	15.9	1.85	1.63	0.0%	0.0%	14%	34%	18,975	10%
Weighted average					**23%**			**19.8**	**16.1**	**1.87**	**1.65**	**0.0%**	**0.0%**	**14%**	**34%**	**18,975**	**10%**

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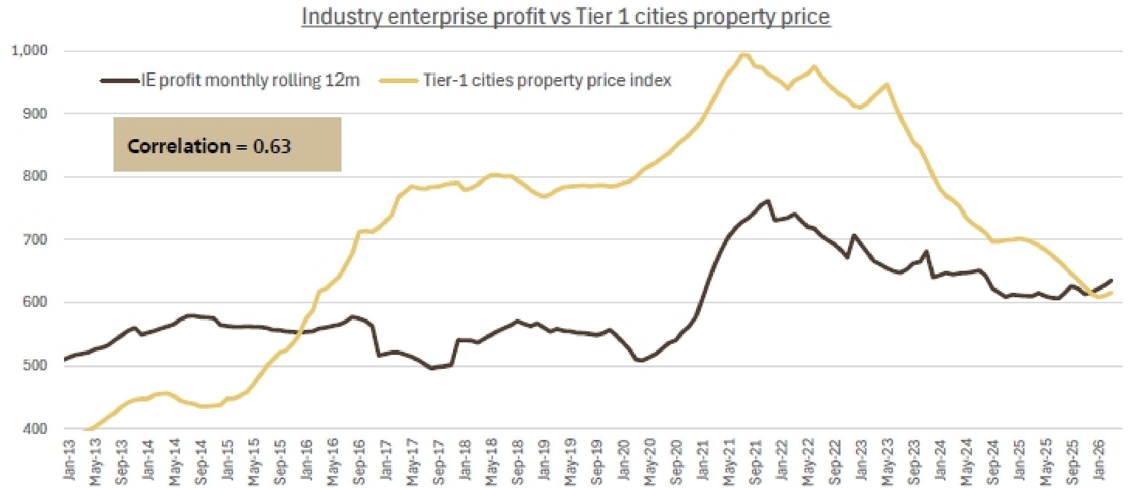
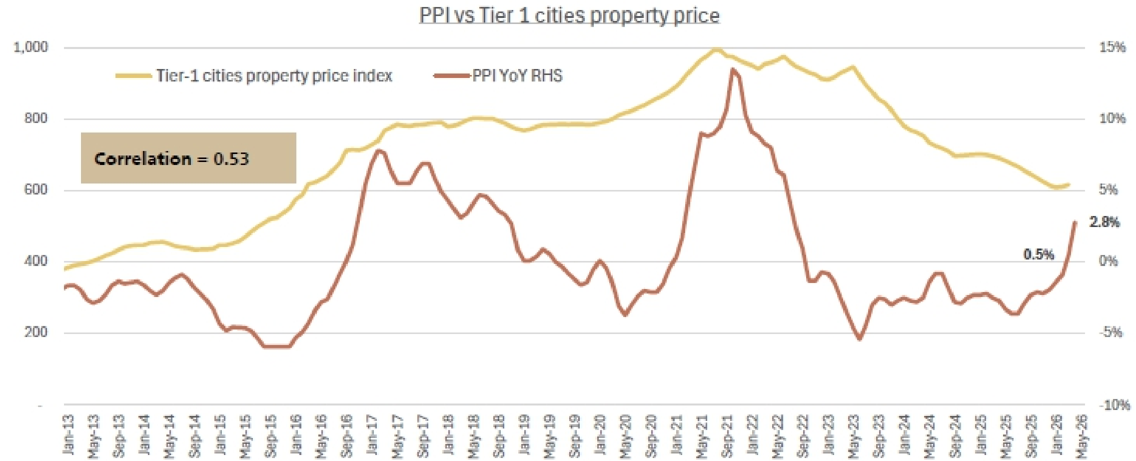
Note: Data as of 12 May 2026.Source: Company data, UBS estimates.

Breaking the negative feedback loop

A strong correlation between tier 1 cities property price and IE profit at 0.63





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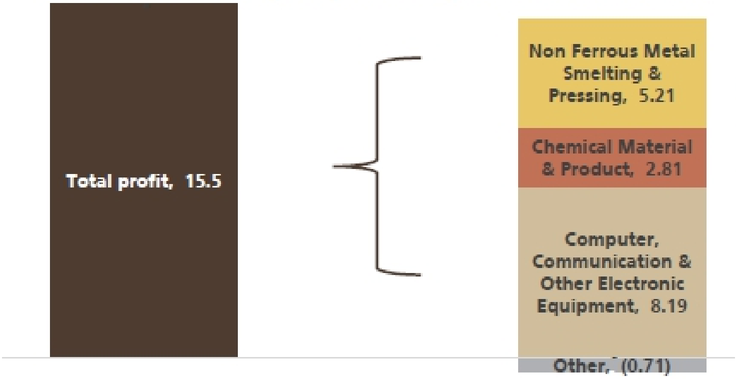
Source: NBS, Centaline, UBS Research

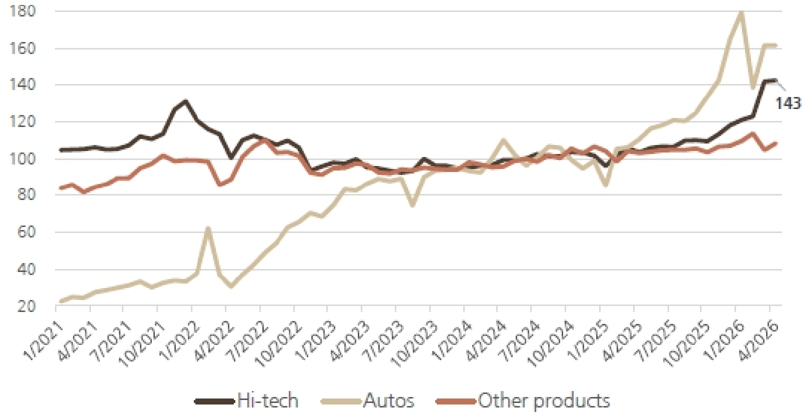
Riding on AI supply chain

Which sectors drive industrial profit? AI-related

Q126 industrial enterprise profit YoY growth contribution (%)

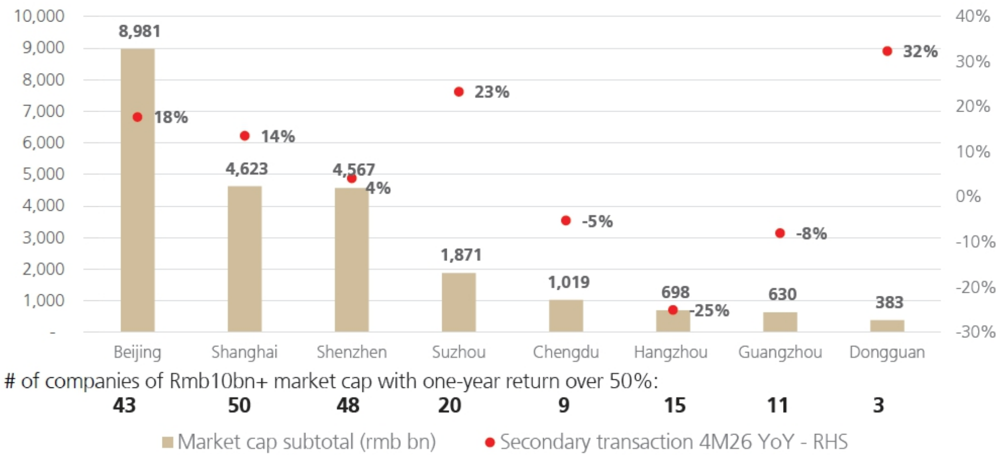


Export by products (seasonally adjusted, usd, 2024=100)



Where are they based? Beijing and Shanghai

Secondary transaction growth vs High growth stocks' market cap



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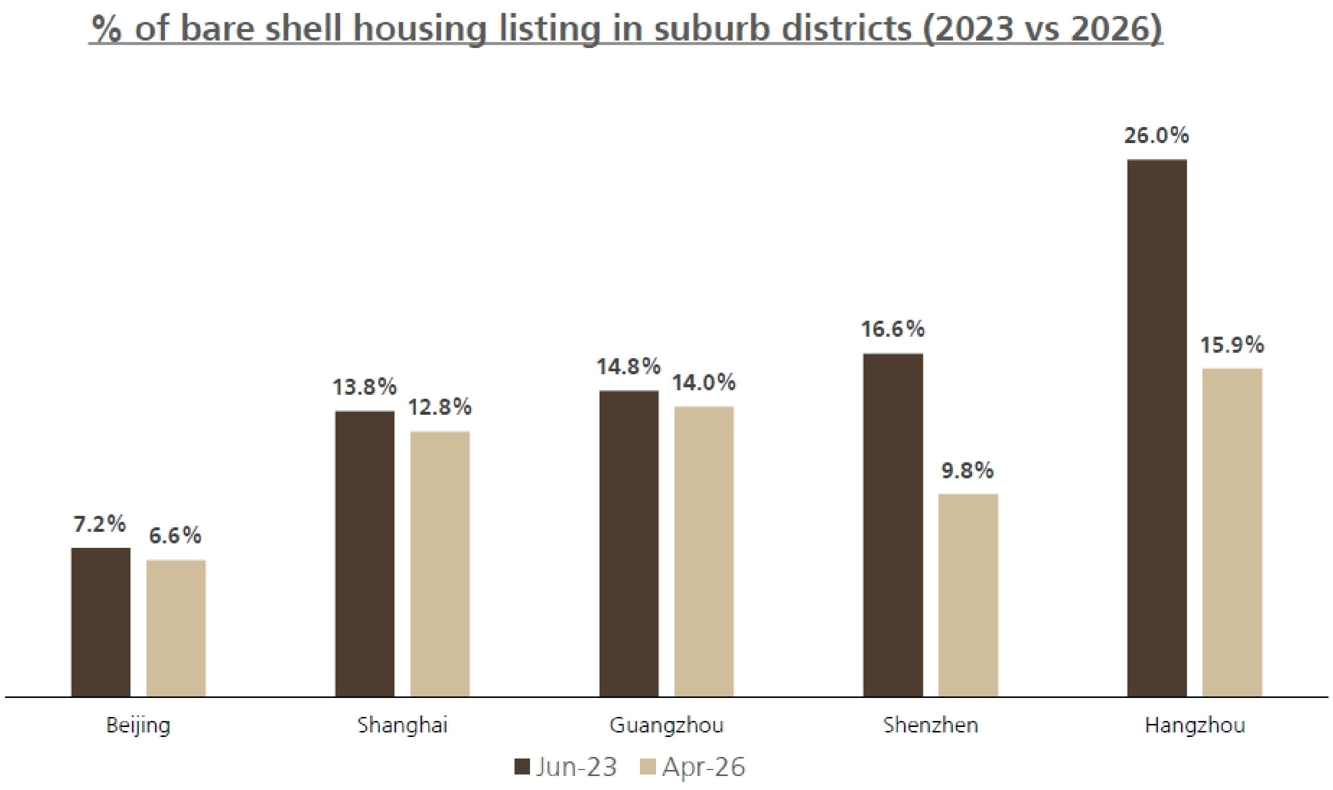
Source: CEIC, Wind, Bingshan, UBSe. Note: Newly listed companies with a market cap of over Rmb10bn and a YTD performance above 50% are also included in our stock count.

Improved vacancy rate for T1 cities suburb districts

Vacancy rate in suburb districts across tier 1 cities and Hangzhou have shown improvement after three years



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Source: UBS, BEKE. Note: Beijing includes Miyun, Mentougou, Pinggu; Shanghai includes Baoshan, Jiading, Jinshan, Pudong, Songjiang, Minhang, Fengxian, Qingpu, Chongming; Guangzhou includes Zengcheng, Nansha, Huadi, Conghua; Shenzhen includes Pingshan, Guangming, Dapeng; Hangzhou includes Xiaoshan, Yuhang, Linping, Qiantang, Fuyang, Tonglu, Lin'an.

Sector forecasts: New home

We expect 2026E property sales GFA to decline by 3%, and flat in 2027E

	NBS Residential Statistics									Residential Investments					Top 100 developers contract sales				
	Residential GFA sold		Residential new starts		GFA under construction		GFA completed		Starts / sales	Residential Investments		Residential value sold		Inv / sales	Gross		Attributable		
	m sqm	YoY	m sqm	YoY	m sqm	YoY	m sqm	YoY	%	Rmb bn	YoY	Rmb bn	YoY	%	Rmb bn	YoY	Rmb bn	YoY	% of national
2010	931	8%	1,295	40%	3,149	26%	612	3%	139%	3,404	33%	4,395	15%	77%					
2011	970	4%	1,460	13%	3,884	23%	717	17%	151%	4,431	30%	4,862	11%	91%					
2012	985	1%	1,307	-11%	4,290	10%	790	10%	133%	4,937	11%	5,347	10%	92%					
2013	1,157	18%	1,458	12%	4,863	13%	787	0%	126%	5,895	19%	6,769	27%	87%					
2014	1,052	-9%	1,249	-14%	5,151	6%	809	3%	119%	6,435	9%	6,240	-8%	103%					
2015	1,124	7%	1,067	-15%	5,116	-1%	738	-9%	95%	6,460	0%	7,275	17%	89%					
2016	1,375	22%	1,159	9%	5,213	2%	772	5%	84%	6,870	6%	9,906	36%	69%					
2017	1,448	5%	1,281	11%	5,364	3%	718	-7%	88%	7,515	9%	11,024	11%	68%	7,405		5,571		
2018	1,479	2%	1,534	20%	5,700	6%	660	-8%	104%	8,519	13%	12,639	15%	67%	10,007	35%	8,031	44%	64%
2019	1,501	1%	1,675	9%	6,277	10%	680	3%	112%	9,707	14%	13,944	10%	70%	11,604	16%	8,527	6%	61%
2020	1,549	3%	1,643	-2%	6,556	4%	659	-3%	106%	10,445	8%	15,457	11%	68%	13,046	12%	9,446	11%	61%
2021	1,565	1%	1,464	-11%	6,903	5%	730	11%	94%	11,117	6%	16,273	5%	68%	12,632	-3%	8,872	-6%	55%
2022	1,033	-34%	881	-40%	6,397	-7%	625	-14%	85%	9,241	-17%	10,957	-33%	84%	7,294	-42%	5,112	-42%	47%
2023	946	-8%	693	-21%	5,899	-8%	724	16%	73%	8,496	-10%	10,299	-4%	82%	6,006	-18%	4,244	-17%	41%
2024	**807**	**-15%**	**537**	**-23%**	**5,132**	**-13%**	**537**	**-26%**	**66%**	**7,588**	**-11%**	**8,429**	**-18%**	**90%**	**4,186**	**-30%**	**3,083**	**-27%**	**37%**
Jan-25	46	-4%	24	-29%	4,214	-10%	32	-18%	52%	403	-9%	458	-1%	88%	242	-5%	180	-1%	39%
Feb-25	46	-4%	24	-29%	4,214	-10%	32	-18%	52%	403	-9%	458	-1%	88%	198	0%	143	2%	31%
Mar-25	93	-1%	47	-19%	4,272	-10%	32	-8%	50%	708	-9%	920	-1%	77%	345	-12%	254	-11%	28%
Apr-25	54	-2%	37	-18%	4,319	-10%	19	-26%	68%	605	-11%	550	-7%	110%	309	-9%	226	-7%	41%
May-25	59	-5%	39	-17%	4,354	-10%	19	-21%	67%	655	-11%	625	-6%	105%	318	-10%	232	-10%	37%
Jun-25	86	-7%	52	-13%	4,412	-9%	29	-4%	60%	804	-12%	873	-13%	92%	371	-21%	267	-26%	31%
Jul-25	49	-7%	36	-9%	4,451	-9%	18	-31%	74%	544	-14%	474	-14%	115%	228	-25%	166	-26%	35%
Aug-25	49	-10%	34	-19%	4,485	-10%	18	-28%	70%	517	-19%	485	-14%	107%	220	-19%	154	-22%	32%
Sep-25	70	-11%	40	-18%	4,522	-10%	24	-5%	57%	566	-20%	688	-12%	82%	266	-3%	198	3%	29%
Oct-25	52	-20%	27	-30%	4,553	-10%	26	-31%	51%	455	-23%	536	-25%	85%	277	-41%	201	-42%	37%
Nov-25	55	-19%	32	-27%	4,576	-10%	32	-28%	58%	384	-29%	532	-28%	72%	244	-37%	184	-36%	35%
Dec-25	75	-18%	38	-19%	4,601	-10%	147	-21%	51%	308	-36%	733	-26%	42%	342	-28%	262	-29%	36%
Jan-26	39	-16%	18	-23%	3,713	-12%	23	-27%	48%	364	-11%	358	-22%	102%	182	-25%	129	-29%	36%
Feb-26	39	-16%	18	-23%	3,713	-12%	23	-27%	48%	364	-11%	358	-22%	102%	125	-37%	91	-36%	25%
Mar-26	83	-10%	37	-20%	3,755	-12%	24	-26%	45%	625	-11%	776	-15%	81%	283	-18%	207	-19%	27%
2025	**733**	**-9%**	**430**	**-20%**	**4,601**	**-10%**	**429**	**-20%**	**59%**	**6,351**	**-16%**	**7,333**	**-13%**	**87%**	**3,359**	**-20%**	**2,466**	**-20%**	**34%**
2026E	**708**	**-3%**	**392**	**-9%**	**4,371**	**-5%**	**320**	**-25%**	**55%**	**6,095**	**-4%**	**6,824**	**-7%**	**89%**	**3,036**	**-10%**	**2,221**	**-10%**	**33%**
2027E	**708**	**0%**	**392**	**0%**	**4,153**	**-5%**	**272**	**-15%**	**55%**	**6,095**	**0%**	**6,961**	**2%**	**88%**	**3,188**	**5%**	**2,332**	**5%**	**34%**

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Source: CEIC, China National Bureau of Statistics, Wind, UBS estimates

Secondary transactions sales GFA to increase 10% in 2026E

We expect secondary sales and rental markets to outperform primary markets

	Secondary sales value		Secondary sales GFA		Secondary ASP		Primary sales value		Primary sales GFA		Primary ASP		Rental transaction		Secondary transaction value mix (secondary / primary + secondary)
	Rmb bn	YoY	m sqm	YoY	Rmb/sqm	YoY	Rmb bn	YoY	m sqm	YoY	Rmb per sqm	YoY	Rmb trn	YoY	
2018	6,500		395		16,456		12,639	15%	1,479	2%	8,544		1.5		34%
2019	6,700	3%	390	-1%	17,179	4%	13,944	10%	1,501	1%	9,287	9%	1.7	13%	32%
2020	7,500	12%	390	0%	19,231	12%	15,457	11%	1,549	3%	9,980	7%	2.0	18%	33%
2021	7,000	-7%	362	-7%	19,356	1%	16,273	5%	1,565	1%	10,398	4%	2.2	10%	30%
2022	5,462	-22%	396	9%	13,798	-29%	10,957	-29%	1,033	-29%	10,607	2%	1.9	-15%	33%
2023	7,100	30%	570	44%	12,456	-10%	10,299	-6%	946	-8%	10,891	3%	2.2	18%	41%
2024	7,200	1%	718	26%	10,026	-20%	8,429	-18%	807	-15%	10,443	-4%	2.2	0%	46%
2025	6,700	-7%	786	9%	8,522	-12%	7,333	-13%	733	-9%	10,006	-4%	2.3	5%	48%
2026E	7,149	7%	865	10%	8,267	-3%	6,824	-7%	708	-3%	9,637	-4%	2.4	5%	51%
2027E	7,729	8%	917	6%	8,432	2%	6,961	2%	708	0%	9,637	0%	2.5	5%	53%
2028E	8,120	5%	944	3%	8,601	2%	6,620	-5%	687	-3%	9,637	0%	2.7	5%	55%
2029E	8,531	5%	973	3%	8,773	2%	6,421	-3%	666	-3%	9,637	0%	2.8	5%	57%
2030E	8,963	5%	1,002	3%	8,948	2%	6,228	-3%	646	-3%	9,637	0%	2.9	5%	59%

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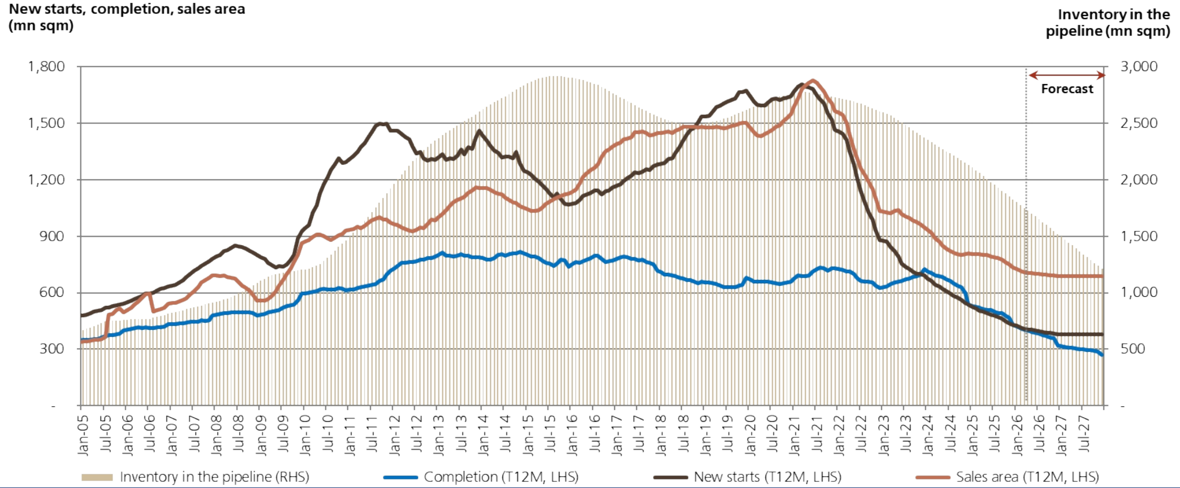
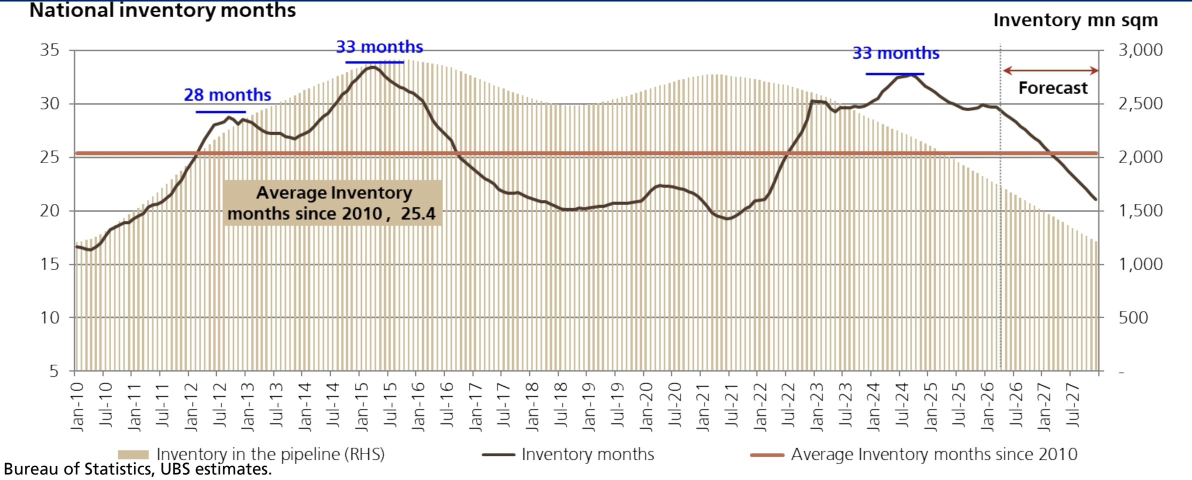
Source: China National Bureau of Statistics, BEKE, UBS estimates

Downcycle to end earlier by early-2027E

We expect continued destocking in 2026E…



… and inventory turnover months may return to average (since 2010) levels by February 2027



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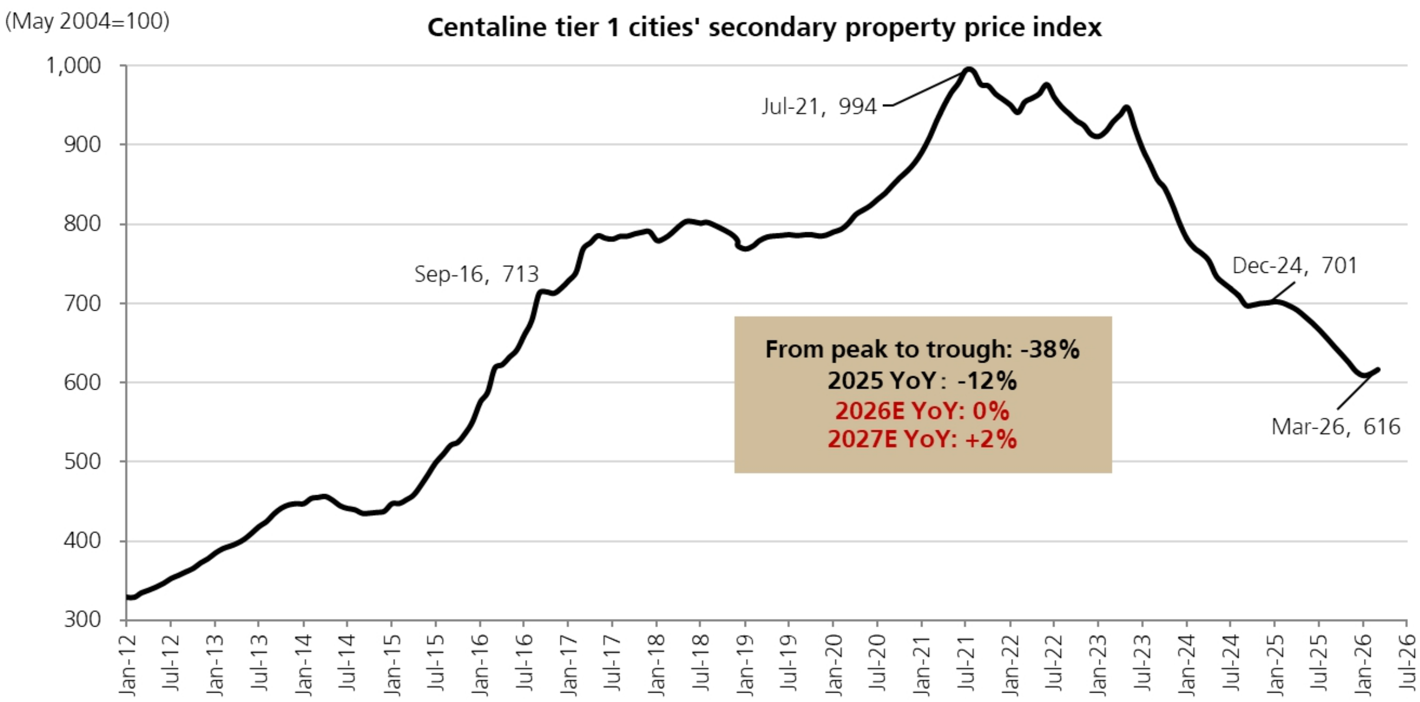
Source: CEIC, China National Bureau of Statistics, UBS estimates.
Note: Inventory in the pipeline is calculated by cumulative new starts minus sales, and inventory month is estimated based on inventory in the pipeline over past 12 months average sales

Secondary property price to stabilize

We expect tier 1 cities' property price to stabilize in 2026 and up 2% YoY in 2027 after a 12% decline in 2025



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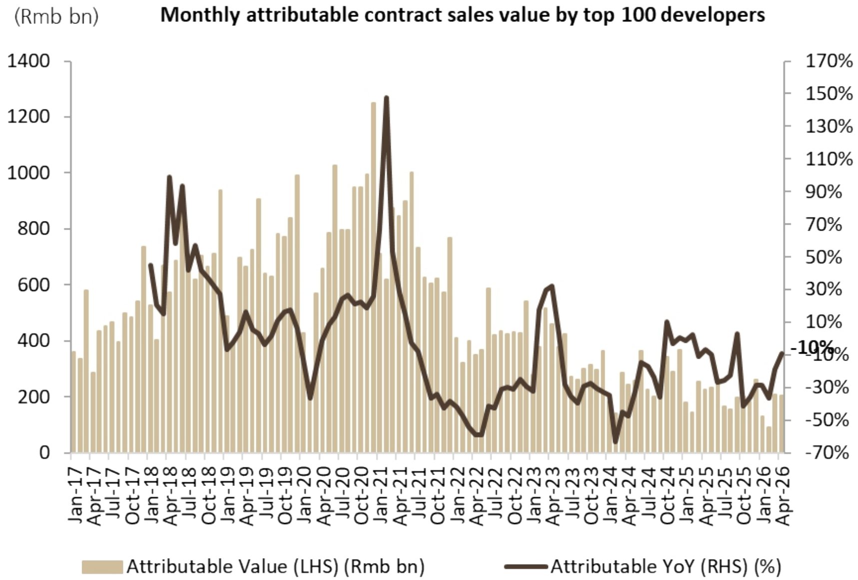
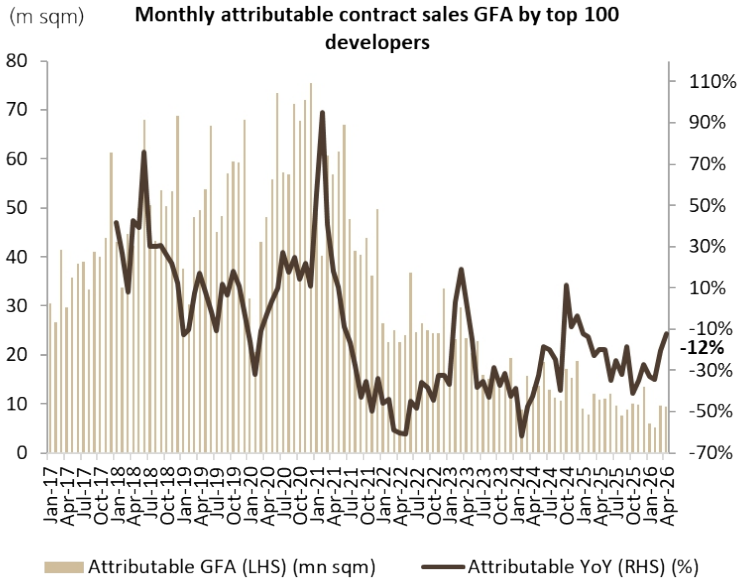
Source: Centaline, UBSe. Red is estimate.

New home sales decline contracted in April 2026

Top100 developers attributable contract sales declined by 10% YoY in April 2026





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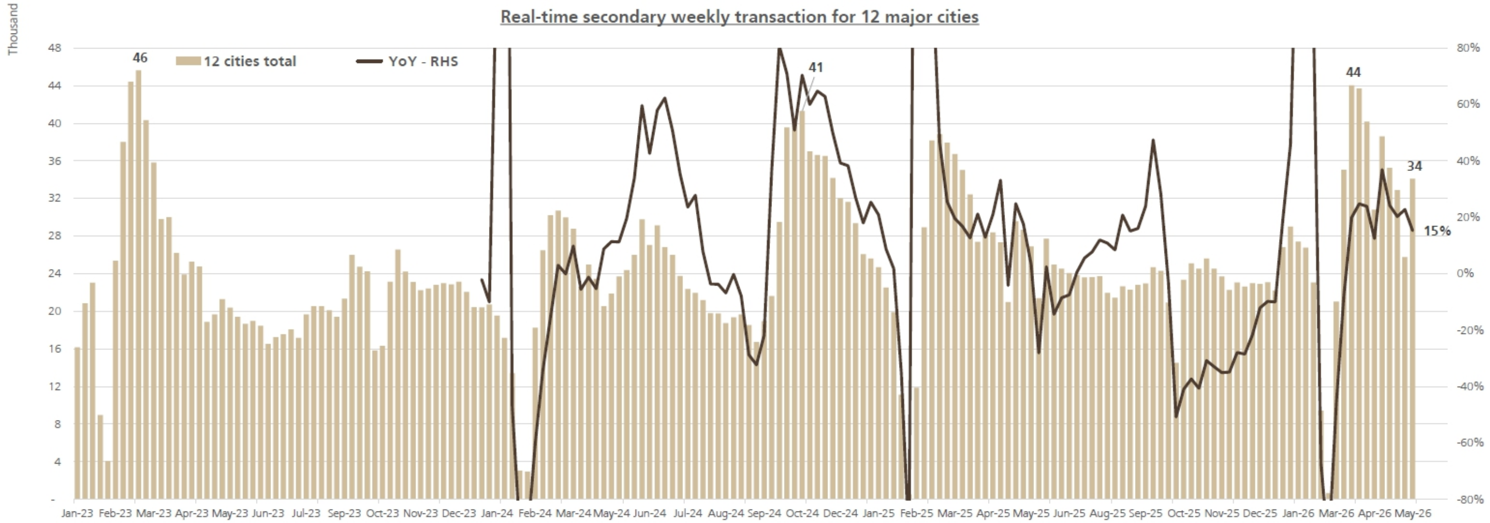
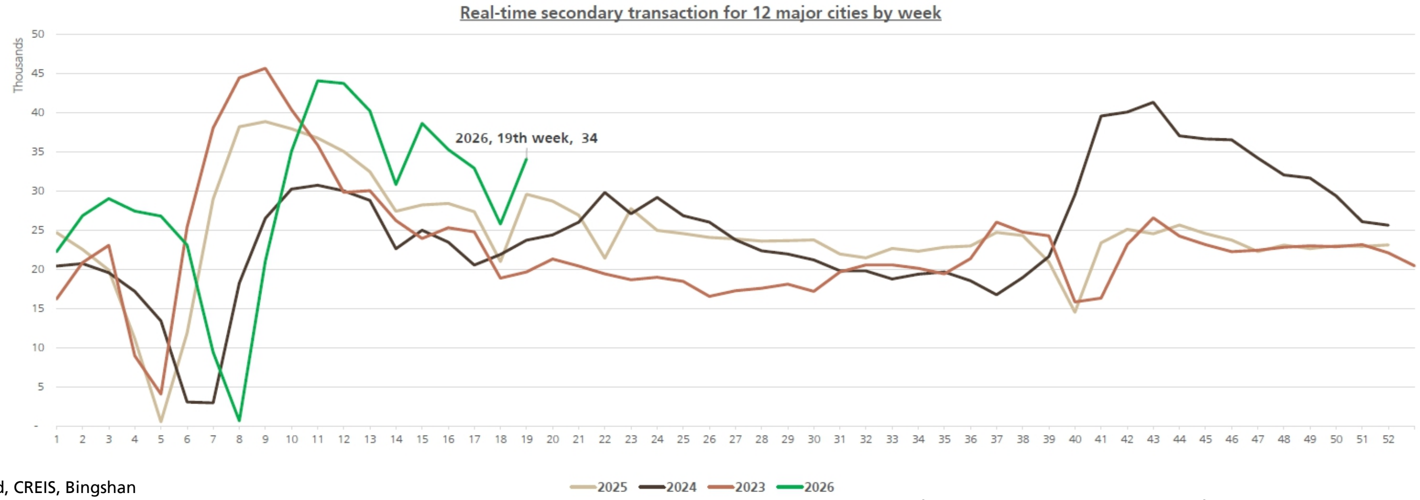
Note: Top100 data updated as of April 2026. Source: NBS, CRIC, UBS

Secondary residential transactions accelerated in 4M2026





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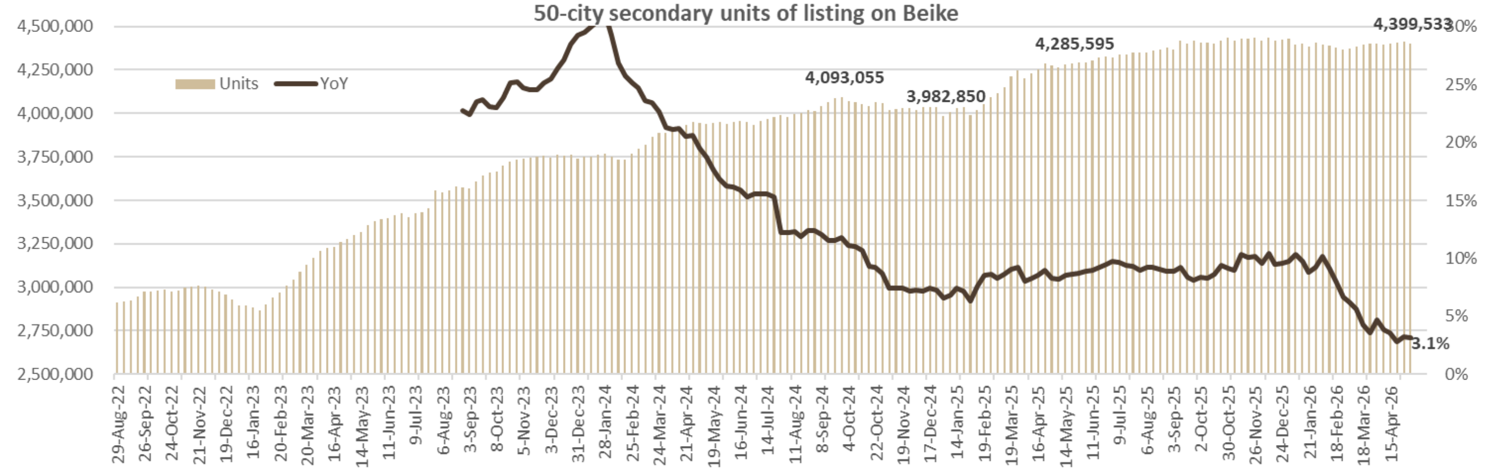
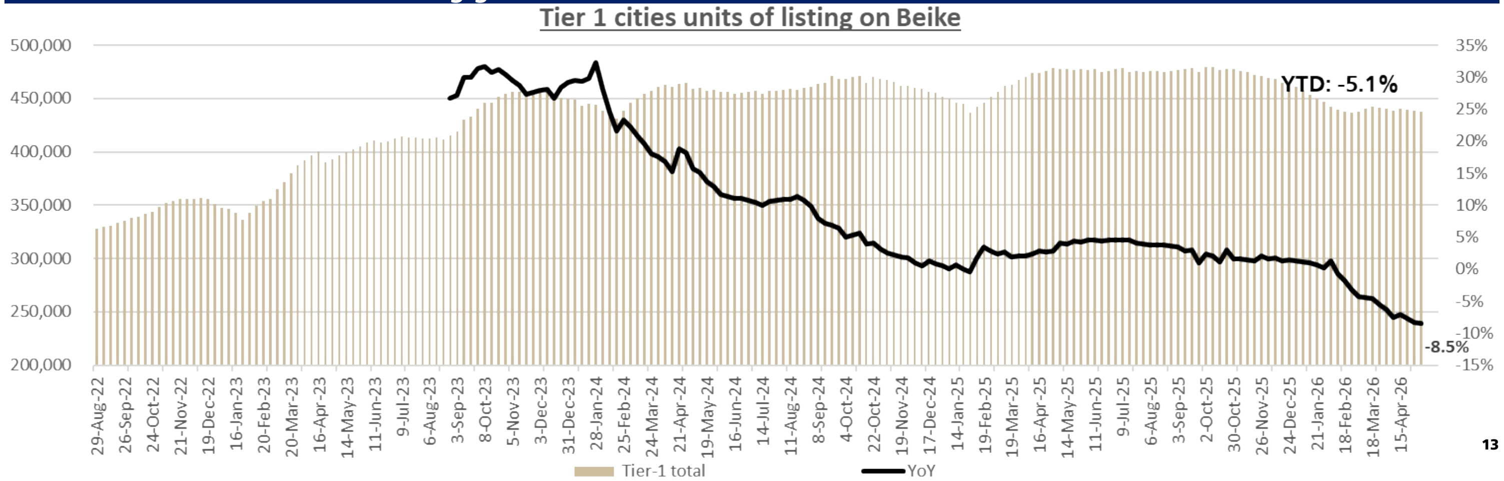
Source: Wind, CREIS, Bingshan
Note: 12 city including Beijing, Shanghai, Guangzhou, Shenzhen, Hangzhou, Chengdu, Suzhou, Dongguan, Nnajing, Chongqing, Hefei, Xiamen. Sales data updated as of 10 May 2026.

Secondary listings declined in tier 1 cities in 2026

Growth of secondary listings across 50 cities slowed in early-2026



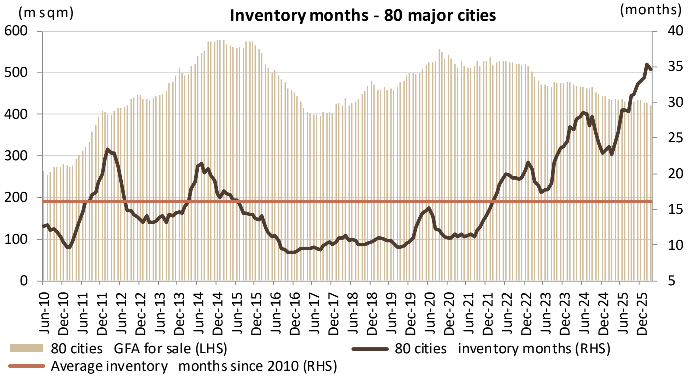
Listing growth in tier-1 cities started to decline in Feb 2026



Source: Beike, UBS. Data updated as of 6 May 2026.

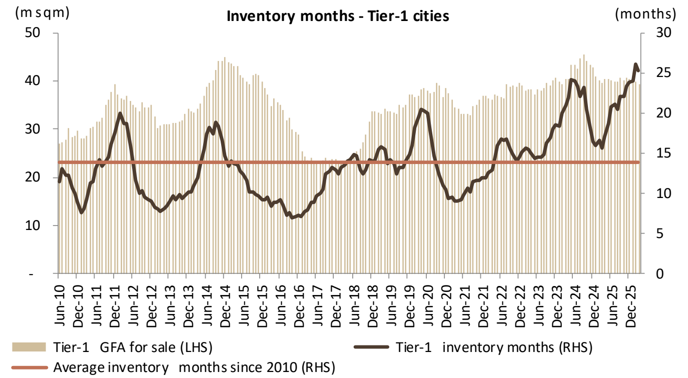
Primary inventory months remained high

...in 80 cities



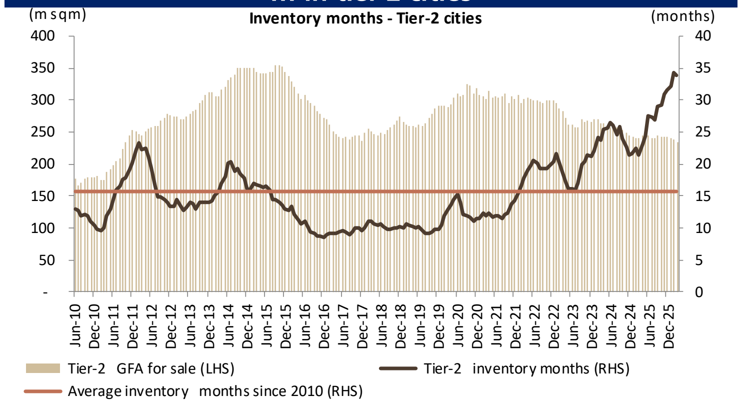
	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
Inventory months	31.2	32.5	32.9	33.5	35.4	34.6
GFA for sale (m sqm)	431.6	432.4	432.3	428.1	425.8	420.4

... in tier-1 cities



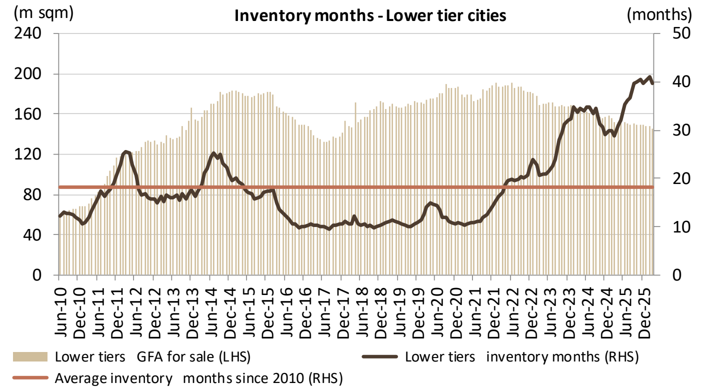
	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
Inventory months	22.0	23.3	23.8	24.1	26.0	25.2
GFA for sale (m sqm)	40.1	40.6	40.4	40.0	39.8	39.4

... in tier-2 cities



	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
Inventory months	29.3	30.9	31.6	32.3	34.4	33.9
GFA for sale (m sqm)	242.0	243.0	242.5	240.3	237.7	235.0

... lower tier cities turned to historical high



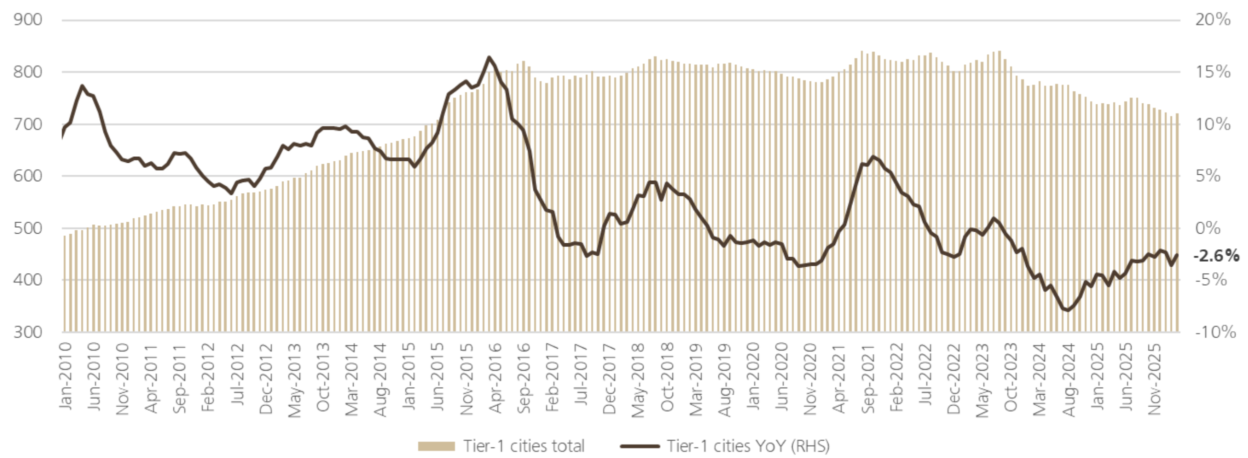
	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
Inventory months	39.9	40.5	39.7	40.1	41.2	39.8
GFA for sale (m sqm)	149.5	148.7	149.3	147.8	148.3	146.0

Source: CRIC, UBS estimates. Data updated as of March 2026. Note: Tier-1 cities (4) include Beijing, Shanghai, Shenzhen, and Guangzhou; Tier-2 cities (22) include Tianjin, Chongqing, Hangzhou, Nanjing, Wuhan, Chengdu, Suzhou, Dalian, Xiamen, Xi'an, Changsha, Ningbo, Fuzhou, Shenyang, Qingdao, Jinan, Nanchang, Hefei, Shijiazhuang, Changchun, Nanning, and Guiyang; Lower tier cities (44) include Wuxi, Wenzhou, Sanya, Baotou, Bengbu, Dongguan, Huizhou, Shaoguan, Zhongshan, Xuzhou, Yangzhou, Shantou, Dongying, Wuhu, Jiangyin,, Shaoxing, and etc.

Rental price decline narrowed

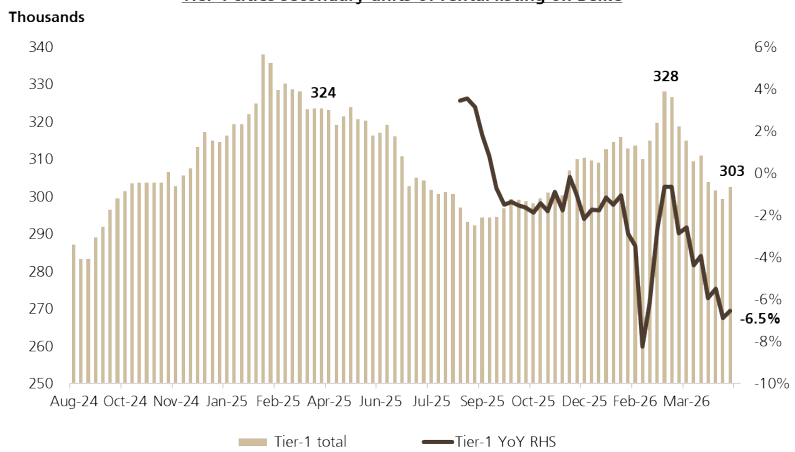
Tier-1 cities rental decreased 2.6% YoY in March 2026

Tier-1 cities secondary rental price index



Tier-1 cities rental listing has decreased since March 2026

Tier-1 cities secondary units of rental listing on Beike



Shanghai rental listing shows a similar trend

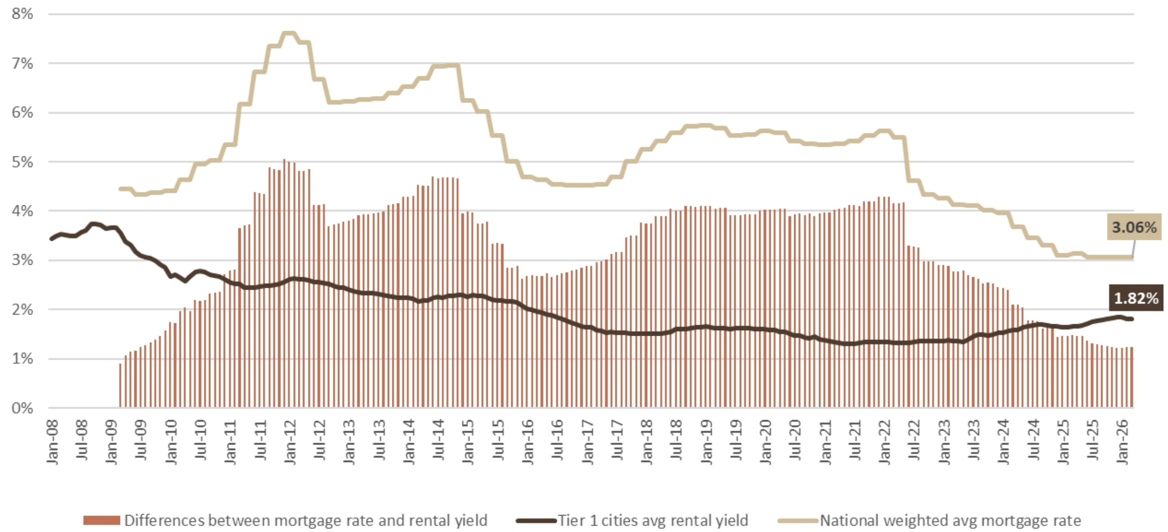
Shanghai rental listing YoY growth

Source: Wind, China Real Estate Index System (CREIS), Centaline, UBS. Note: Rental listing data is as of 6 May 2025.

Rental yield remains lower than mortgage rate

Rental yield in tier 1 cities was 1.24ppt below average mortgage rate as of Mar 2026

Tier 1 cities rental yield vs mortgage rate



Monthly rental income cannot cover mortgage payment, assuming 40% downpayment and 3.1% mortgage rate

Cash flow analysis	Based on current property price	If property price drop 38%	Notes
Property value (rmb)	1,000,000	619,500	
Downpayment ratio (%)	40%	40%	
Mortgage amount (rmb)	600,000	371,700	
Mortgage rate - commercial (%)	3.1%	2.7%	Current avg. mortgage rate at 3.1%
Mortgage tenor (years)	30	30	
Monthly mortgage payment (rmb)	**2,562**	**1,508**	Equal principal and interest payment
Rental yield of tier 1 cities (%)	1.8%	2.9%	Based on Centaline rental yield at 1.8%
Monthly rental income (Rmb)	**1,508**	**1,508**	

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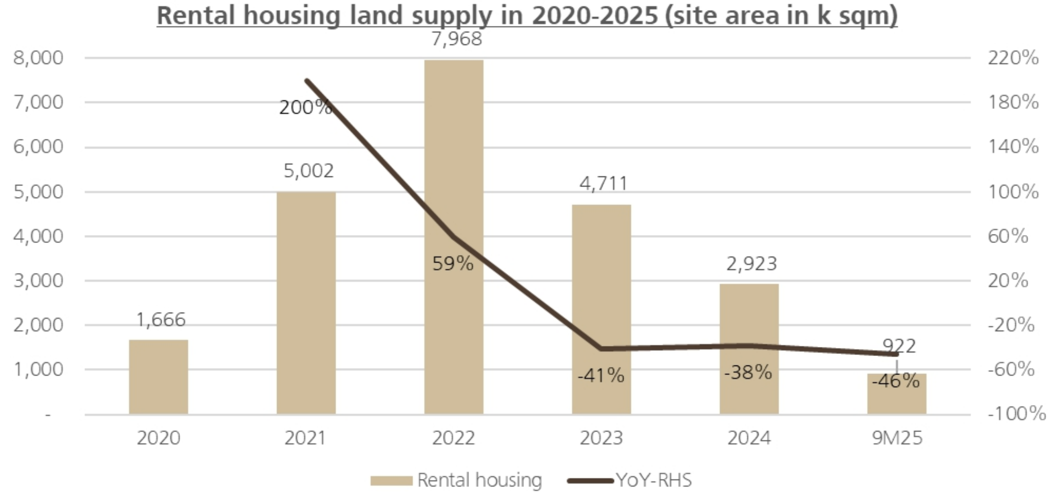
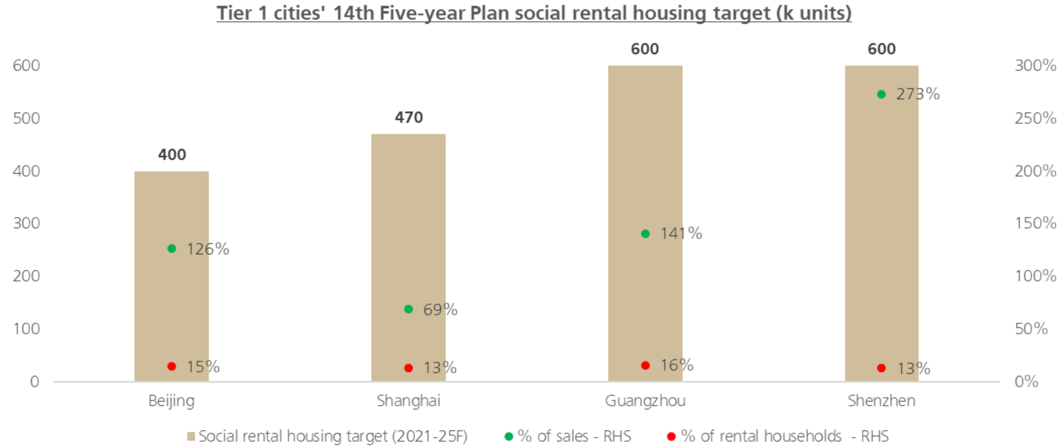
Source: Centaline, UBS. Rental yield data is as of March 2026.

Social rental housing land supply shrank

Major 22 cities rental housing land supply peaked in 2022 at 8mn sqm in site area



Tier 1 cities' social rental housing target could cover 13-16% of households renting a house



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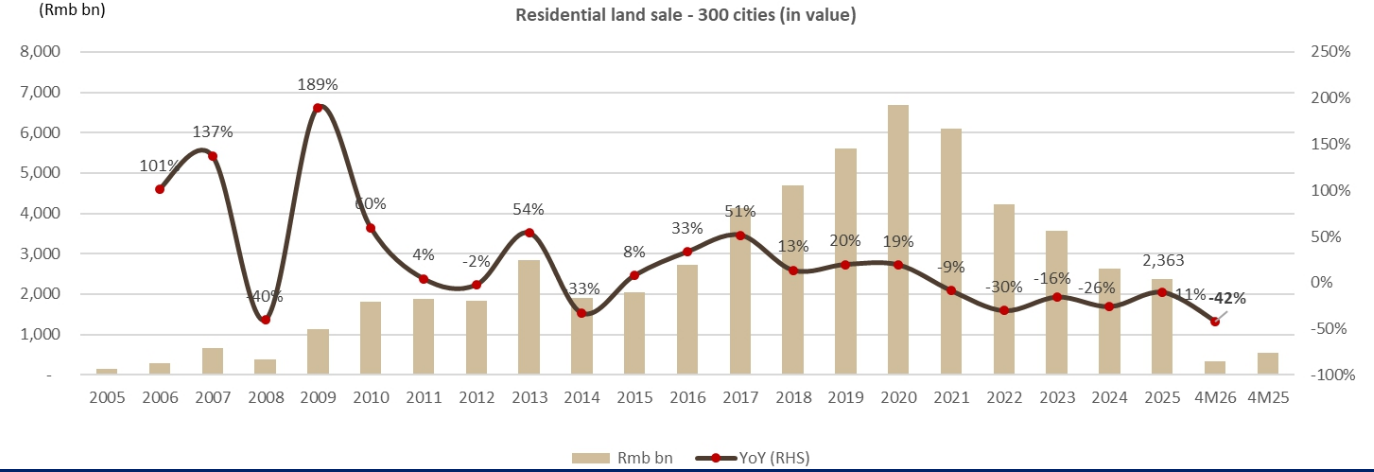
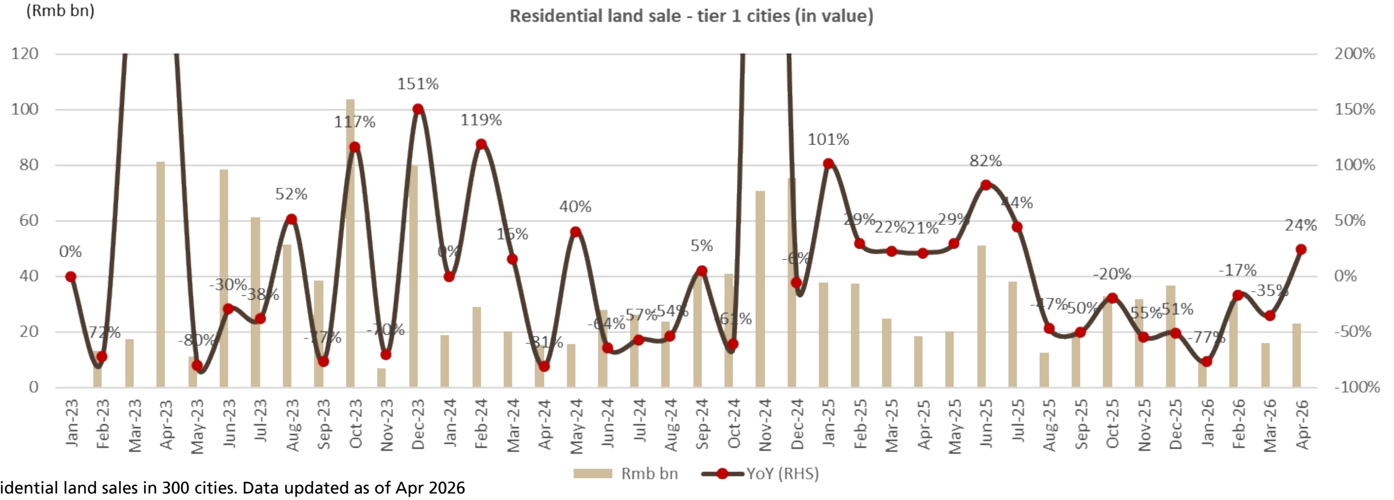
Source: CREIS, Local governments' 14th Five-year Plan, CREIS, 7th national census, Ministry of Housing Urban and Rural Deparment (MoHURD), UBSe..

Land sales value continued to decline in 2026, while tier 1 cities saw a pickup in April

300 cities land sales declined by 42% YoY in 4M2026



... while tier 1 cities land sales turned positive in April single month



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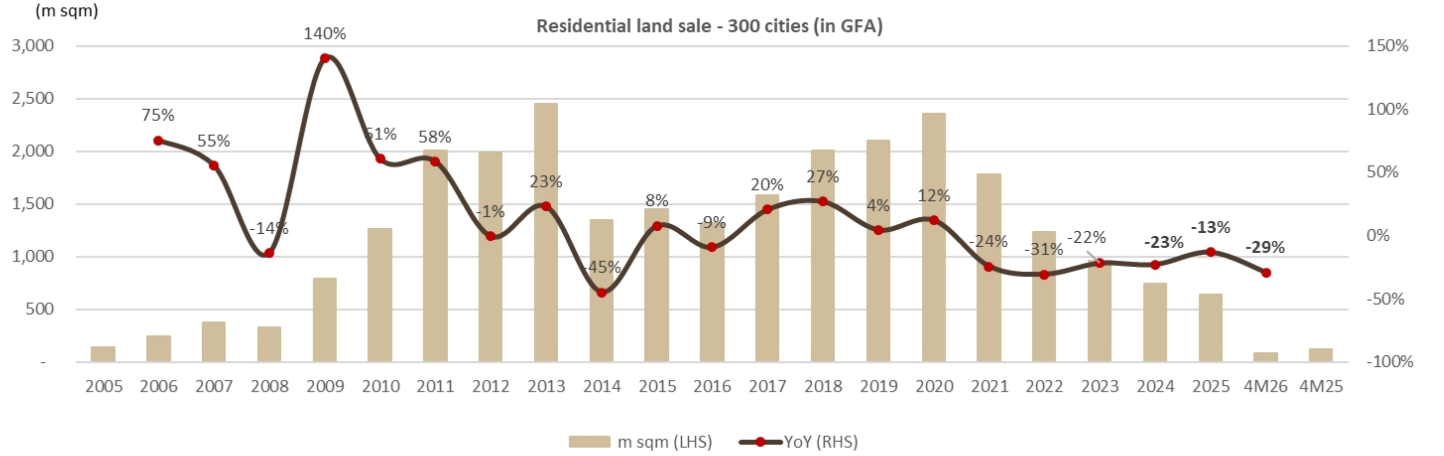
Note: Based on residential land sales in 300 cities. Data updated as of Apr 2026
Source: CREIS, UBS

Land sales GFA continued to decline in 2026

300 cities land sales GFA decreased by 29% YoY in 4M2026



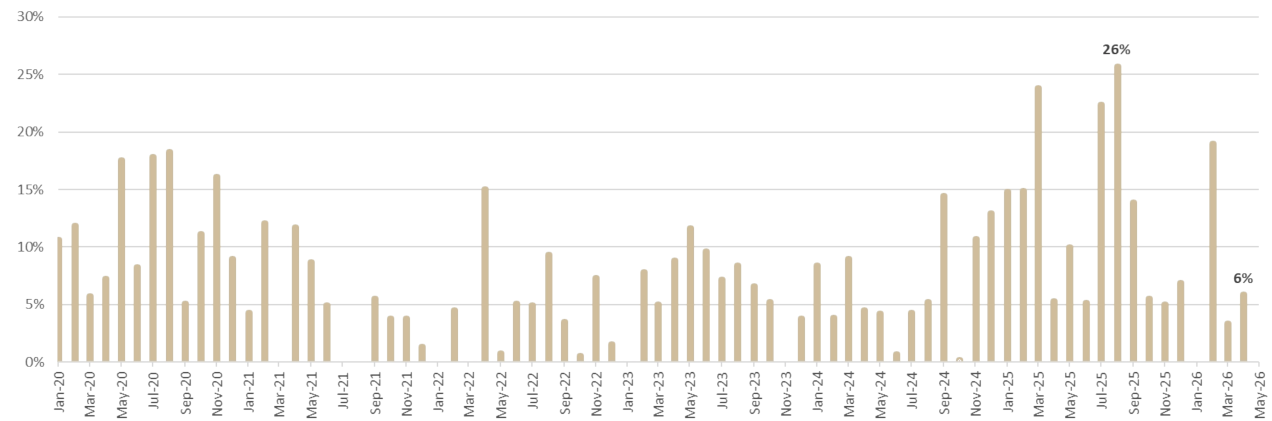
… and tier 1 cities showed 12% YoY decrease

Note: Based on residential land sales in 300 cities. Data updated as of April 2026
Source: CREIS, UBS

Land premium moderated improved in Q126

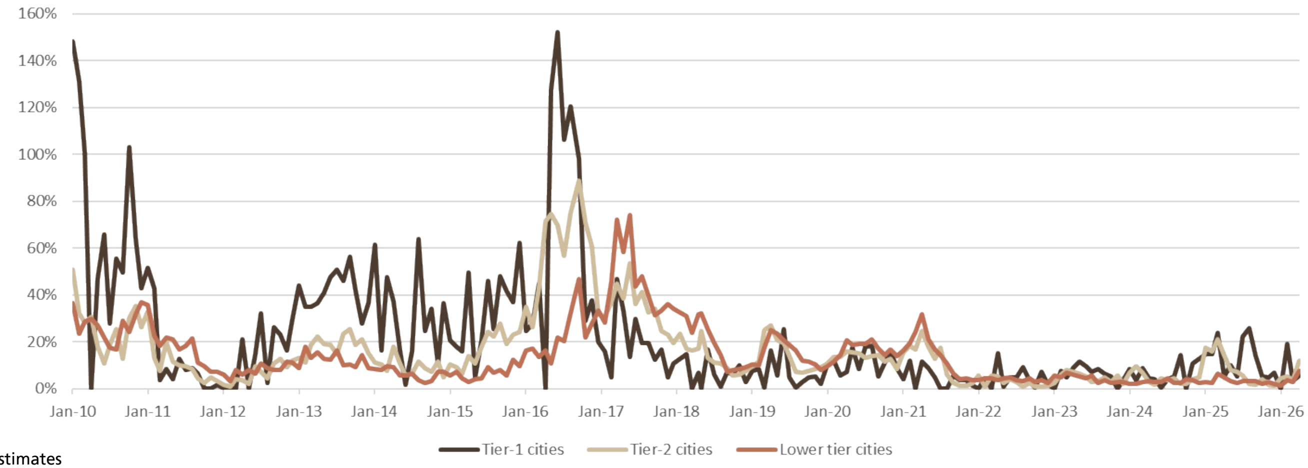
Land premium in tier 1 cities slightly picked up from Q425

Land premium above base price in tier 1 cities



… and lower tier cities remained muted

Land premium above base price by tier of cities



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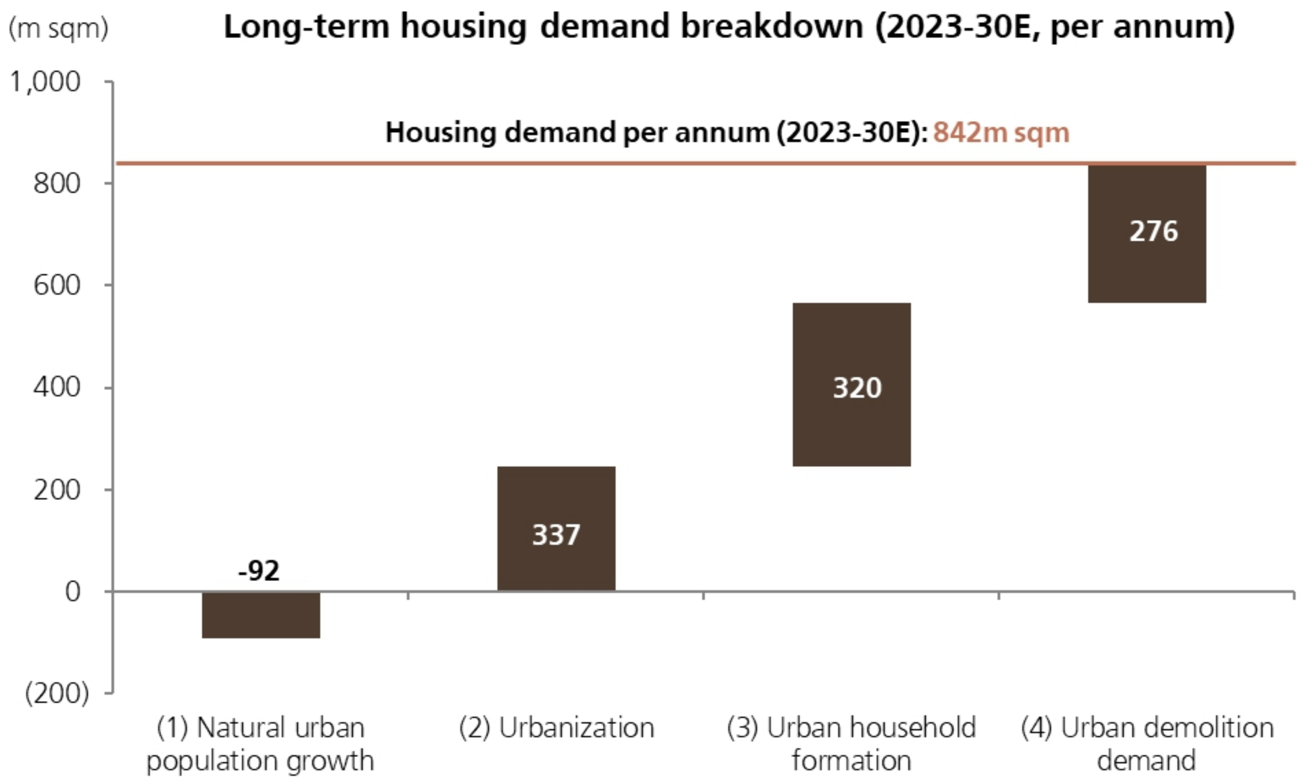
Source: CRIC, UBS estimates
Note: Based on residential land sales in 300 cities. Land premium updated as of Apr 2026

We estimate long-term demand at 840mn sqm

We estimate China's annual urban residential housing demand will decline to 842mn sqm in 2023-30E.

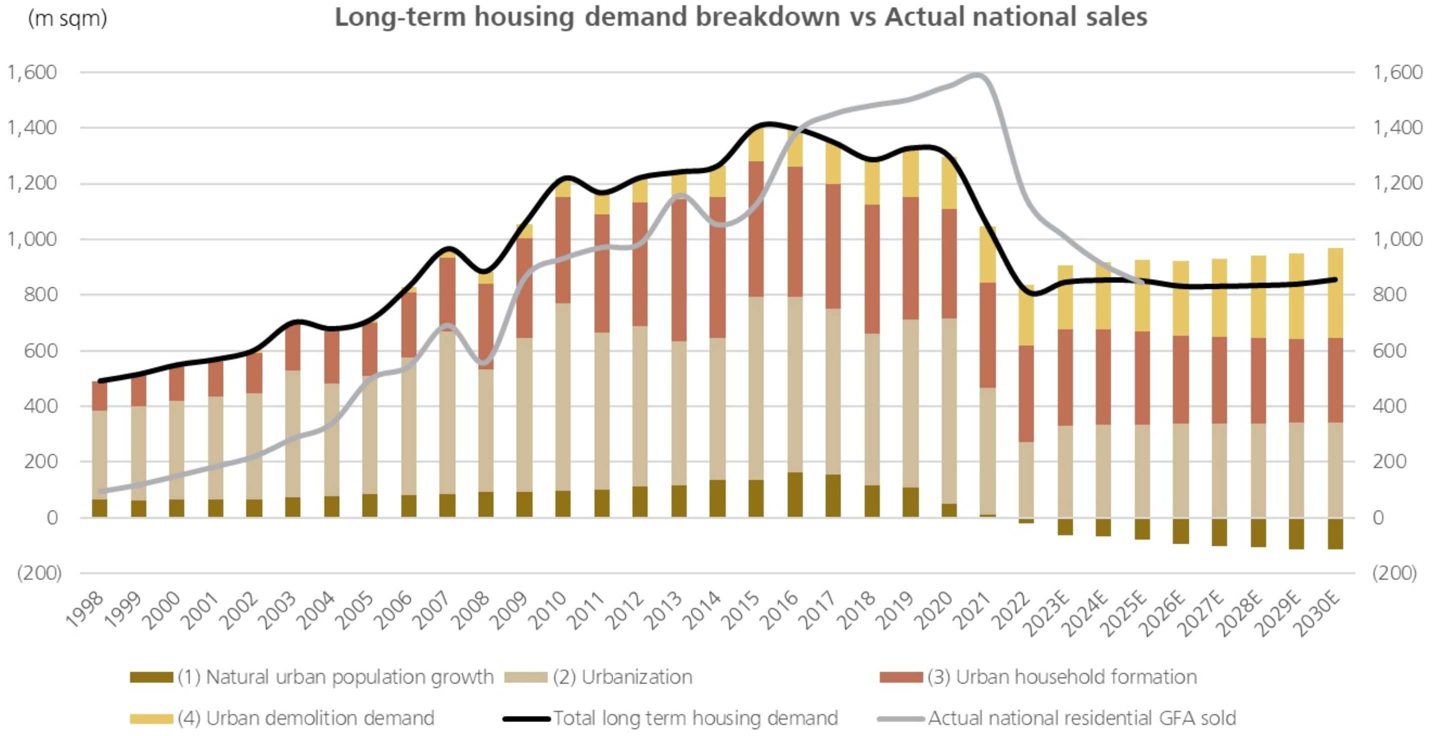


21

Source: CEIC, Wind, United Nations, UBS estimates, the Seventh National Population Census.

We estimate long-term demand at 840mn sqm

We expect underlying demand in 2023-30E to be 37% lower than in 2015-20



22

Source: China Academy of Social Science, CEIC, National Bureau of Statistics, United Nations World Population Prospects 2017, China National Census 2000, 2010 and 2020 Yearbook, UBS estimates.

Two issues – Over-priced, over-built

1. **Over-priced: Change of pricing mechanism from price appreciation to yield**
2. **Over-built: Bare shell listing suggests China vacancy rate at 18.8% or 4.4bn sqm vacant property**

Comparison of US, Japan, HK property bubbles and China property		China 2021	U.S. 2005	Japan 1990	HK 1997
Leverage	Household leverage (Debt/GDP)	61.8%[1]	92.9%	68.4%	60.4%
	Household leverage (Debt/Disposable income)	110%	124%	124%	146%
	Homebuyers loan-to-value (LTV) in mortgage	70%[2]	90%	Often >100%	70.0%
Affordability	House price to income ratio, overall	7.3x	4.7x	11x	18x
	House price to income ratio, top tier cities[3]	18x	8.7x	18x	18x
Demand driver	Urbanization rate	64.7%	79.9%	77%	NA
	GDP per capita (USD/capita, in current USD)	10,500	44,850	25,371	27,330
External factors	Foreign exchange capital control	Strict	N/A	Loose	No
Impact to economy	Residential property investment contribution to GDP	12%	6.7%	6%	17%
	Bank direct loan exposure to property sector	27%	14%	17%	23%
Spillover to financial system?	Did the property market correction result in a systematic risk in financial system?	In better position	Yes	Yes	No
Duration	Duration of property downcycles	Since mid-2021	6 years	14 years	6 years
Over-supply?	Vacancy rate	18.8%	12.5%	9.8%	3.8%

Source: The World Bank, CEIC, BIS, UBS. Note: 1: Source is BIS. 2: 70% refers to first-time home buyers and is 40-50% LTV for second-time home buyers. 3: China refers to the four tier 1 cities. U.S. refers to two MSA, Metropolitan Statistical Area: NY, NJ, White Plains, NY and Los Angeles-Long Beach-Glendale, CA. Japan refers to Tokyo Metropolitan Area.

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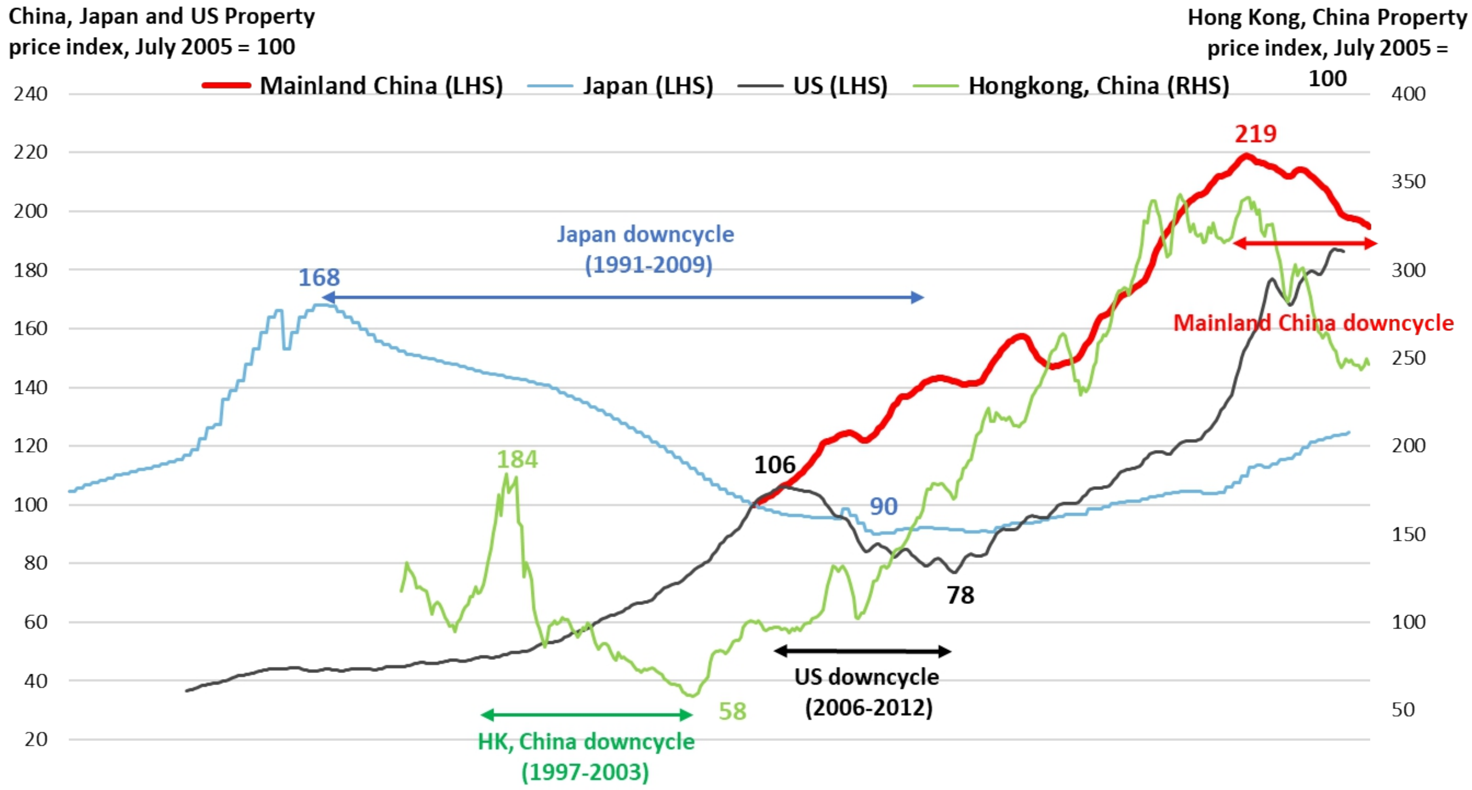
Historical Japan / US / HK property bubbles



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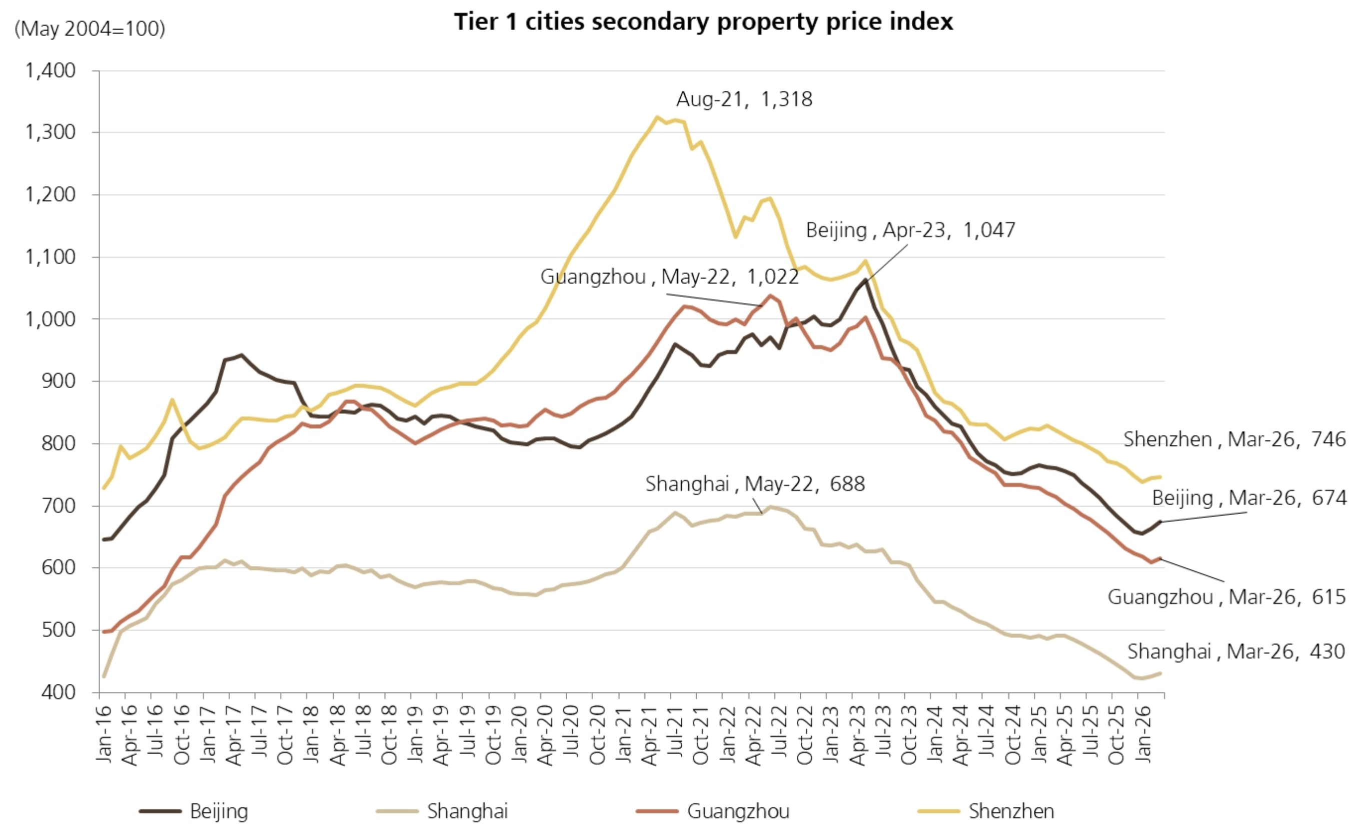
Source: NBS, CEIC, Bank for International Settlements, OECD, Centaline. Note: China property price refers to NBS 70 cities average primary property price. US residential property price refers S&P/Case-Shiller U.S. National Home Price Index, Monthly, Not Seasonally Adjusted. Japan property price refers to BIS Residential Property Price database. Data as of Aug 2025.

Over-priced: China tier 1 cities property price has corrected 38% from peak



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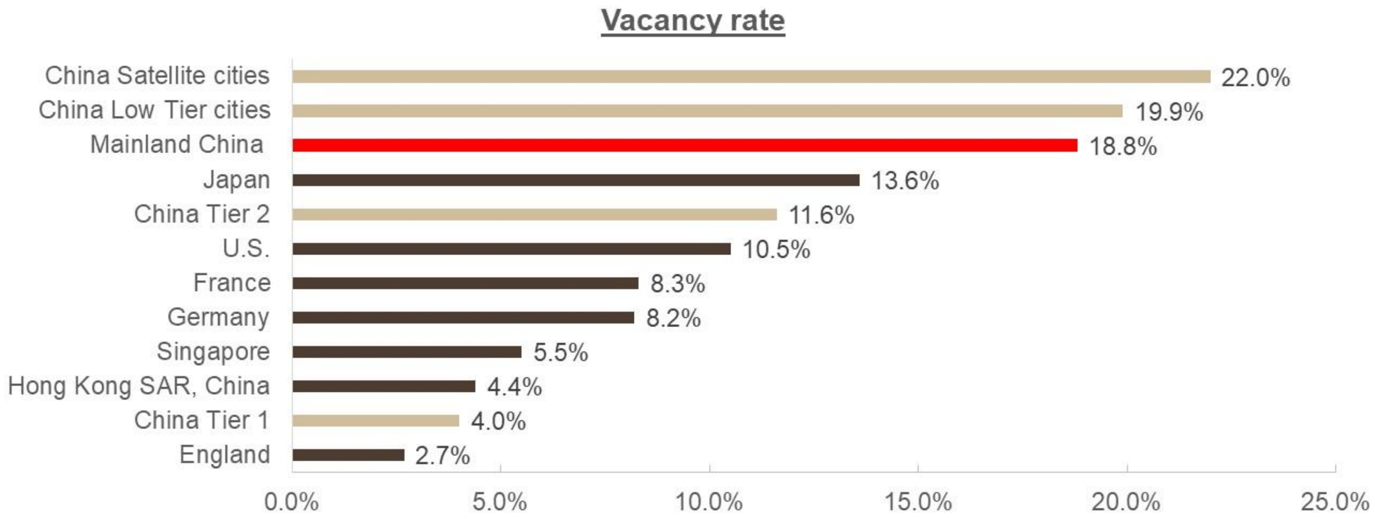
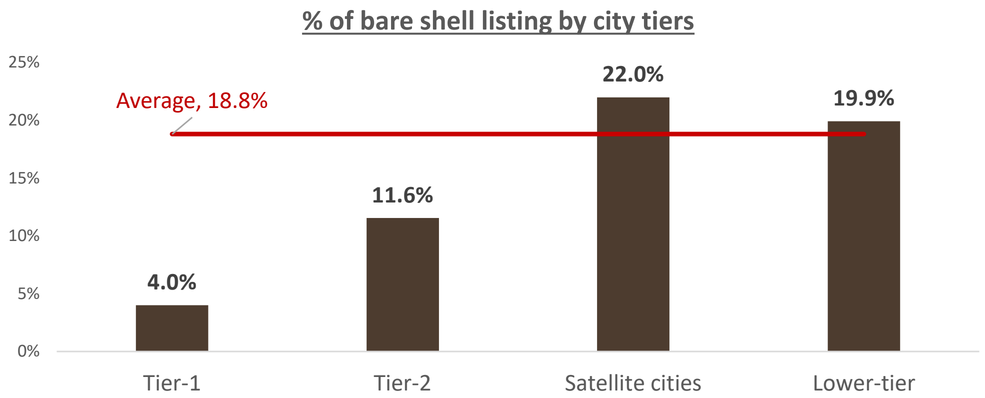
Source: Centaline, UBS

Over-built: We estimate China vacancy rate at 18.8, higher than developed economies





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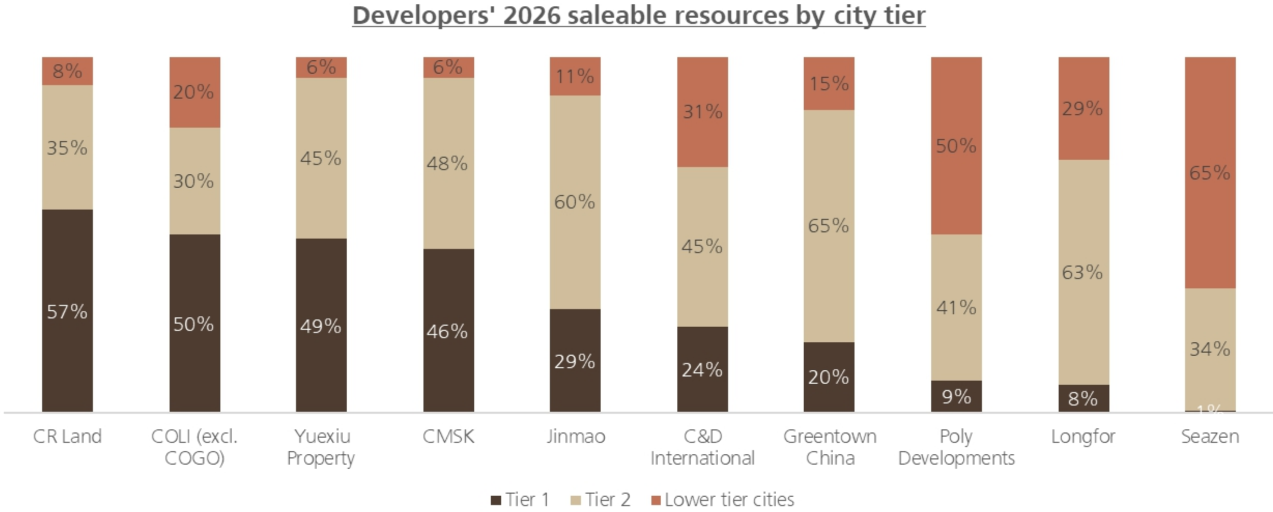
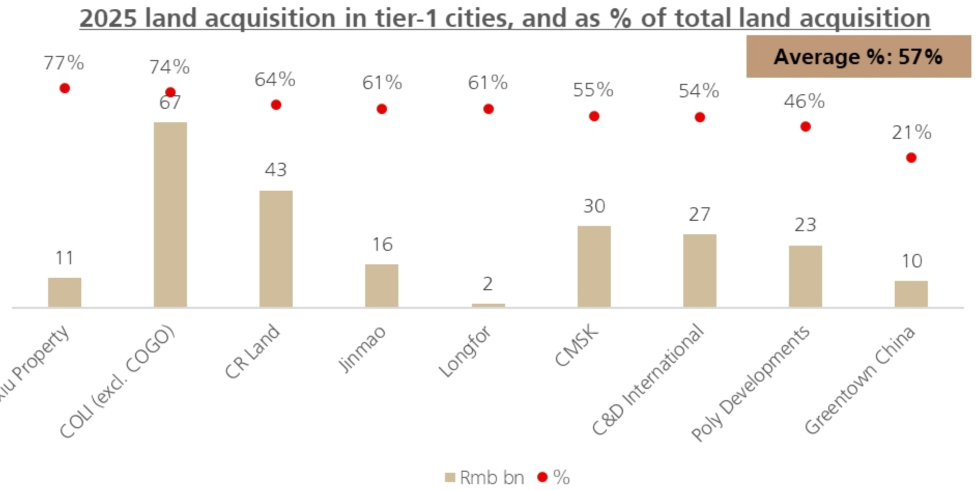
Source: BEKE, Zhuge, Savills, HK government, Singapore government, US Census, UBS

China Property

Stock picks: Prefer developers with high tier 1 cities exposure

High exposure to core-city





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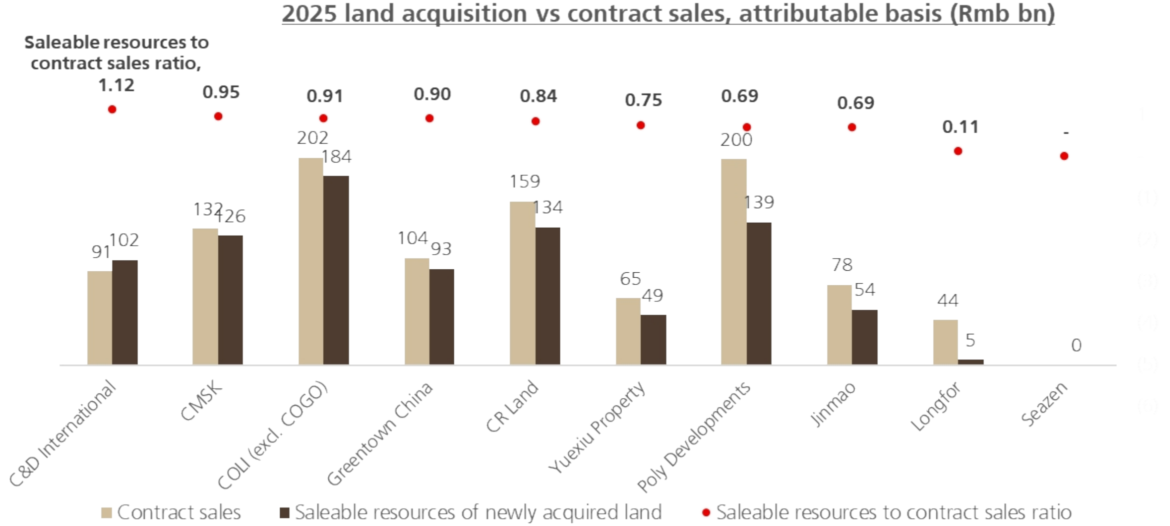
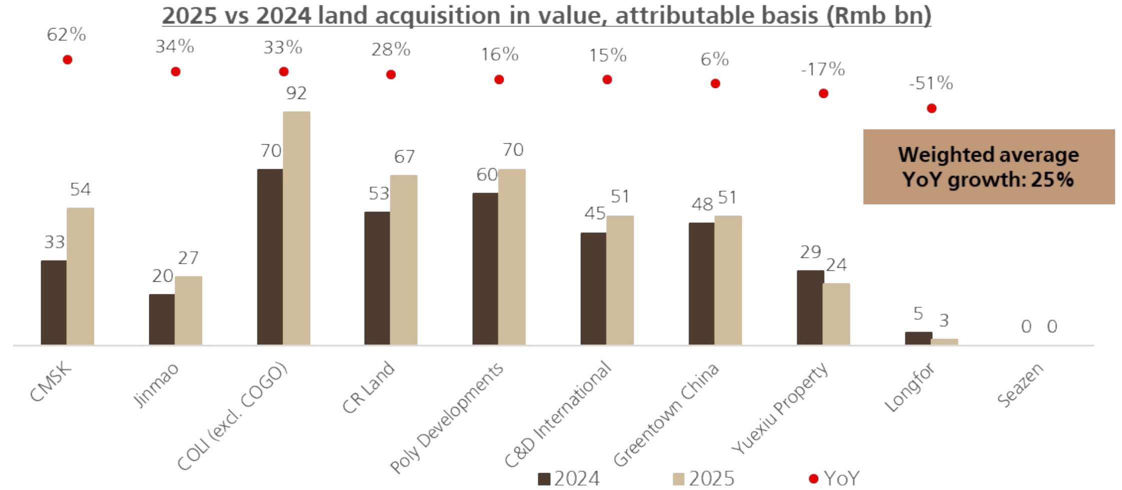
Source: Company data, UBSe

Active land banking in 2025





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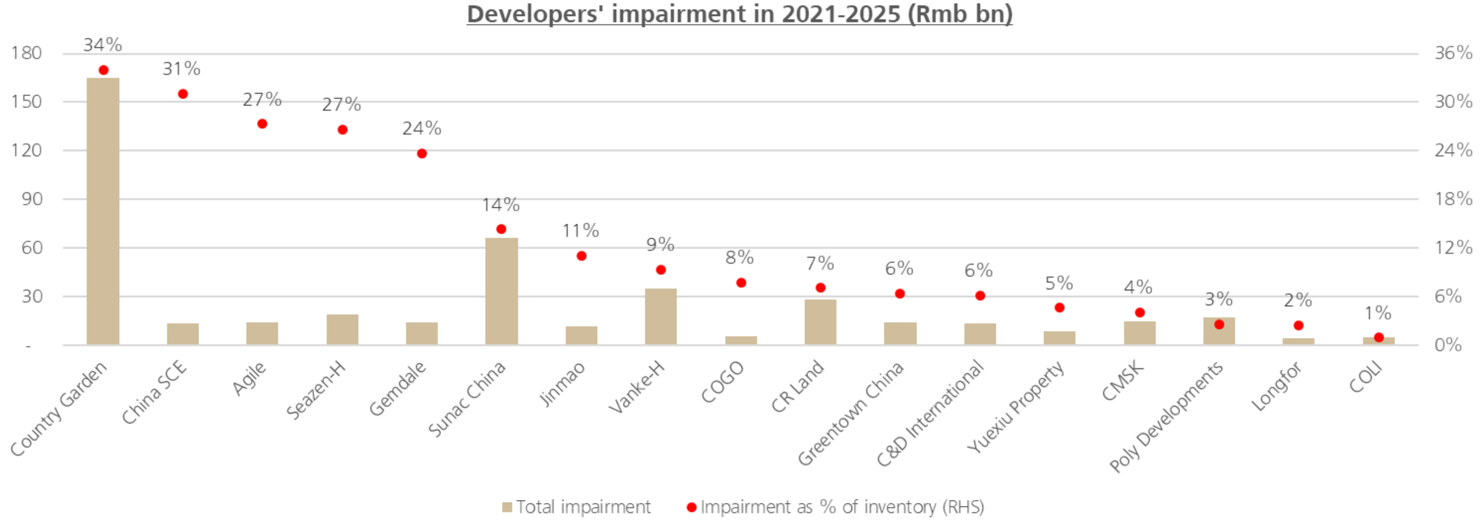
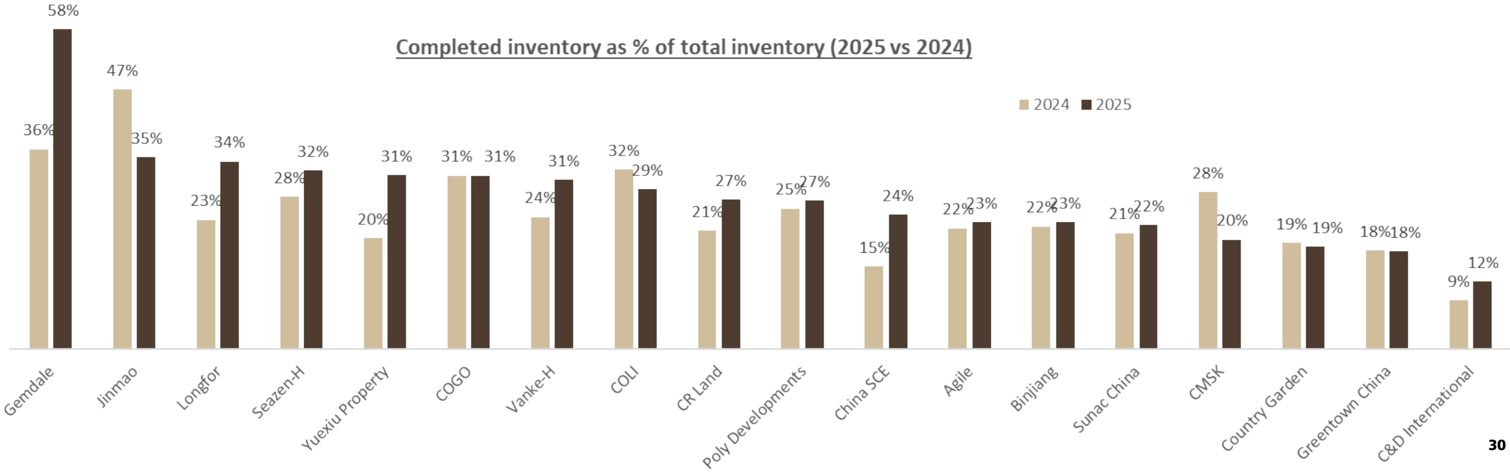
Source: Company data, UBSe.

2021-2025 inventory impairment & completed inventory





Source: Company Data.

China Property

The Rise of Private REITs

Public CREITs Market and Bottleneck

Public REITs: First launched in 2021, 70 CREITs listed on the Shanghai and Shenzhen Stock Exchanges (market cap of Rmb208bn or USD29bn) as of 31 July 2025.

However, market development was slower than our original expectation of USD1.2trn by 2030E due to:
1) restriction on use of proceeds,
2) high asset quality requirement, and
3) inclusion of retail property since 2024 after developers' deleveraging (Three Red Lines policy).

There are eight commercial public REITs listed with a combined market cap of Rmb32bn

REITs ticker	REITs name (CN)	REITs name (EL)	Listing date	Market cap (Rmb bn)	Free float (%)	Issue price (Rmb/unit)	Price (Rmb/unit)	1m price change	YTD price change	Price change vs listing	Dividend yield 2025E	Spread with 10Y treasury	2024 Asset valuation (Rmb mn)	2024 EBITDA (Rmb mn)
508011.SH	嘉实物美消费REIT	Harvest Wumei Consumption Closed REIT	2024-03-12	1.59	48.84%	2.38	4.26	-3.8%	40.8%	78.9%	1.8%	-0.1%	1,030	80
508017.SH	华夏金茂商业REIT	ChinaAMC Jinmao Shopping Center Closed REIT	2024-03-12	1.52	37.02%	2.67	4.09	0.7%	39.9%	53.1%	2.4%	0.5%	1,065	47
180601.SZ	华夏华润商业REIT	ChinaAMC CR Commercial Closed REIT	2024-03-14	9.82	63.43%	6.90	10.51	-1.1%	21.2%	52.3%	3.3%	1.5%	8,150	351
180602.SZ	中金印力消费REIT	CICC SCPG Commercial Closed REIT	2024-04-30	4.16	66.92%	3.26	4.45	-0.8%	29.6%	36.4%	1.9%	0.0%	3,959	155
508002.SH	华安百联消费REIT	Huaan Bailian Consumption Closed REIT	2024-08-16	3.01	66.11%	2.33	3.19	0.8%	32.3%	36.7%	4.3%	2.5%	2,241	60
508005.SH	华夏首创奥莱REIT	ChinaAMC First Outlet Closed REIT	2024-08-28	3.18	65.98%	2.47	4.11	-2.4%	36.2%	66.6%	3.3%	1.4%	2,032	53
180603.SZ	华夏大悦城商业REIT	ChinaAMC Joy City Shopping Center Closed REIT	2024-09-20	4.60	59.93%	3.32	4.80	-1.8%	33.3%	44.5%	3.5%	1.6%	3,247	51
180605.SZ	易方达华威农贸市场REIT	E Fund Huawei Farmers Market Closed REIT	2025-01-24	2.38	24.68%	3.03	4.92	-6.2%	25.0%	62.5%	3.5%	1.6%	1,482	0
180606.SZ	中金中国绿发商业REIT	CICC China Green Development Closed REIT	2025-06-27	2.08	30.00%	3.16	4.15	1.2%	1.0%	31.3%	3.3%	1.4%	1,530	0

Source: Wind, UBS. Note: Date as of 4 Jan 2026.

Comparison of public REITs, private REITs, quasi-REITs

Private REITs or income-producing real estate ABS (asset-backed security) by the SSE, is launched by SSE in 2023 and promoted by SSE in April 2024.

- Target institutional investors
- A real equity product but with higher flexibility
- **Asset classes:** all asset classes
- **Leverage:** capped at 50%
- **Use of proceeds:** no restriction

		Public REITs	Private REITs	Quasi-REITs
Product Design	Equity/debt nature	Equity (Payout if possible)		Debt (Guaranteed payment)
	Product Size	Close to asset valuation (incl. external liabilities)		80-100% of asset value
	Product structure	Flat		Structured
	Investors	Public	Eligible investors, no more than 200 people	
	External leverage	Below 28.57% (usually within 15%)	Expected no more than 50%	0%
	Cap rate	Property rights products: 4.5-5% cap rate Operating rights products: 6% IRR	At a premium to Public REITs; Property rights products: 4.2-6% cap rate	Net cash flow to cover annual interest payment
	Asset compliance	Strict	Focus on any impact on actual operation	
	Other arrangements	N/A	Potential bet-on agreement	Credit enhancement by the issuer
Financial Impact	Deleveraging	Permanently deleverage		Temporary debt reduction
	P&L	Reduce finance costs if consolidated; Record a gain/loss if off balance sheet		
	Cash recycled	Private REITs can retain higher leverage than public REITs		Cannot retain a leverage
	Proceeds usage	Clearly stated project usage	Flexibile	
	Funding cost	Dividends to shareholders + Fund management fees + Issuance fees		Corporate bond yield + ~30bps
	Financing tenor	Match the tenor of underlying assets		Usually 3 years
	Assets reconsolidation	Increase stake		Exercise rights to call
Market impact		Construction of financing platform; Allow for additional fund raising		One-off financing
Execution timeline		1 year or above	~6 months	~3 months

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Source: Shanghai Stock Exchange, UBS

Which properties are suitable for spin-off?

- **Rmb16bn private REITs have been listed**

Private REIT name_EL	Private REIT name_CN	Ticker	IPO date	Asset type	Size (Rmb bn)	Stock Exchange
Guangzhou Panyu to Foshan Gaoming Highway Private REIT	中交广明	265813	8/6/2025	Toll Road	2.53	Shanghai
GDS Data Centre 2025 Phase 1 Private REIT	25万数1A	264635	4/24/2025	Data Centre	1.05	Shanghai
CCB Trust Social Housing Private REIT (Additional Fund Raising)	建信长租	262587	7/30/2024	Social Housing	1.17	Shanghai
CRCC Phase 1 Private REIT	TJCY01	264346	1/21/2025	Office	0.86	Shanghai
Chongqing Jiulongpo to Sichuan Yongchuan Highway Private REIT	中交九永	263956	12/24/2024	Toll Road	2.20	Shanghai
Guizhou Jiangkou to Wenan Highway Private REIT	中交安江	263083	10/30/2024	Toll Road	4.96	Shanghai
CCCG Qingxi Bridge Private REIT	中交清远	261473	1/26/2024	Toll Road	1.96	Shanghai
Yuexiu Commercial Private REIT	越秀商业	144834	12/24/2024	Office	1.41	Shenzhen
Listed Total					**16.13**	

- **Private REIT projects in the pipeline have diverse asset types**

Private REIT name_EL	Private REIT name_CN	Ticker	IPO date	Asset type	Size (Rmb bn)	Stock Exchange	Status
Guangzhou to Lianzhou Highway Private REIT				Toll Road	15.00	Shanghai	Reviewed
Beijing Capital Water Private REIT				Water Utilites	0.73	Shanghai	Reviewed
CREC Nuode Private REIT				Office/ Retail	2.56	Shanghai	Replied
Shanghai Waigaoqiao Private REIT				Industrial Park	1.90	Shanghai	Replied
Jinan Hi-Tech Private REIT				Industrial Park	0.96	Shanghai	Replied
Wuxi Eco Dev Zone National Sensor Info Industrial Park Private REIT	25传感01	265984	TBD	Industrial Park	0.66	Shanghai	Approved
Shanghai Pujiang Huanlesong Private REIT				Retail	0.67	Shanghai	Approved
Trinapower New Energy Infra Carbon-neutral Green Private REIT				New Energy	1.24	Shanghai	Replied
Xiangyu Group Industrial Park Private REIT				Industrial Park	0.60	Shanghai	Replied
Wuyue Plaza Private REIT				Retail	0.56	Shanghai	Replied
CTF WS Ascent Private REIT				Industrial Park	0.50	Shanghai	Replied
Capital Land Commercial Private REIT				Retail	3.00	Shanghai	Replied
Envision New Energy Carbon-neutral Private REIT	GC远景01	265472	TBD	New Energy	0.29	Shanghai	Approved
Xinjiang Guoxin Power Private REIT				Coal Fired Power	5.50	Shanghai	Replied
VNET Data Centre Private REIT	互联25A1	265828	TBD	Data Centre	0.86	Shanghai	Approved
Gaw Capital Private REIT				Logistic	0.87	Shanghai	Replied
Gfujian Dongbai Logistics Private REIT				Logistic	1.50	Shanghai	Replied
Pipeline Total					**37.39**		**17**

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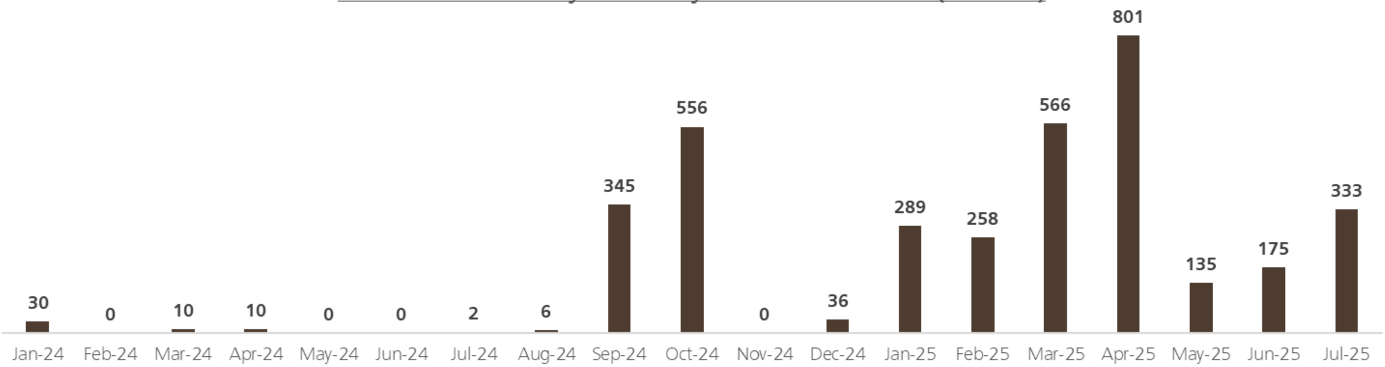
Source: Shanghai Stock Exchange, Shenzhen Stock Exchange, UBS

Exit channel for investors

1) Re-marketing of private REITs
2) Trading on Stock Exchange
3) Conversion to public REITs

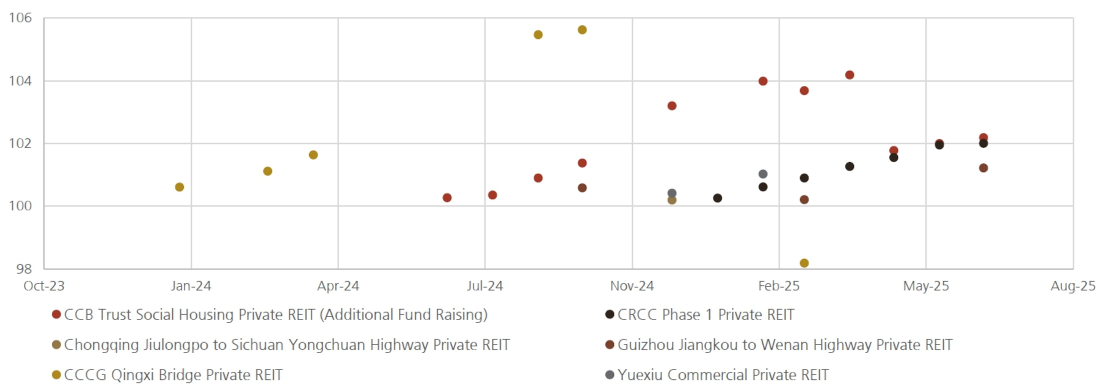
Private REITs secondary transaction volume increased since Sept 2024

Private REITs monthly secondary transaction volume (Rmb mn)



Unit price of listed private REITs secondary transaction price is above issuance price

Secondary transaction price of listed private REITs (Rmb/unit)



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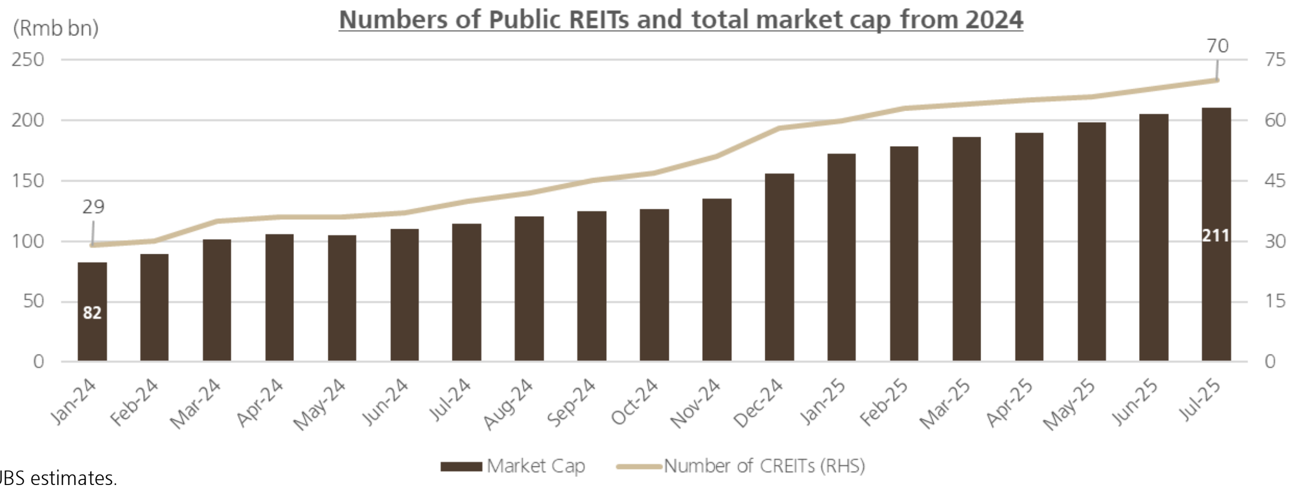
Source: SSE, UBS

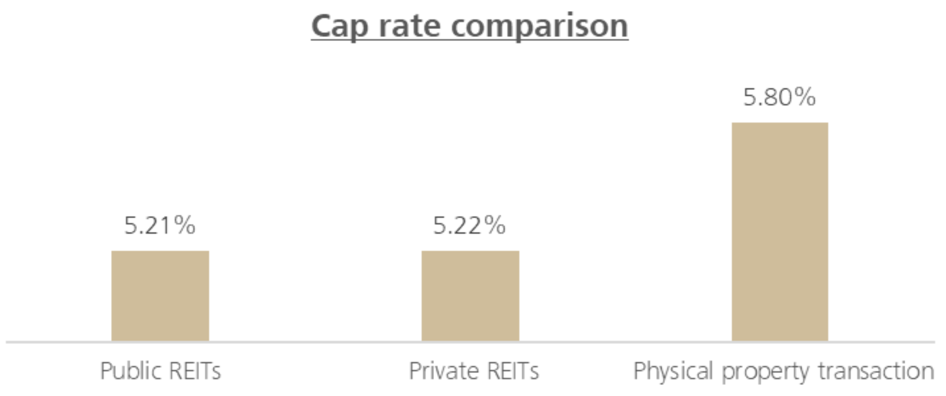
Private REITs market cap expected to grow from Rmb16bn today to Rmb100bn in the next 3 years

Public REITs total market cap at Rmb211bn, more than doubled compared to 2024



Source: Wind, UBS estimates.

Private REITs project's cap rate range is wider than public REITs



Source: SSE.

Buyer Profile and What They Look For

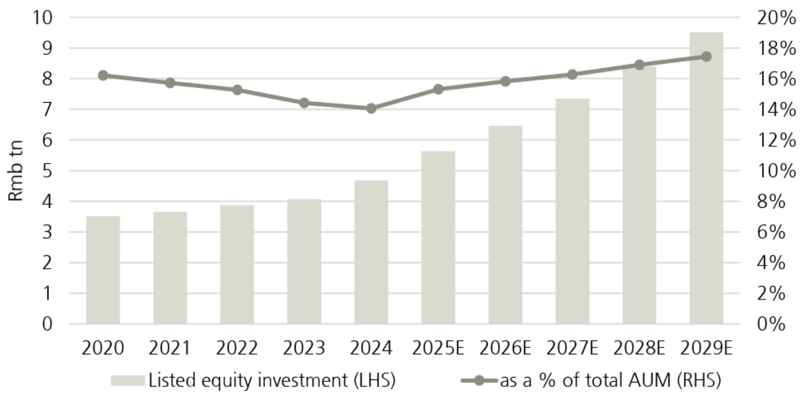
Buyers: Insurers and wealth management products after foreign capital

- Rising equities allocation from insurance companies;
- Insurers prefers high dividend yield (HDY; threshold >=4.0-4.5%) stocks.

REITs (vs physical property transaction) :

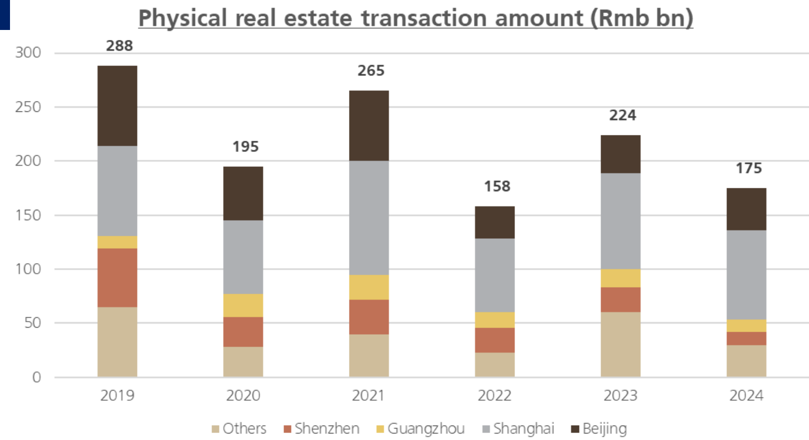
1) better liquidity (eg investors can sell partial stake in REITs),
2) risk diversification as a REIT vehicle can hold multiple assets in different location,
3) more transparency in pricing (as REITs is traded in secondary market),
4) more regulations to protect investors.

Chinese Insurance funds' equity allocation to reach Rmb9.5trn (17% of total funds) by 2029E, implying average annual cash inflow of Rmb670bn in 2024-2029



Source: NFRA, UBS estimates. Note: Includes both life and P&C insurance funds. See UBS China insurance note: [UBS China Insurance Sector: APAC Focus: the trillion dollar quest for yield and flow of insurance funds].

China's commercial real estate transaction has been falling from 2019 to 2024



Source: Savills, UBS Research.

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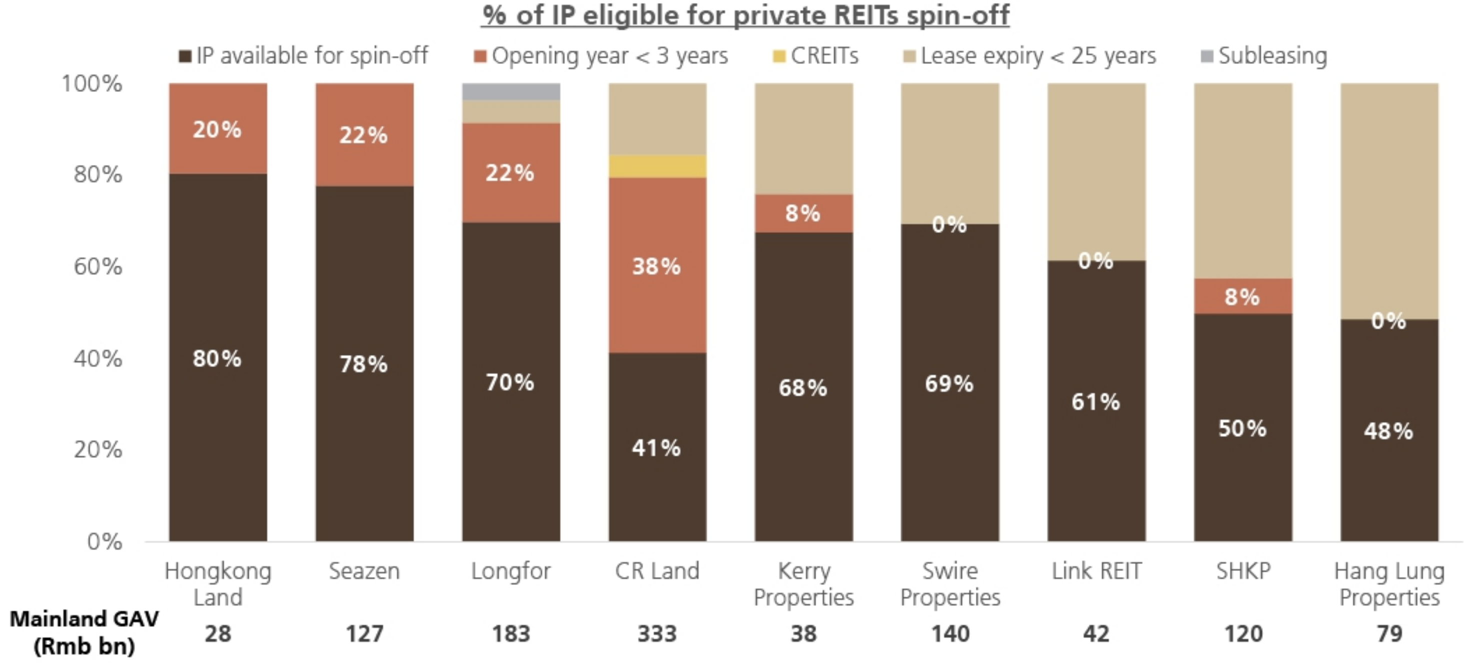
Seller Profile and What They Look For

Type 1: developers looking for capital recycling to re-invest in other regions/ assets

e.g. Hong Kong developers for debt repayment or re-invest into Hong Kong or other regions.

Type 2: business model transitioning to asset managers

Among HK and mainland China property companies, we think **CR Land, Longfor, Seazen, Hongkong Land, Link REIT, Hang Lung Properties, Kerry Properties** may be willing to sell.



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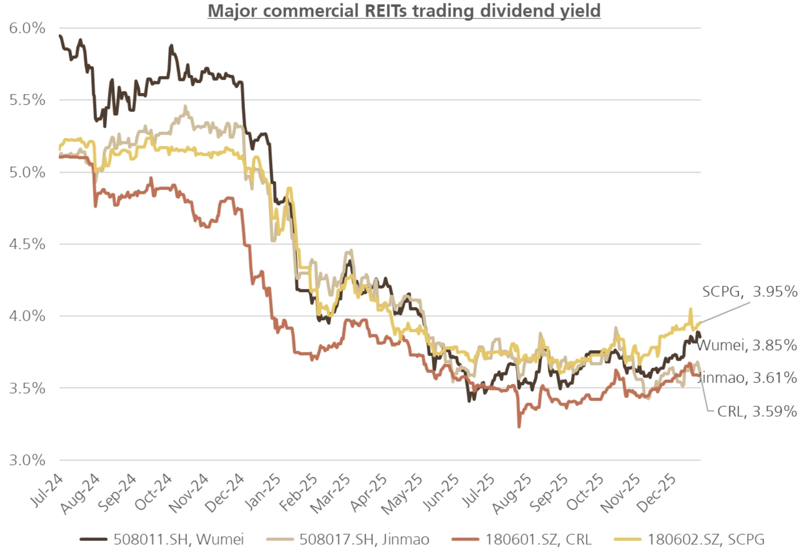
Source: Company data, UBSe. Note: the % is calculated based on assets valuation for Link REIT, on rental income for Longfor and Hang Lung Properties, and on GFA for other developers. The % is on attributable basis, except Longfor uses consolidated rental.

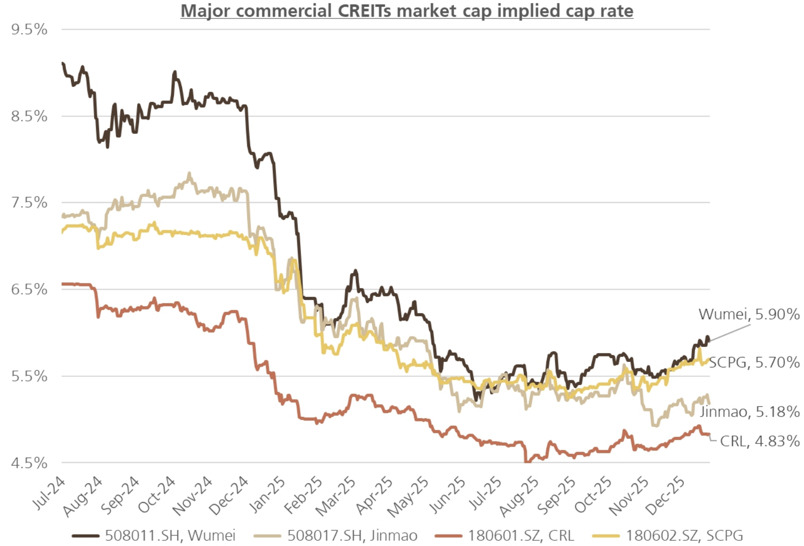
Real Estate Valuation Gap

Public REITs - compressed dividend yield and implied NOI cap rate

Major commercial REITs trading dividend yield

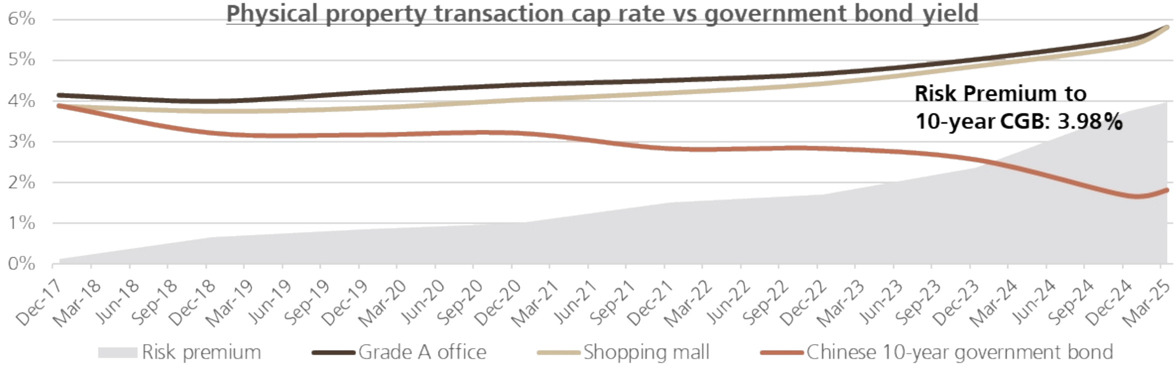


Major commercial CREITs market cap implied cap rate



Physical property transactions - Rising cap rate

Physical property transaction cap rate vs government bond yield



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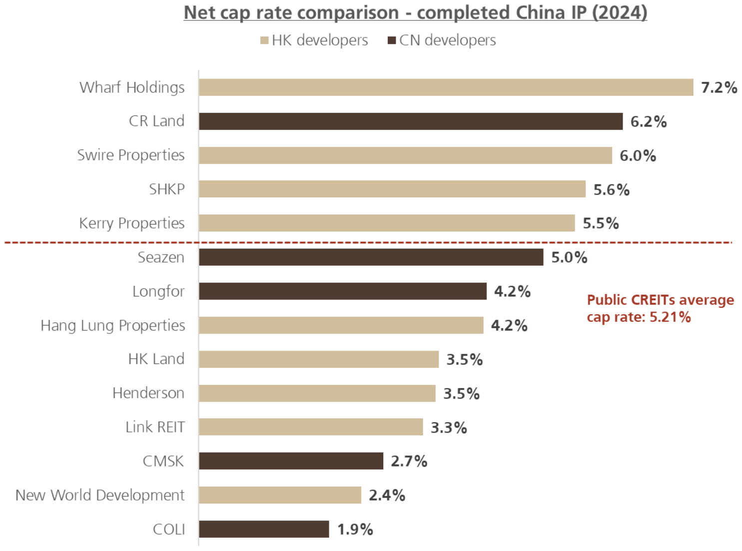
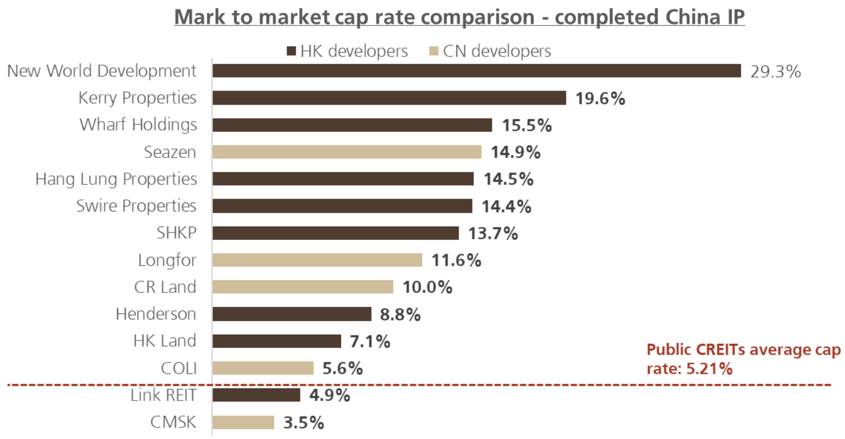
Source:
- Commercial REITs dividend yield and market cap implied cap rate are from Wind, Company data, UBS. Date as of 16 Oct 2025.
- Physical property transaction cap rate vs govt' bond yield from Cushman & Wakefield, CBRE, Wind, UBS.

Real Estate Valuation Gap (Cont'd)

Listed property equities – much lower valuation



Source: Company data, UBSe. Note: date as of 30 July 2025.



Source: Company data, UBSe. Note: HK developers only include mainland China IP.
Net cap rate = Net operating income over book value.

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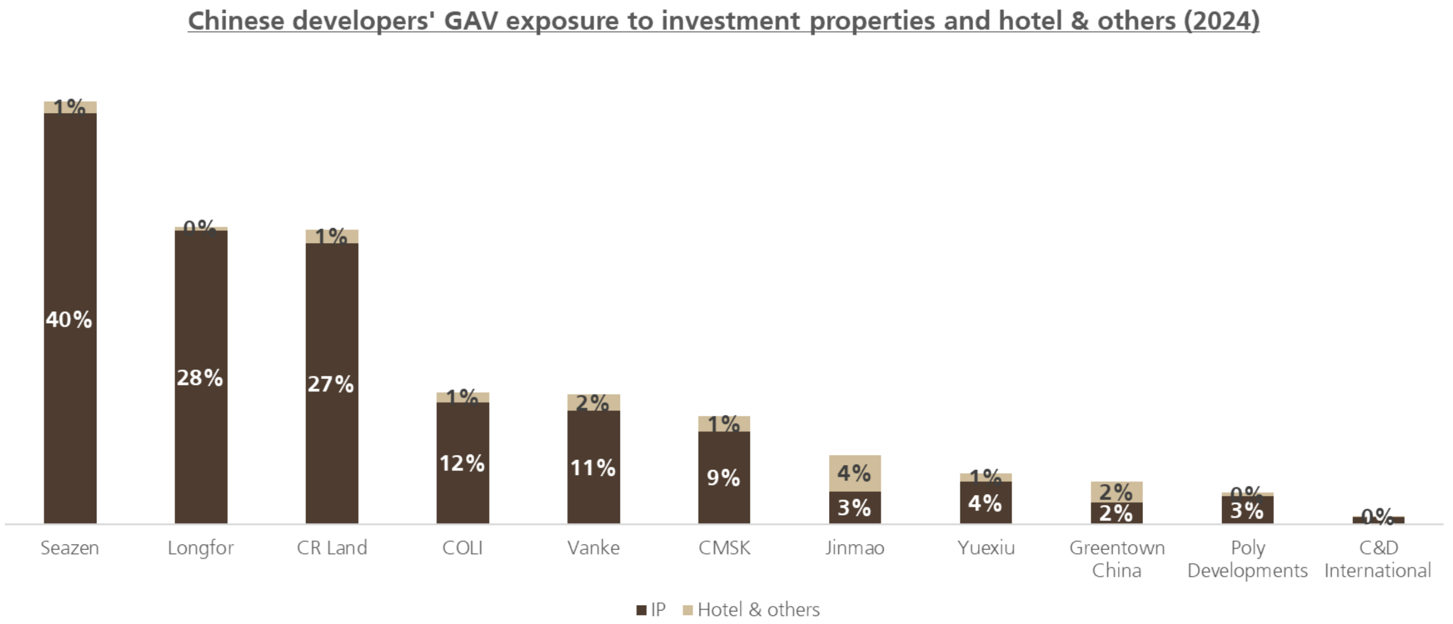
Stock Implications: China property developers

Seazen (H) (BUY): increasing contribution from investment properties and declining earnings drag from residential property development.
CR Land (BUY): lower cap rate assumption and higher NAV for its IP portfolio.



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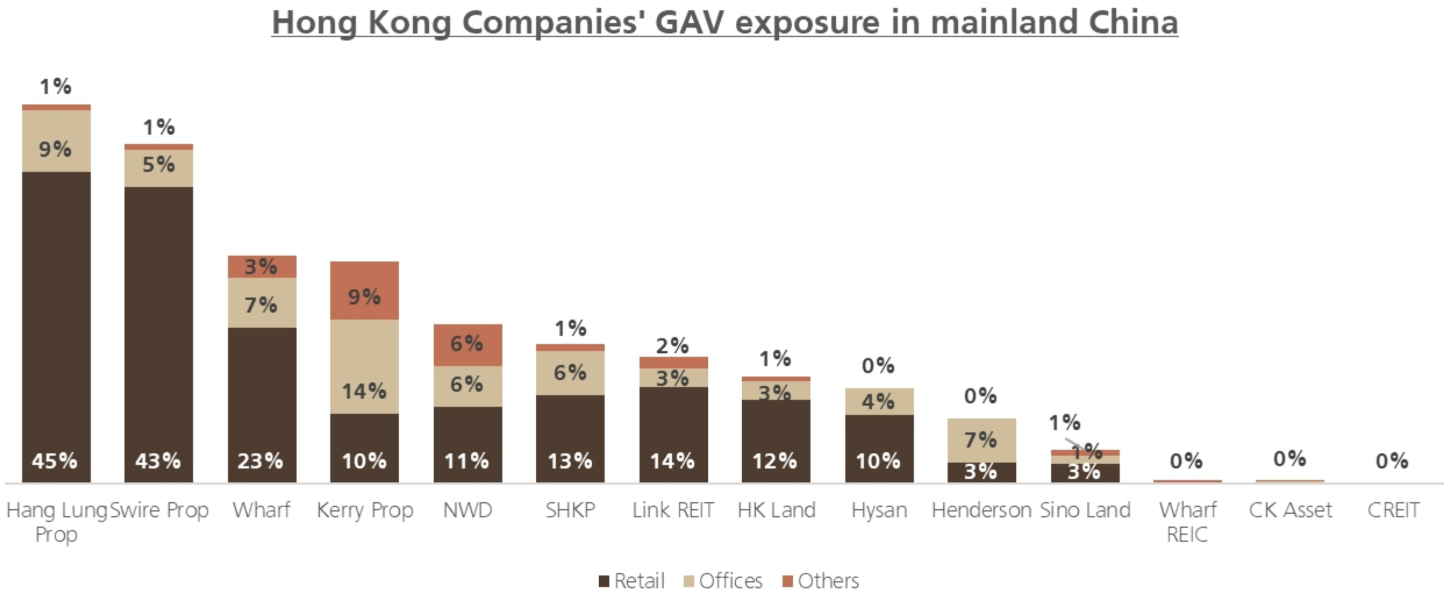
Source: Company data, UBSe. Others include hotels, residential for rental purpose and serviced apartments.

Stock Implication: Hong Kong property companies

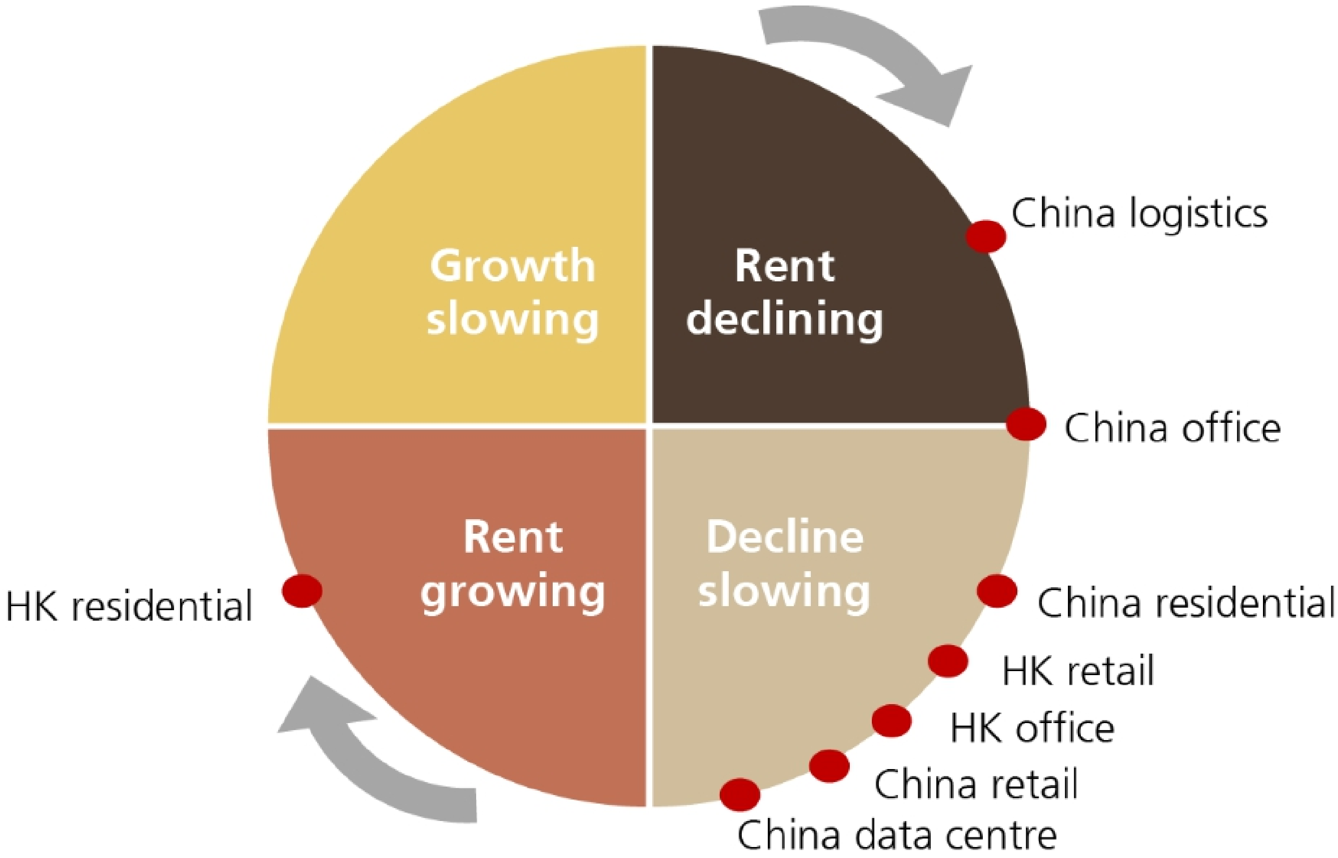
Lead Analyst: Mark Leung
We recently (August 2025) upgraded price targets for **Kerry Properties, Swire Properties**, due to higher NAV estimate for their mainland assets.



42

Source: UBS estimates. Others include hotels, residential for rental purpose and serviced apartments.

Rental Clock: property cycle in mainland China and Hong Kong



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Note:, UBS Research.

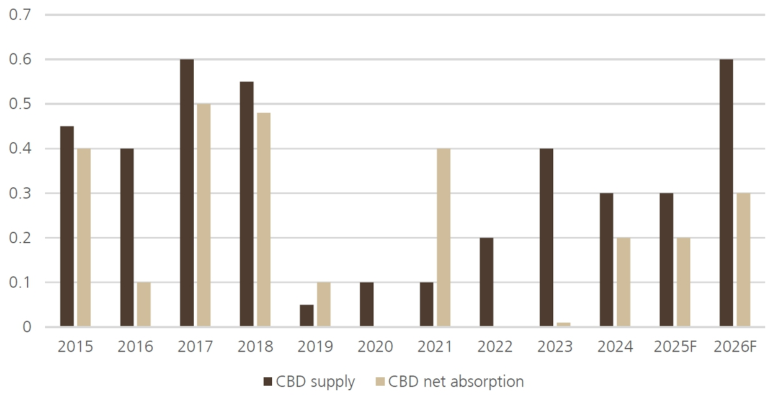
Rental Clock Series 1

Office: Less decline expected in 2026-27E

Shanghai: office supply may peak in 2027E

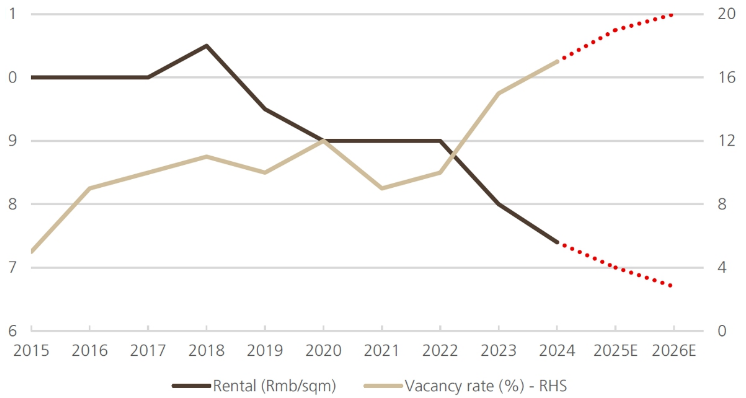
Shanghai CBD office supply expected to peak in 2026

Shanghai CBD office supply vs net obsorption (mn sqm)



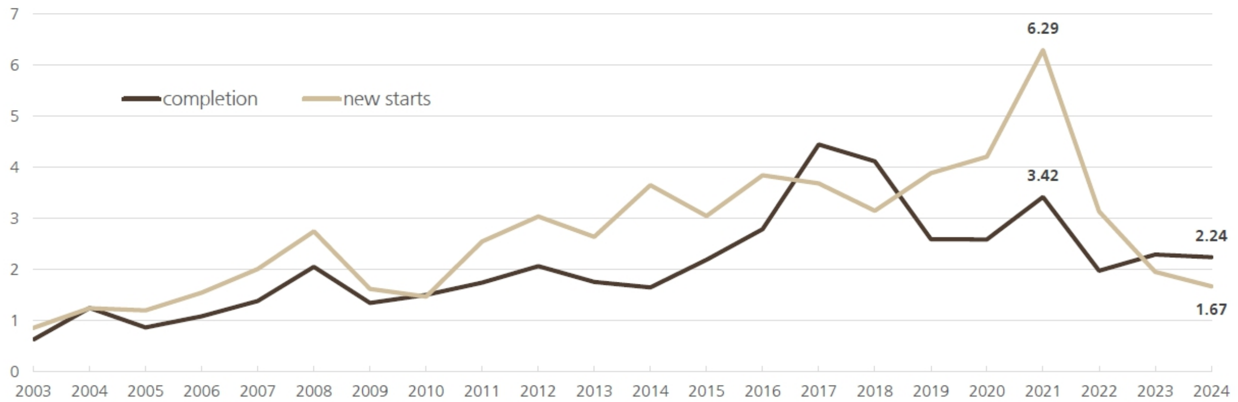
Shanghai vacancy rate may edge up to 20% in 2026E

Shanghai CBD office rental and vacancy rate



Shanghai office completion in GFA have decreased 34% in 2024 vs peak in 2021

Shanghai office new starts vs completion in GFA (sqm mn)



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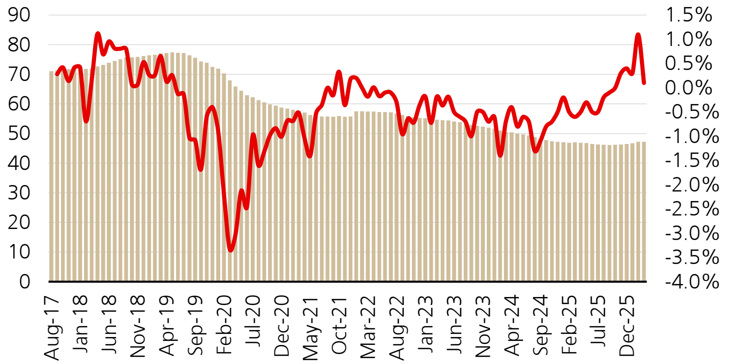
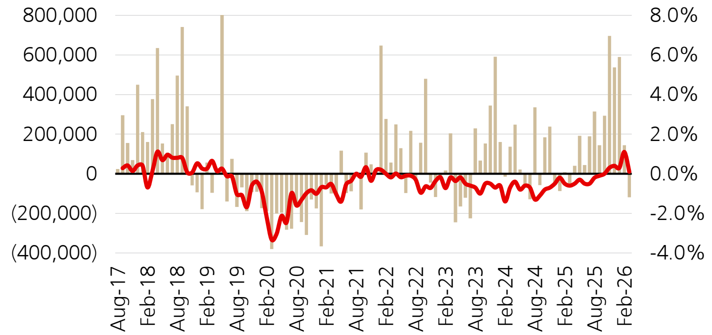
Source: NBS, JLL, UBS

HK: Latest office leasing sentiment slightly improved

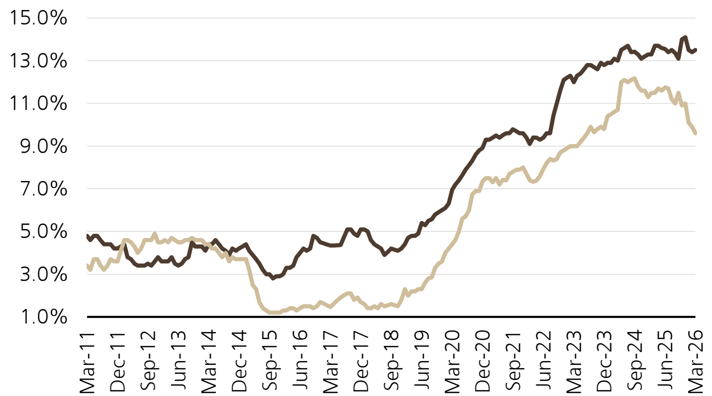
Overall grade-A office rent returned to growth



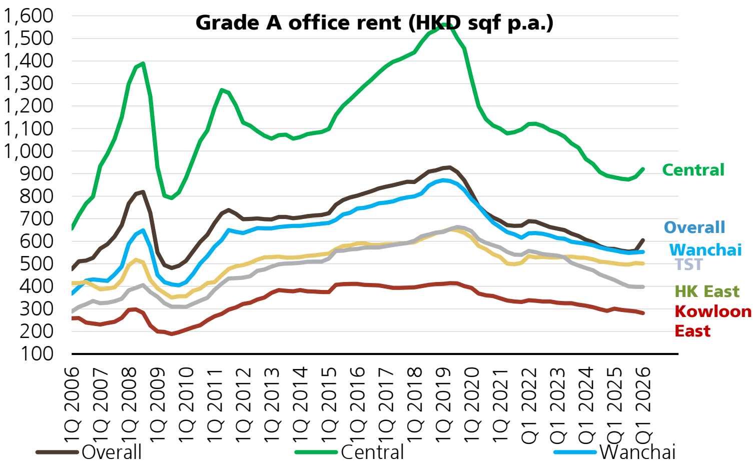
Overall grade-A office's net absorption turned positive in recent months



Vacancy rate has slightly edged down YTD, especially in Central



Overall grade-A office rent by region

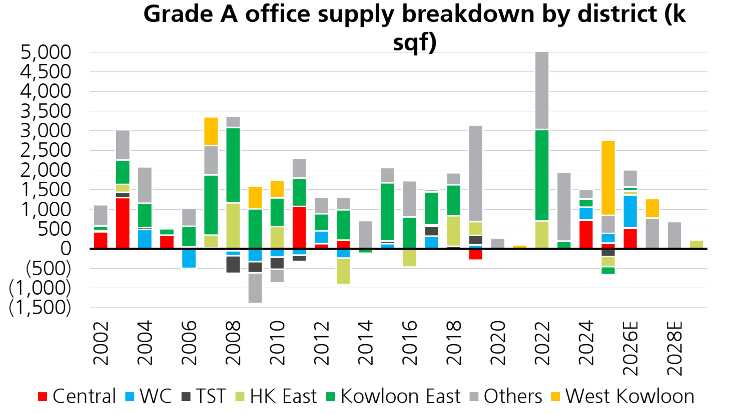


46

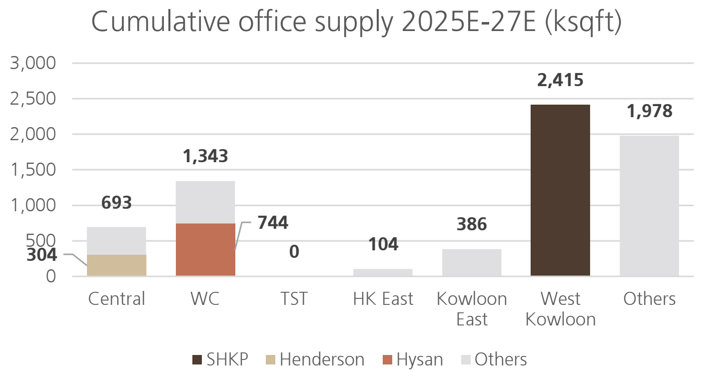
Source: JLL, CEIC

HK: The supply peak has finally passed

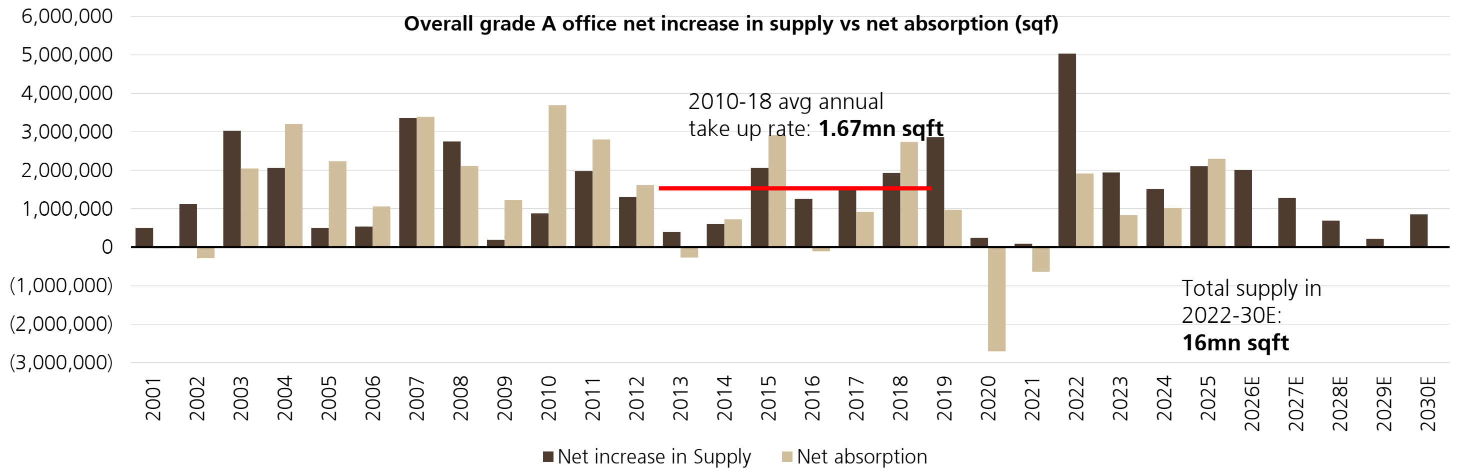
New grade-A office supply will decline rapidly



50% of new office supply was contributed by the leading office landlord in each district



While, it could take more than 5 years to fully absorb the vacant and future supply from 2022-30E



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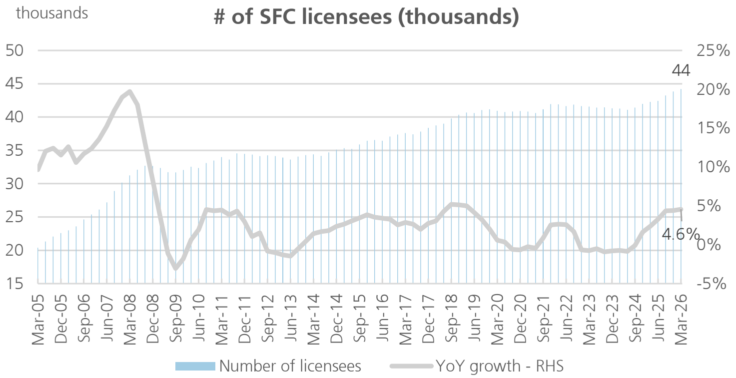
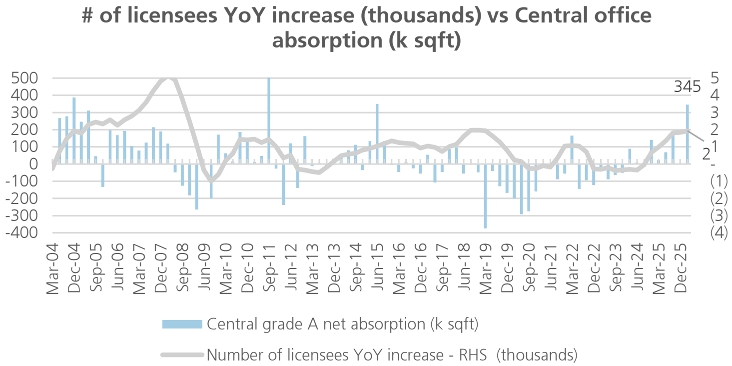
Source: JLL, UBS estimates

HK: Capital market recovery has supported office leasing demand

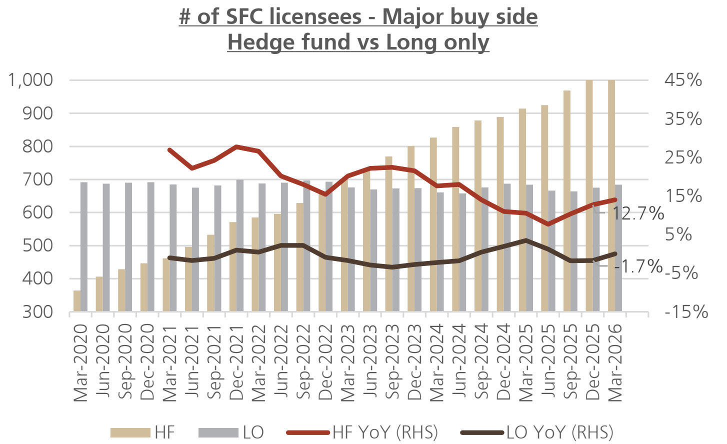
As of Aug2025, SFC licensees reached 42,833, up 4% YoY



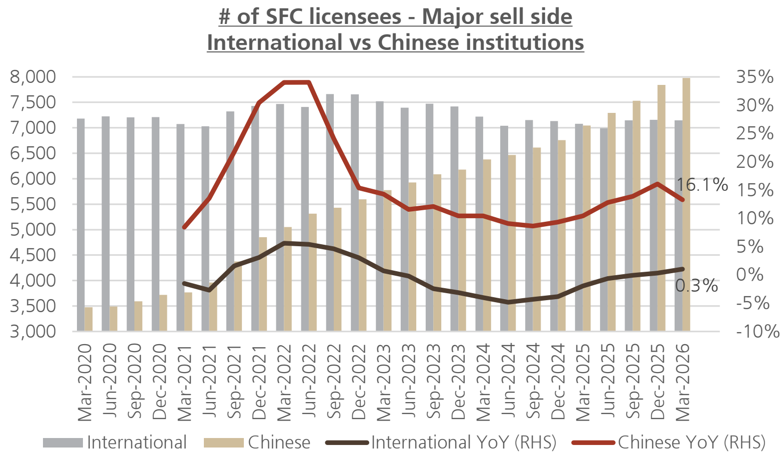
 # licensees increased 1.3k in June 2025 vs June 2024



Major buy-side licensees have increased 8% YoY in Mar 2026



Major sell-side licensees have increased 7% YoY in Mar 2026



Source: SFC. Note: # of licensees include representatives and responsible officers but excludes duplicates.

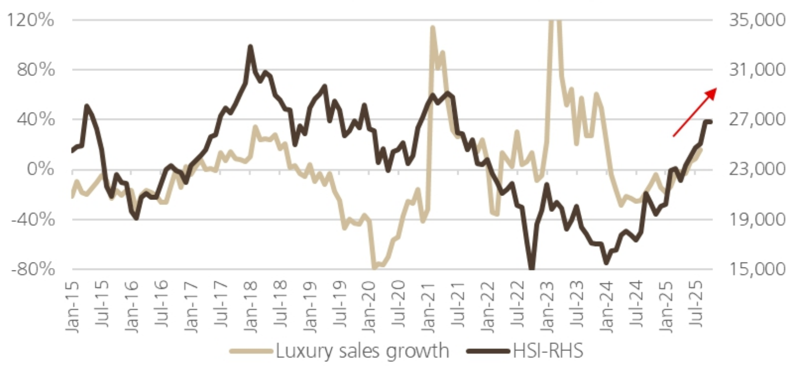
Rental Clock Series 2

Retail: Signs of Recovery in Luxury Retail

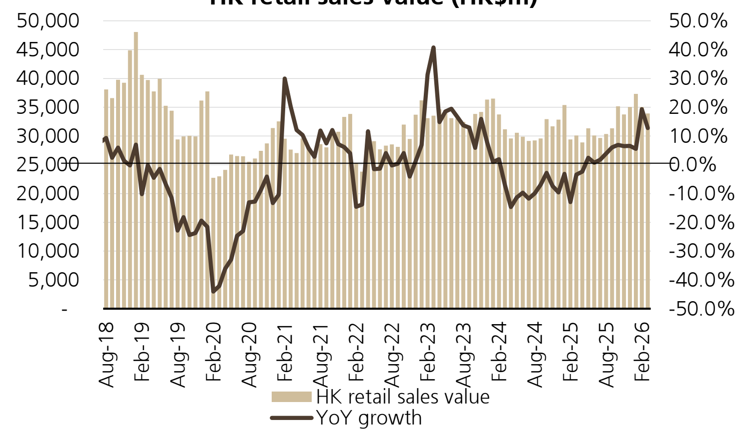
Theme 1: Stock market benefits luxury retail sales

HK retail sales is highly correlated to Hang Seng Index

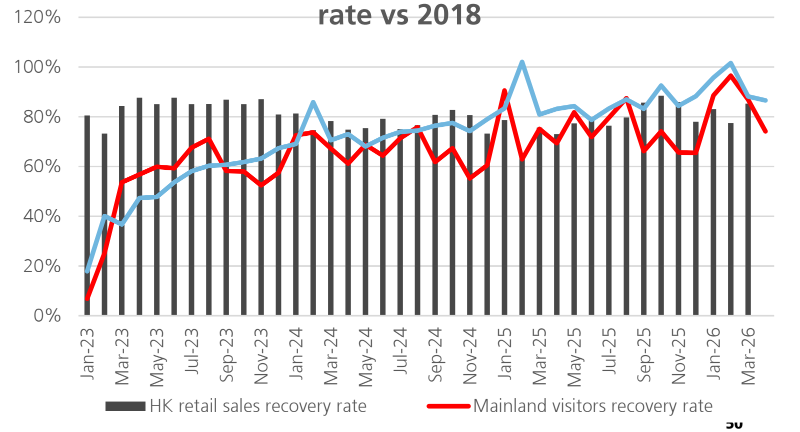
… so is HK luxury retail sales



We expect HK retail sales to be up 5% in 2026E



HK retail sales recovery rate remained weak vs 2018

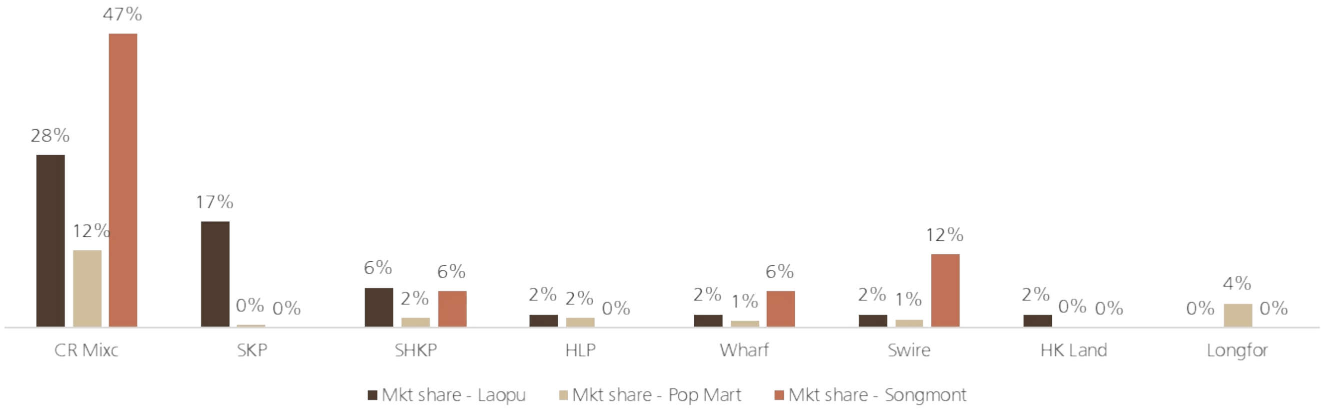


Source: CEIC, UBS. Note: luxury refers to Jewellery, Watches, Clocks & Valuable Gifts..

Theme 2: Rise of Chinese brands drives mall polarisation further

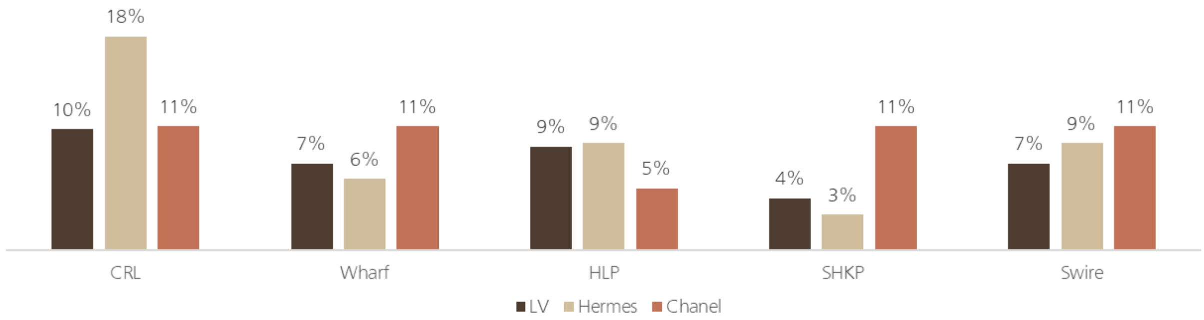
CR Mixc has the highest market share in emerging Chinese brands

Market share of new consumption brands by developer



… as well as in international luxury brands

Market share of international luxury brands by developer



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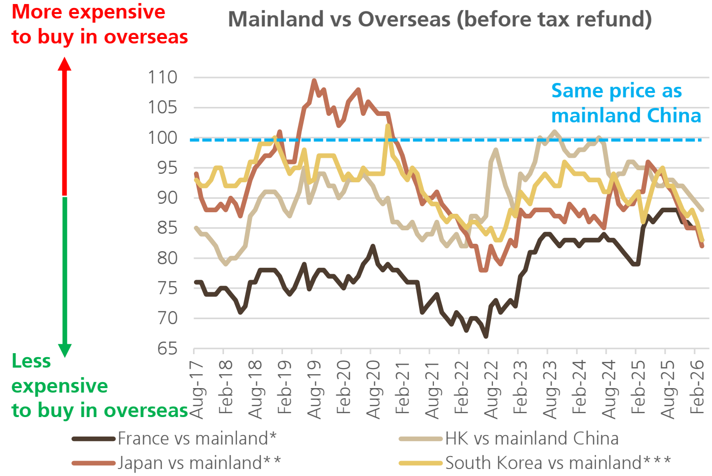
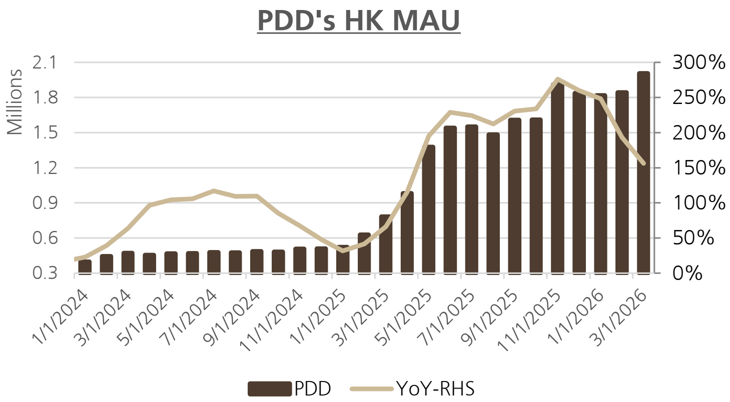
Source: CEIC, company data, UBS. Note: luxury refers to Jewellery, Watches, Clocks & Valuable Gifts..

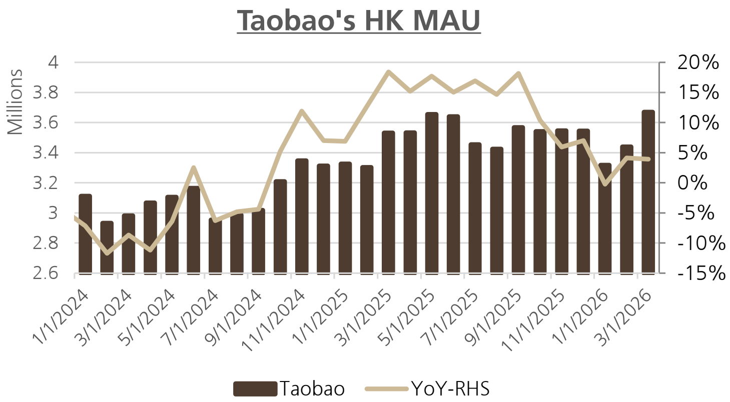
Theme 3: Equalisation of mainland China vs HK retail property

Luxury goods are 12% less expensive in HK than in mainland with instant tax refund in mainland China



Rising penetration from Chinese e-commerce platform in HK





Source: UBS Evidence Lab. Note: indexed to mainland China = 100.

Section 2

Hong Kong Property Sector

Valuation comps

						Trading NAV disc						Trading div yield						Trading yield spread					
	RIC code	Rating	Price target	Current price (LC)	Up/downside (%)	Trading NAV disc	Avg since 2010	Pre-social unrest peak	Pre-COVID peak	GFC trough	AFC trough	Trading div yield (FY26E)	Avg since 2010	Pre-social unrest peak	Pre-COVID peak	GFC trough	AFC trough	Trading yield spread (FY26E)	Avg Since 2010	Pre-social unrest peak	Pre-COVID peak	GFC trough	AFC trough
Developers																							
SHKP	0016.hk	Neutral	143.80	139.80	3%	37%	40%	33%	37%	45%	68%	2.8%	4.2%	3.4%	3.9%	7.2%	9.2%	-1.5%	1.6%	0.6%	1.8%	1.6%	3.8%
NWD	0017.hk	Sell	4.00	9.48	-58%	45%	51%	36%	39%	65%	73%	0.0%	5.4%	3.7%	4.1%	7.1%	13.8%	0.0%	2.8%	0.9%	2.0%	3.6%	8.4%
Kerry Prop	0683.hk	Buy	27.60	24.58	12%	62%	56%	36%	48%	71%	87%	5.5%	5.8%	3.9%	4.6%	8.2%	21.4%	1.2%	3.2%	0.9%	2.5%	4.5%	16.6%
Wharf	0004.hk	Sell	16.30	28.08	-42%	49%	59%	29%	53%	NA	NA	1.4%	2.2%	1.8%	3.2%	NA	NA	-2.8%	-1.0%	-0.8%	1.4%	NA	NA
CK Asset	1113.hk	Buy	62.00	51.10	21%	50%	42%	25%	42%	NA	NA	3.5%	4.5%	2.6%	3.5%	NA	NA	-0.8%	1.9%	-0.1%	1.5%	NA	NA
Henderson	0012.hk	Neutral	30.50	33.96	-10%	28%	38%	34%	37%	58%	59%	3.7%	4.6%	3.0%	4.0%	4.4%	10.8%	-0.5%	2.0%	0.3%	1.9%	1.4%	5.2%
Sino Land	0083.hk	Buy	14.30	12.93	11%	37%	45%	36%	40%	62%	83%	4.5%	5.2%	3.8%	4.3%	7.2%	13.1%	0.2%	2.6%	1.0%	2.2%	3.6%	7.3%
Weighted avg						**40%**	**43%**	**32%**	**40%**	**51%**	**62%**	**3.2%**	**4.4%**	**3.1%**	**3.9%**	**6.8%**	**10.5%**	**-1.0%**	**1.7%**	**0.4%**	**1.8%**	**2.4%**	**5.5%**
Landlords																							
LINK	0823.hk	Buy	47.20	41.18	15%	NA	NA	NA	NA	NA	NA	6.1%	4.9%	3.0%	3.1%	6.6%	NA	1.8%	2.3%	0.5%	1.0%	3.9%	NA
MTRC	0066.hk	Sell	25.00	34.12	-27%	0%	21%	16%	0%	32%	NA	3.8%	3.8%	2.5%	2.4%	3.0%	NA	-0.4%	1.2%	-1.6%	-1.5%	-0.9%	NA
HK Land	HKLD.SI	Buy	10.60	8.39	26%	44%	40%	31%	36%	52%	75%	3.2%	3.9%	2.8%	3.5%	7.7%	12.4%	-1.1%	1.3%	-0.2%	1.4%	5.2%	7.4%
Hang Lung Prop	0101.hk	Neutral	9.60	9.01	7%	58%	41%	31%	39%	50%	70%	5.8%	4.9%	3.6%	4.0%	4.4%	12.7%	1.6%	2.3%	0.9%	1.9%	1.8%	7.3%
Wharf REIC	1997.hk	Neutral	23.00	26.00	-12%	NA	NA	NA	NA	NA	NA	5.4%	4.8%	3.1%	3.9%	NA	NA	1.1%	1.9%	0.0%	1.9%	NA	NA
Hysan	0014.hk	Neutral	22.40	20.34	10%	45%	46%	38%	42%	63%	82%	5.3%	5.2%	3.1%	3.8%	6.0%	17.3%	1.1%	2.6%	0.1%	1.7%	3.0%	12.2%
Swire Prop	1972.hk	Buy	29.60	25.42	16%	53%	44%	24%	23%	NA	NA	4.8%	4.1%	2.5%	2.7%	NA	NA	0.5%	1.4%	-0.5%	0.7%	NA	NA
CREIT	2778.hk	Neutral	2.30	2.46	-7%	NA	NA	NA	NA	NA	NA	5.3%	5.8%	4.1%	4.3%	18.8%	NA	1.1%	3.1%	1.5%	2.3%	15.8%	NA
Weighted avg						**49%**	**42%**	**29%**	**32%**	**53%**	**75%**	**4.5%**	**4.3%**	**2.8%**	**3.1%**	**5.6%**	**12.9%**	**0.3%**	**1.6%**	**-0.4%**	**0.5%**	**2.5%**	**7.9%**

Most preferred → **Least preferred**

Developer	Sino	CK Asset	Kerry	Henderson	SHKP	NWD	Wharf
Ticker	0083.HK	1113.HK	0683.HK	0012.HK	0016.HK	0017.HK	0004.HK
Share price	13.00	51.20	25.00	34.00	143.30	9.55	28.14
Rating	**Buy**	**Buy**	**Buy**	**Neutral**	**Neutral**	**Sell**	**Sell**
PT	**14.30**	**62.00**	**27.60**	**30.50**	**143.80**	**4.00**	**16.30**
% upside	**10%**	**21%**	**10%**	**-10%**	**0%**	**-58%**	**-42%**
26E P/E	25.7	11.0	17.7	19.6	17.9	-11.7	21.0
26E P/BV	0.71	0.44	0.35	0.51	0.66	0.14	0.57
26E yield	4.5%	3.5%	5.4%	3.7%	2.7%	0.0%	1.4%

Most preferred → **Least preferred**

Landlord	LINK	Swire Prop	HK Land	CREIT	HLP	Hysan	Wharf REIC	MTRC
Ticker	0823.HK	1972.HK	HKLD.SI	2778.HK	0101.HK	0014.HK	1997.HK	0066.HK
Share price	41.18	25.42	8.39	2.44	9.01	20.34	26.00	34.12
Rating	**Buy**	**Buy**	**Buy**	**Neutral**	**Neutral**	**Neutral**	**Neutral**	**Sell**
PT	**47.20**	**29.60**	**10.60**	**2.30**	**9.60**	**22.40**	**23.00**	**25.00**
% upside	**15%**	**16%**	**26%**	**-6%**	**7%**	**10%**	**-12%**	**-27%**
26E P/E	15.6	19.6	31.6	20.3	14.4	11.2	11.6	12.7
26E P/BV	0.67	0.55	0.65	0.34	0.35	0.32	0.43	1.06
26E yield	6.1%	4.8%	3.2%	5.4%	5.8%	5.3%	5.4%	3.8%

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Note: Above prices as of 12 May 2026. Source: Company data, Thomson Reuters Eikon, UBS estimates

Sector key forecast

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026E
Residential														
CCL YoY (from beginning to end of year)	**3%**	**11%**	**3%**	**8%**	**13%**	**6%**	**2%**	**-1%**	**6%**	**-15%**	**-5%**	**-7%**	**5%**	**+5%-10%**
Grade-A office														
Rental trend YoY (from beginning to end of year)	**1%**	**2%**	**11%**	**5%**	**3%**	**6%**	**-5%**	**-19%**	**-5%**	**-4%**	**-6%**	**-9%**	**-2%**	**Flat**
Central rent	-1%	3%	13%	10%	6%	8%	-5%	-24%	-2%	-2%	-7%	-12%	0%	**+3% to +5%**
Overall vacancy rate	**4.3%**	**4.1%**	**3.1%**	**4.5%**	**5.1%**	**4.2%**	**6.0%**	**8.9%**	**9.6%**	**12.1%**	**12.9%**	**13.1%**	**14.1%**	**Mid to high teens**
Central vacancy rate	4.6%	3.7%	1.2%	1.7%	1.7%	1.8%	3.6%	7.3%	8.0%	8.8%	9.9%	11.6%	11.0%	**Low teens**
Retail														
Rental trend YoY (from beginning to end of year)														
Overall prime	**5%**	**1%**	**1%**	**-1%**	**-1%**	**2%**	**-6%**	**-32%**	**-2%**	**-5%**	**3%**	**-2%**	**-9%**	**Low single digit**
Premium prime	6%	1%	1%	-1%	0%	2%	-6%	-35%	-4%	-7%	4%	-2%	-10%	
High street	4%	0%	-23%	-18%	-10%	2%	-18%	-37%	-7%	-11%	15%	1%	-2%	
Prime vacancy rate	2.5%	2.0%	1.3%	1.8%	2.8%	3.7%	3.5%	5.4%	4.1%	7.4%	8.9%	8.7%	9.7%	
HK retail sales YoY	**11%**	**0%**	**-4%**	**-8%**	**2%**	**9%**	**-11%**	**-24%**	**8%**	**-1%**	**16%**	**-7%**	**1%**	**~+5%**

Most preferred — Least preferred

Developer	Sino	CK Asset	Kerry	Henderson	SHKP	NWD	Wharf
Ticker	0083.HK	1113.HK	0683.HK	0012.HK	0016.HK	0017.HK	0004.HK
Share price	13.00	51.20	25.00	34.00	143.30	9.55	28.14
Rating	**Buy**	**Buy**	**Buy**	**Neutral**	**Neutral**	**Sell**	**Sell**
PT	**14.30**	**62.00**	**27.60**	**30.50**	**143.80**	**4.00**	**16.30**
% upside	**10%**	**21%**	**10%**	**-10%**	**0%**	**-58%**	**-42%**
26E P/E	25.7	11.0	17.7	19.6	17.9	-11.7	21.0
26E P/BV	0.71	0.44	0.35	0.51	0.66	0.14	0.57
26E yield	4.5%	3.5%	5.4%	3.7%	2.7%	0.0%	1.4%

Most preferred — Least preferred

Landlord	LINK	Swire Prop	HK Land	CREIT	HLP	Hysan	Wharf REIC	MTRC
Ticker	0823.HK	1972.HK	HKLD.SI	2778.HK	0101.HK	0014.HK	1997.HK	0066.HK
Share price	41.18	25.42	8.39	2.44	9.01	20.34	26.00	34.12
Rating	**Buy**	**Buy**	**Buy**	**Neutral**	**Neutral**	**Neutral**	**Neutral**	**Sell**
PT	**47.20**	**29.60**	**10.60**	**2.30**	**9.60**	**22.40**	**23.00**	**25.00**
% upside	**15%**	**16%**	**26%**	**-6%**	**7%**	**10%**	**-12%**	**-27%**
26E P/E	15.6	19.6	31.6	20.3	14.4	11.2	11.6	12.7
26E P/BV	0.67	0.55	0.65	0.34	0.35	0.32	0.43	1.06
26E yield	6.1%	4.8%	3.2%	5.4%	5.8%	5.3%	5.4%	3.8%

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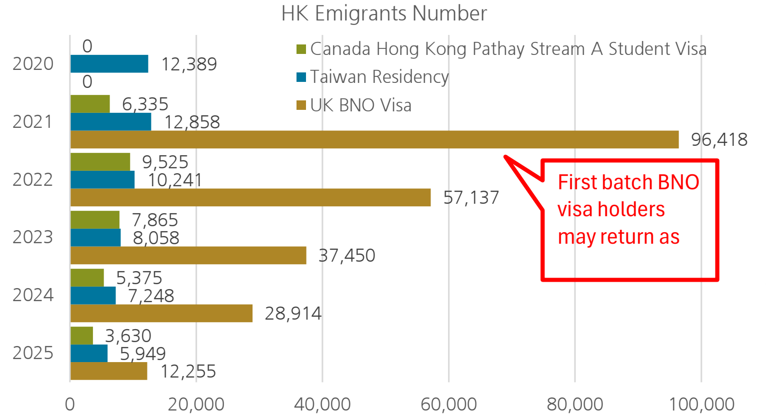
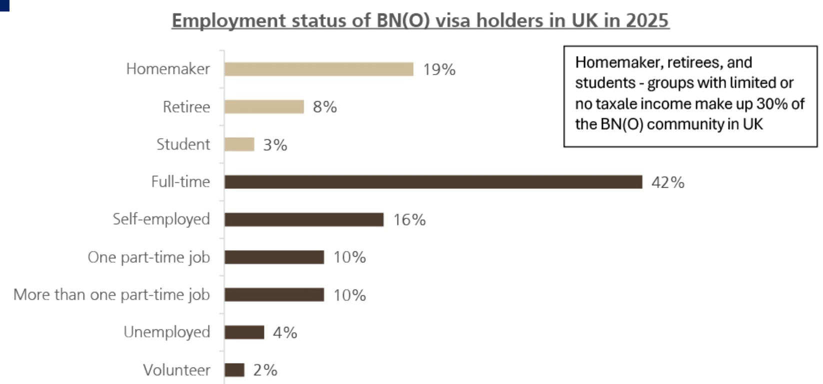
Source: CEIC, UBS estimates, JLL

Residential: returning emigrants are a potential new demand catalyst

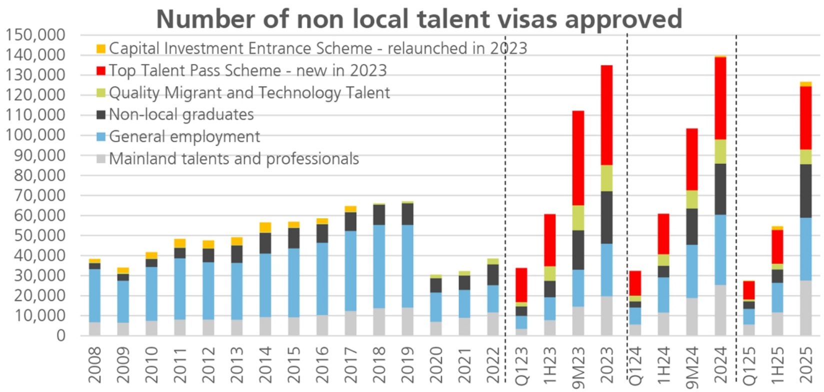
During 2020-25, about 321,000 HK residents emigrated to UK, Taiwan and Canada



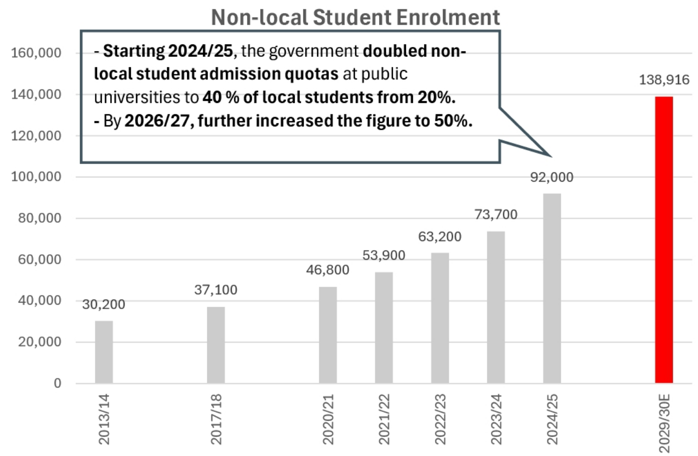
About 30% of BNO visa holders did not secure a job



Strong population inflow to drive residential rents, due to talent, dependents, and non-local students inflow



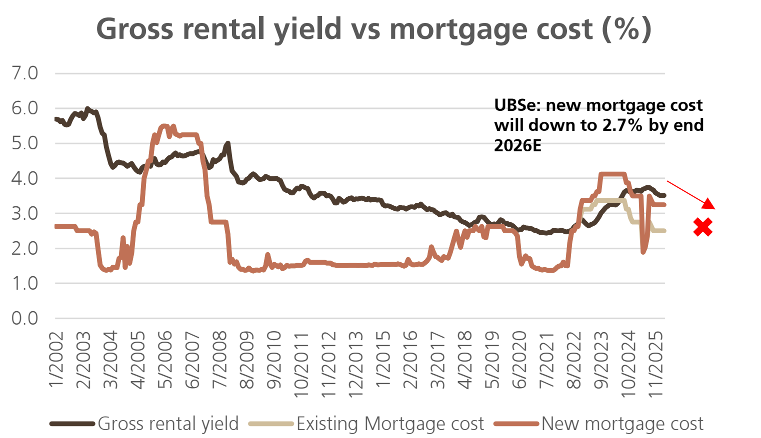
Non-local student enrolments to continue growing to at least 140,000 by 2029/30E, up 48% from current level



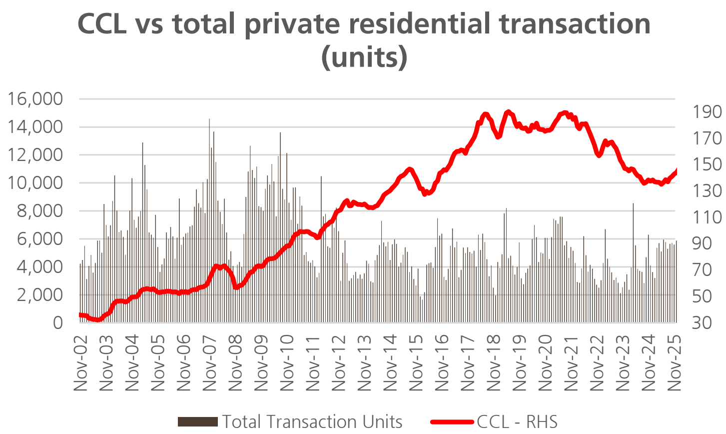
Source: Midland, Centaline, UBS

Purchase sentiment has recovered despite a modest positive carry

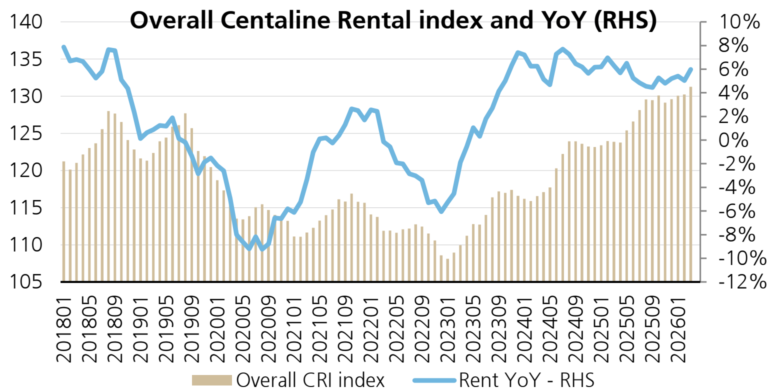
The latest gross residential rental yield reached 3.5% vs. new mortgage cost of 3.2%



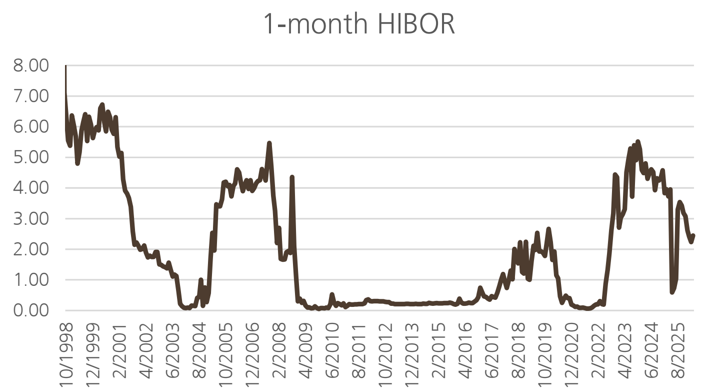
HK residential transaction volume and prices increased by 9%/5% in Q126 QoQ



Residential rent was up 6% YoY in Mar 2026, already at historical high



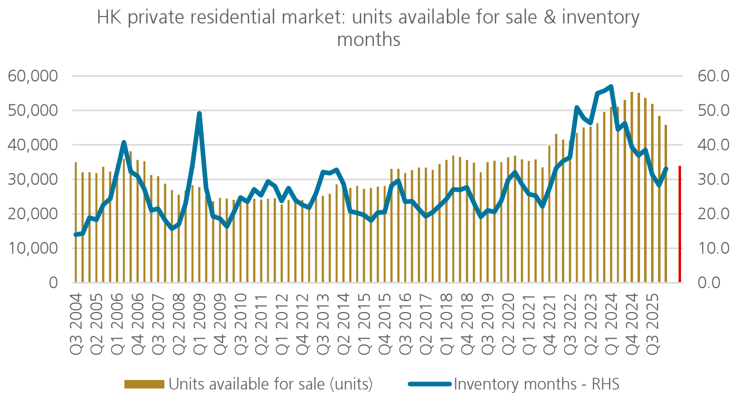
Latest 1m HIBOR reached 2.44%



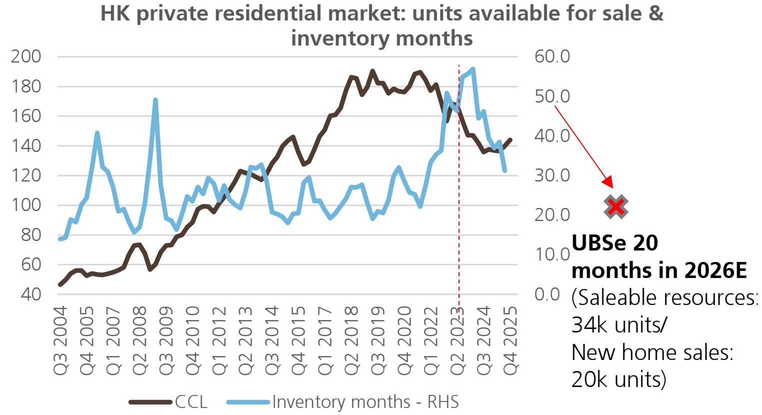
Source: Midland, Centaline, UBS

Destocking has been completed and declining supply in medium-run

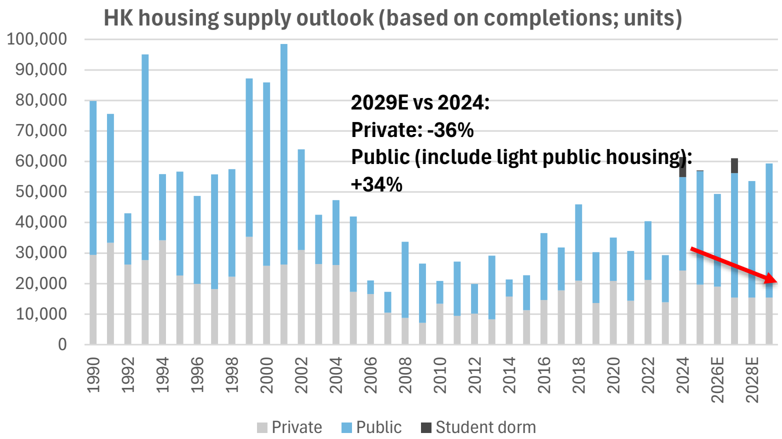
High near-term supply is a concern – we estimate near-term saleable resources to fall from c.46k units in 2025 to c.34k units in 2026



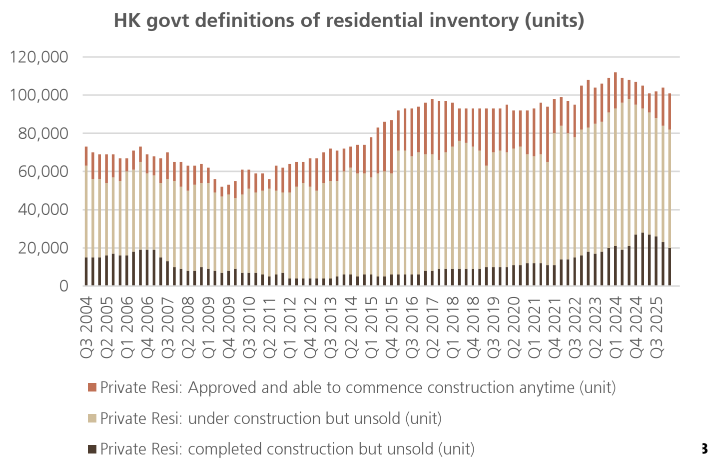
It requires less than 30 months of inventory months to stabilize the price



We expect annual housing supply for private housing to decline 36% over 2024-29E



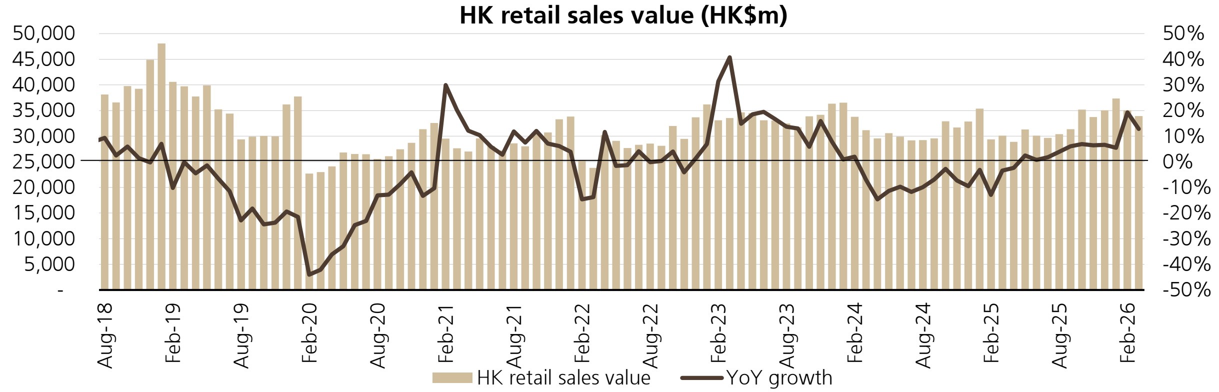
Total residential supply is also declining



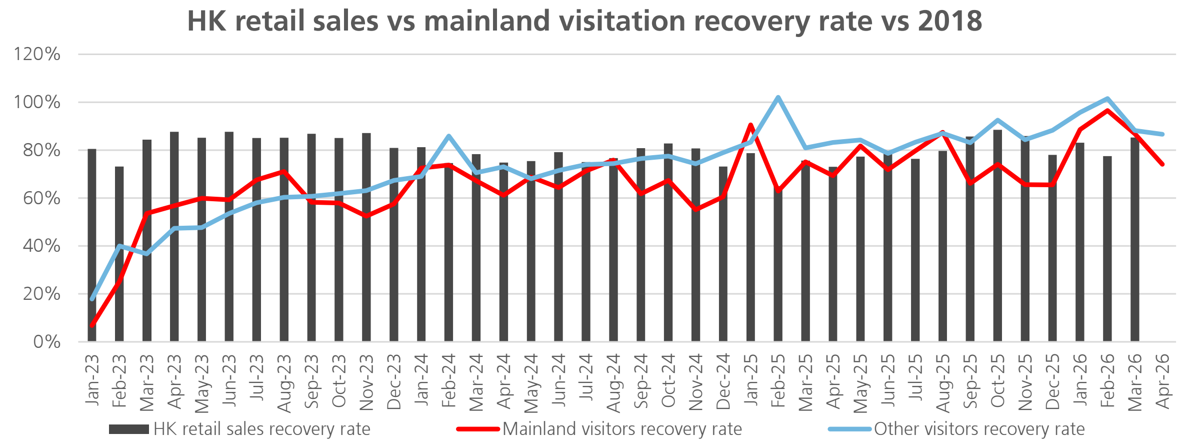
Source: UK Home Office, Government of Canada, HK Housing Bureau, HK Development Bureau, UBS estimates, CEIC

Retail sales has recently rebounded

We expect HK retail sales to be up 5% in 2026E



HK retail sales recovery rate remained weak vs 2018



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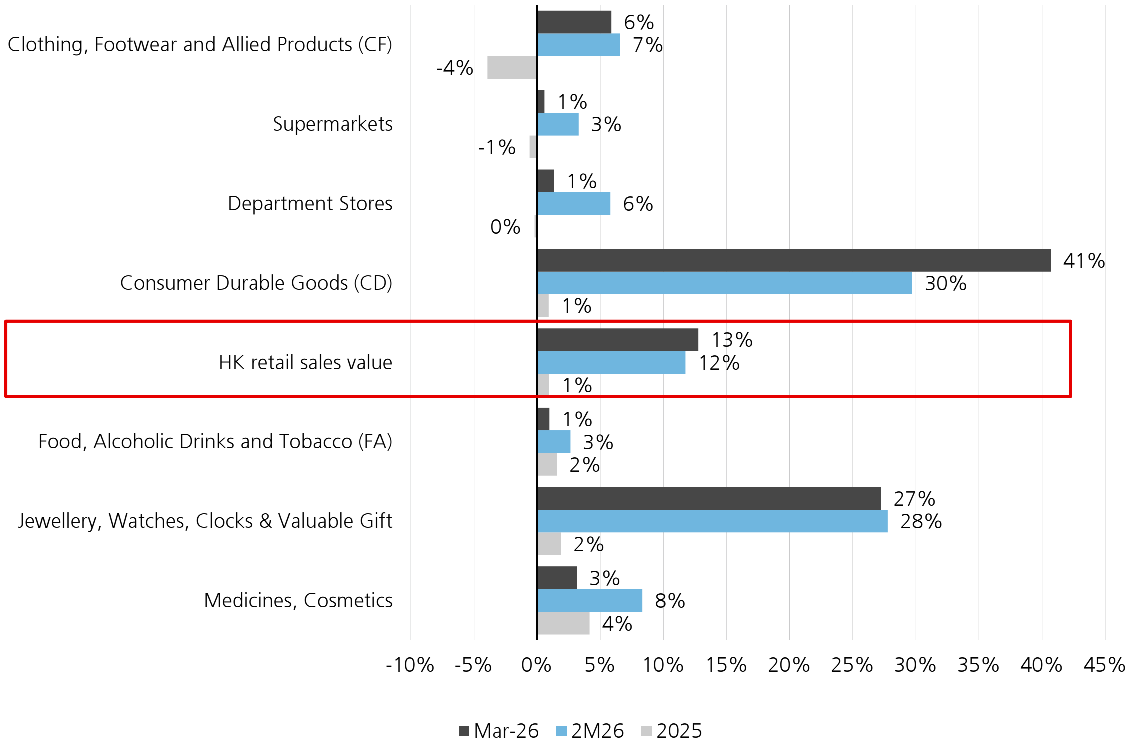
HK retail sales was up 12% YTD

Mainly driven by EV, iPhone, and gold sales



Source: CEIC

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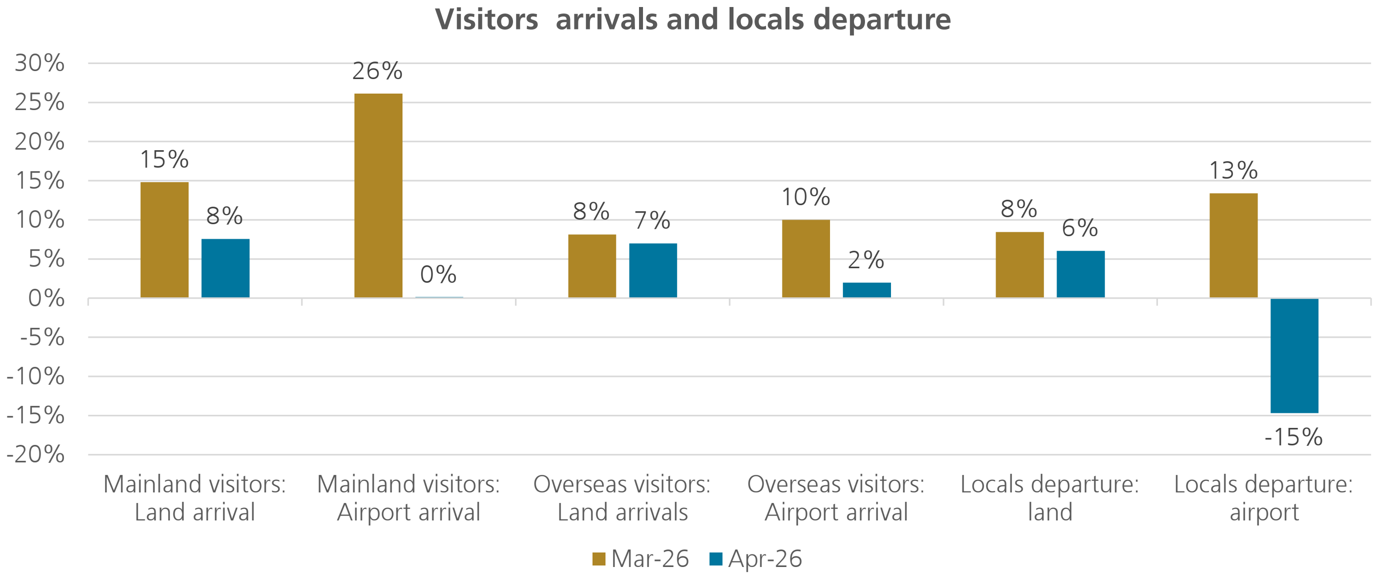
The pro-longed Middle East conflict may result in fewer overnight visitors, hence lower the per capita spending

We expect fewer visitors arrival from airport may be a negative for tourist district malls due to weaker per capita spending. In contrast, we see more local retail spending be contained.



Source: CEIC

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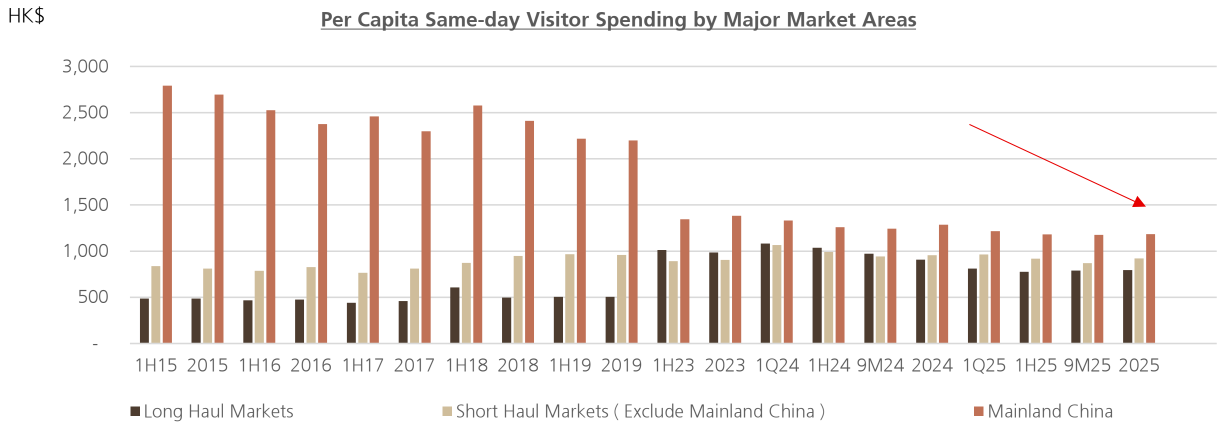
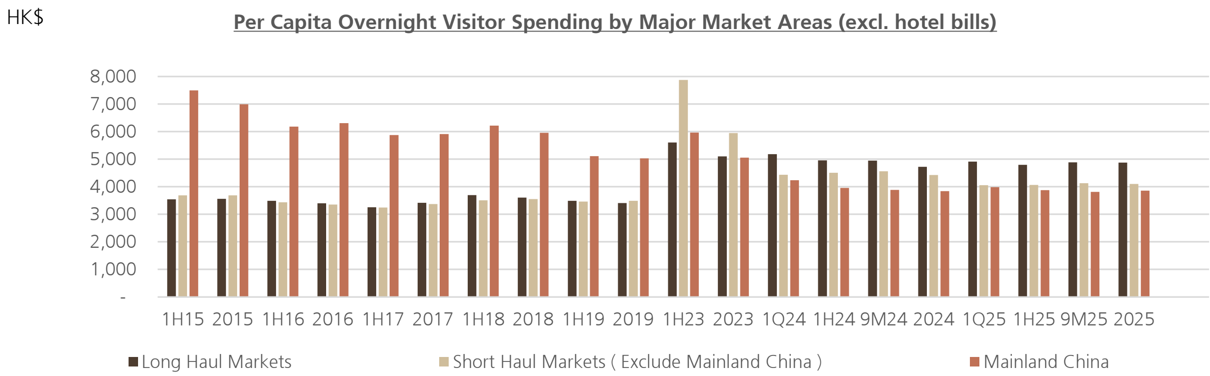
The pro-longed Middle East conflict may result in fewer overnight visitors, hence lower the per capita spending (2)

Per capita spending for same-day mainland visitors was 40% lower compared to 2019



Per capita spending for overnight mainland visitors was 36% lower vs 2019



Source: HK PartnerNet

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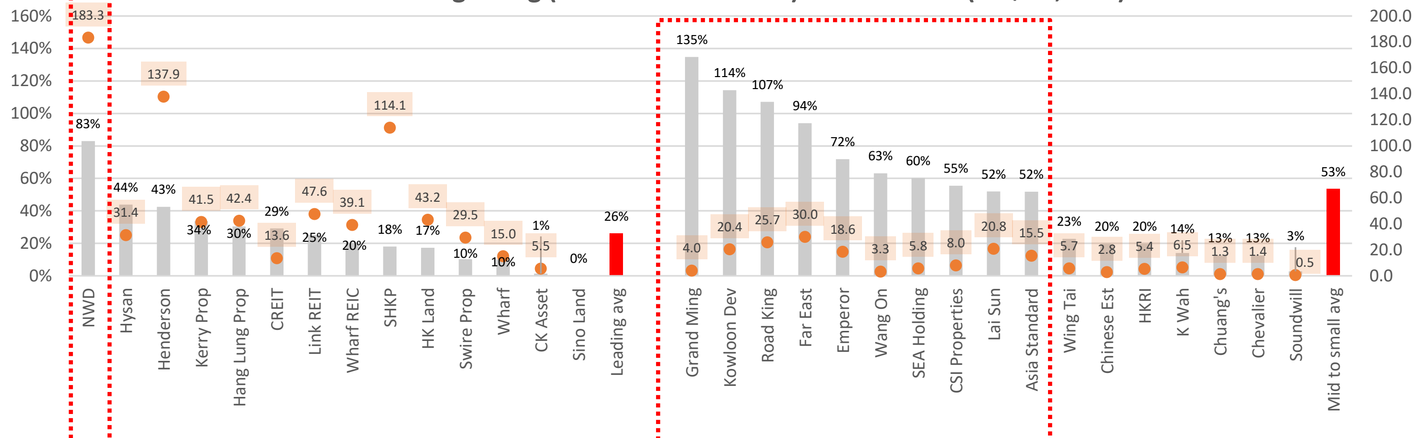
Mid-small developers – market still hasn't priced in their high gearing risk

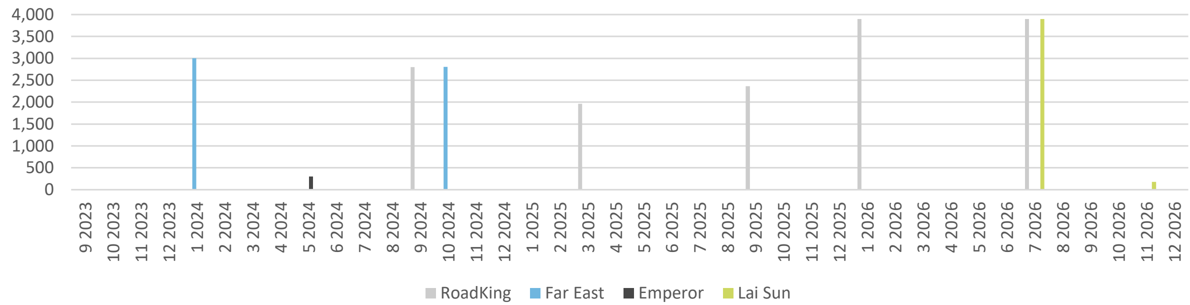
Mid-to-small listed developers' latest net gearing is much higher than leading developers'

Latest net gearing (treated PCS as debt) and net debt (HK$bn; RHS)



Among the highly geared mid-small developers, only Road King, Far East, Emperor, and Lai Sun have bond issuances. Far East/Road King's bond repayments in Sep 2024 would be key dates to monitor for the sector

Bond maturity schedule for high geared mid-small developers (include PCS with reset/ step-up) - HK$mn



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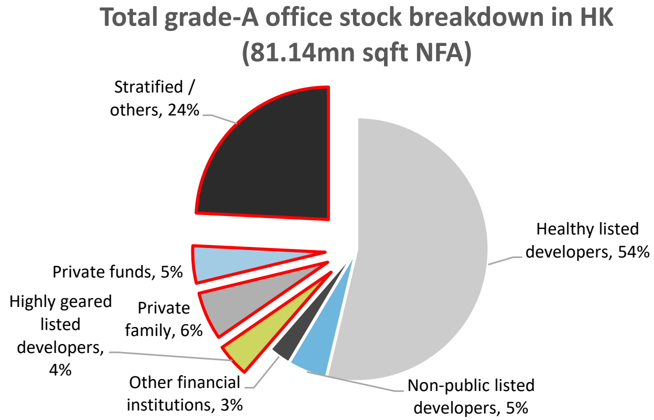
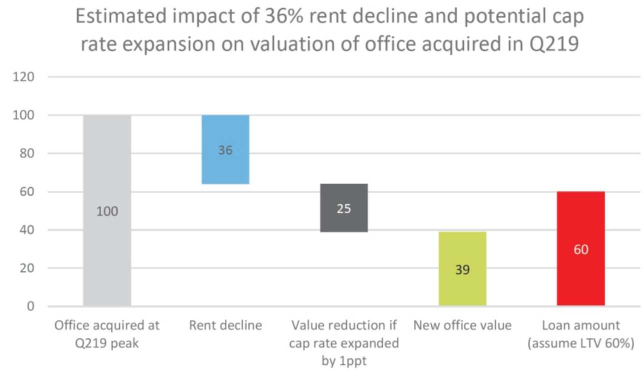
Source: Company data, UBS estimates, Reuters for non-covered companies

Negative equity risk for CRE - we think risk mainly concentrated in office and high street retail properties

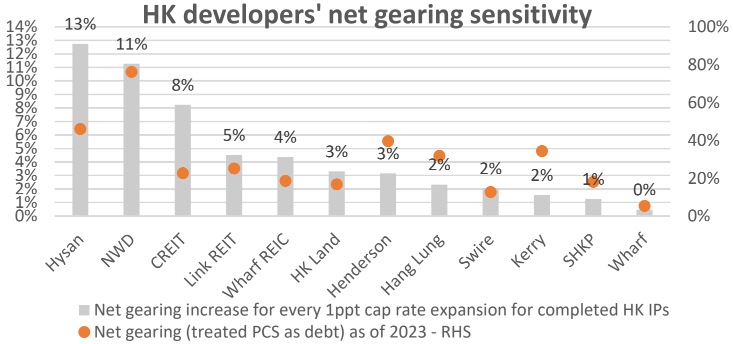
40% of existing office stock are held by highly geared developers, families, and funds



Given office rent has declined 30% from the peak, a 1ppt increase in cap rates may result in negative equity risk



Among our coverage, we think the net gearing of NWD, Hysan, and Champion REIT are likely most sensitive to any cap rate expansion



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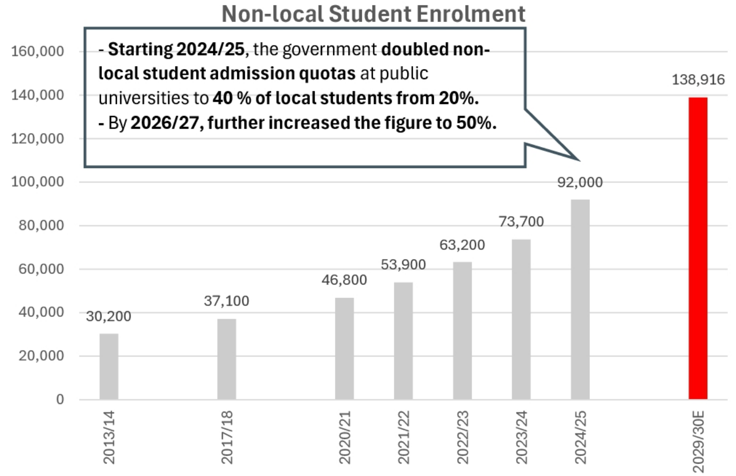
Source: Company data, UBS estimates

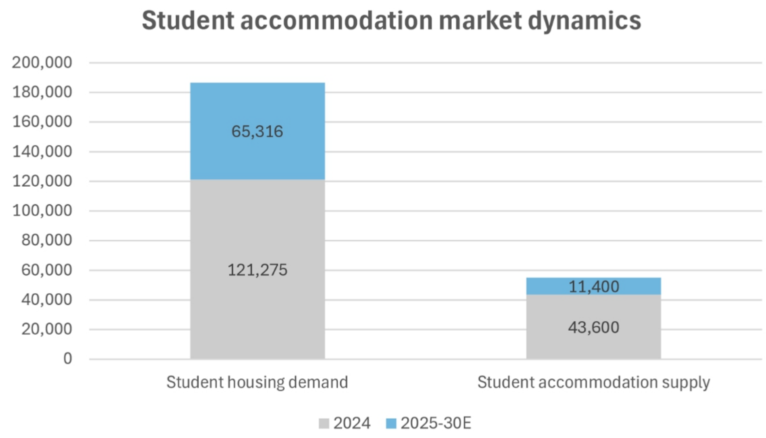
Emerging Opportunities: Education & CRE Conversions

Non-local student inflow is a long-term growth trend



Source: CSPE, UBS estimates. Note: The number is cumulative; year refers to academic year.

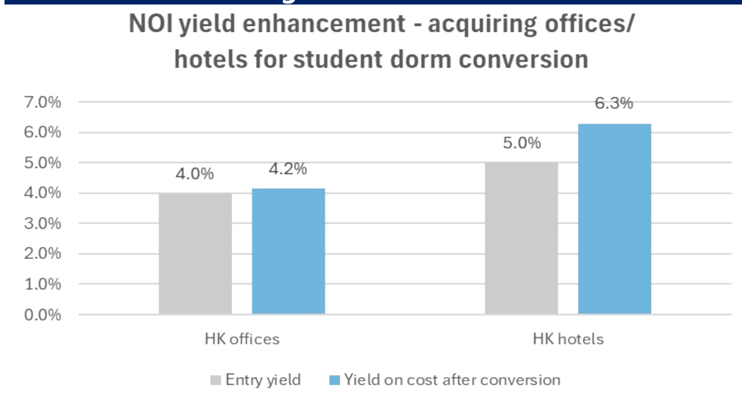
Student dormitory shortage presents CRE conversion opportunities



Source: Colliers, UBS estimates. Note: excluding private student dorm supply.

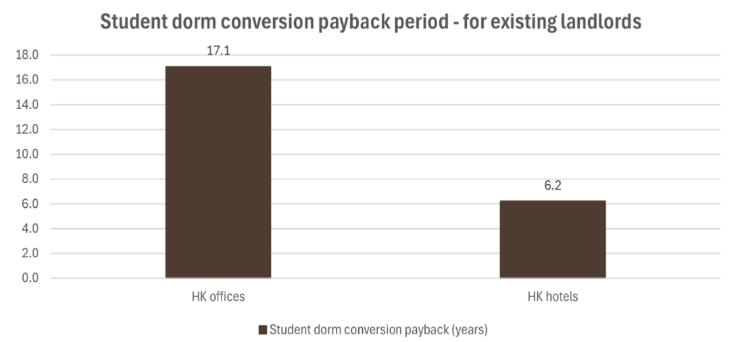
Source: CSPE, UBS estimates. Note: The number is cumulative; year refers to academic year.

NOI yield enhancement from student dorm conversion is much higher for hotels vs. offices



Source: Knight Frank, UBS estimates, CBRE

Conversation capex Payback period for hotel is much shorter than for office



Source: Knight Frank, UBS estimates, CBRE

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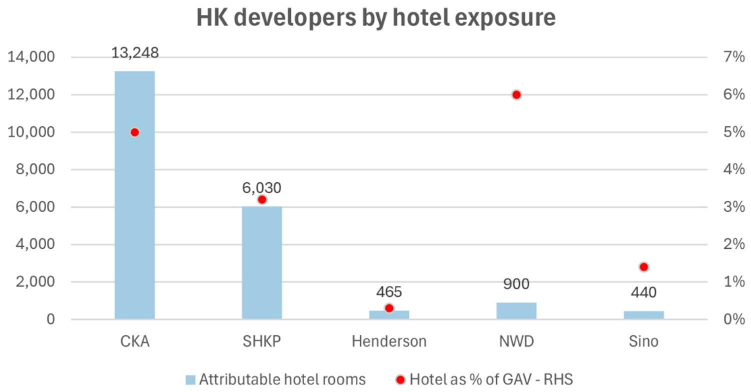
Emerging Opportunities: Education & CRE Conversions

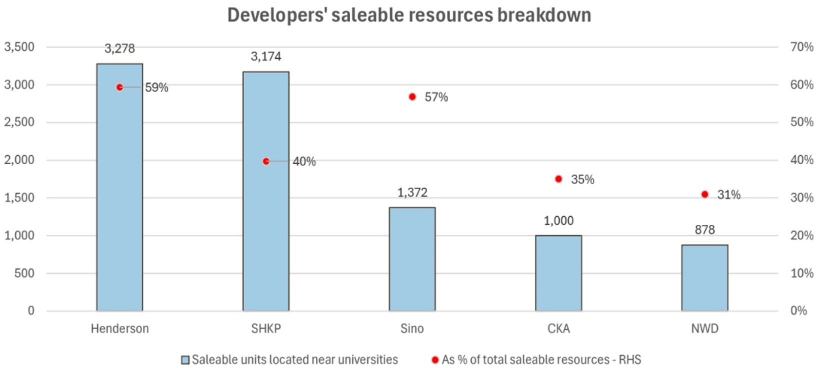
Northern Metropolis University Town could unlock long-term sector growth

h.a.	1 Hung Shui Kiu/ Ha Tsuen	2 Yuen Long South	3 Lau Fau Shan	4 Ngau Tam Mei	5 San Tin Technopole	6 Kwu Tong North/ Fanling North	7 New Territories North New Town	7 New Territories North New Town (priority)
Land Use								
Resi	80	60	82	18	60	55	220	23
I&T and education	9	0	115	55	299	8	40	40
Logistics	74	11			16	2	210	64
Public utilities	86	85	57	12	91	39	190	6
Leisure	66	29	56	13	56	38	275	28
Other	126	39		29	104	178	240	45
Total development area	**441**	**224**	**310**	**127**	**626**	**320**	**1,175**	**206**
Education specifically	**5**			**55**			**40**	**40**
Housing Supply and employment opportunities ('000)								
Total population	184	99	141 - 146	32 - 36	147 - 159	227	449 - 484	45 - 49
Resi units	67	33	48 - 53	12 - 13	50	26	163 - 176	17 - 19
New job opportunities	150	14	50	22 - 26	165	53	165	47
Land resumption started since/expected	2020/2024/2025	2022/2025	2027	2027	2025	2019/2024	2027	2027

CKA has the highest hotel exposure



Henderson has the highest saleable resources near university districts



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Source: Planning Department; Company data, UBS estimates

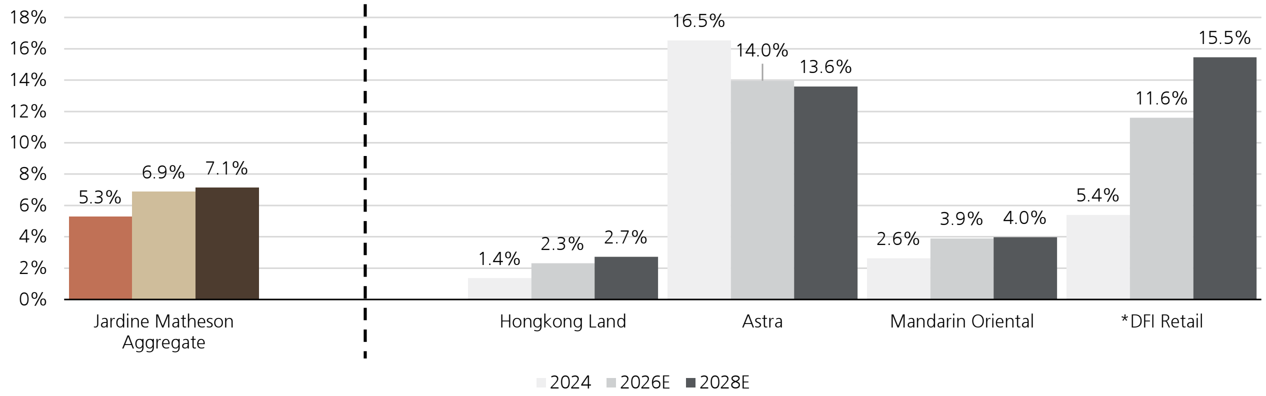
Section 3

Hong Kong Conglomerates

Jardine Matheson (Buy) – More focus on shareholder return

ROE uplift through third party capital is next stage of growth after asset disposals and buybacks

ROE/ROCE of underlying businesses



JM's 2027E SOTP

	Effective Stake	UBS NAV 2026E US$m	US$/sh	% NAV	Comment/ assumptions	2027E PE
Direct holdings						
Jardine Pacific	100%	1,932	6.6	6%	10x 2027 PE	10.0
Indirect holdings						
Hongkong Land	55%	10,677	36.3	35%	Market value	
DFI Retail	78%	4,716	16.0	15%	Market value	
Mandarin Oriental	100%	4,376	14.9	14%	Market value	
Jardine Cycle & Carriage (ex Astra)	85%	1,004	3.4	3%	7x 2027 PE	7.0
Astra International	43%	7,088	24.1	23%	Market value	
Zhongsheng	21%	824	2.8	3%	Market value	
Corporate and other investments	100%	(152)	(0.5)	(0%)	7x 2027 PE	7.0
Parent level net debt	100%	(25)	(0.1)	(0%)	Book value as of Oct 2025	
SOTP-based NAV		**30,440**	**103.4**	**100%**		
Discount to NAV			10%		Based on average since 2019	
Price target (USD/share)			**92.6**			

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Source: company data, UBSe

CK Hutchison (Buy) – Earnings upside from Cenovus and asset disposals

We estimate 110% YoY increase in 2026E earnings and DPS of HK$3.33/sh from gain on VodafoneThree & UKPN disposals and higher Cenovus earnings

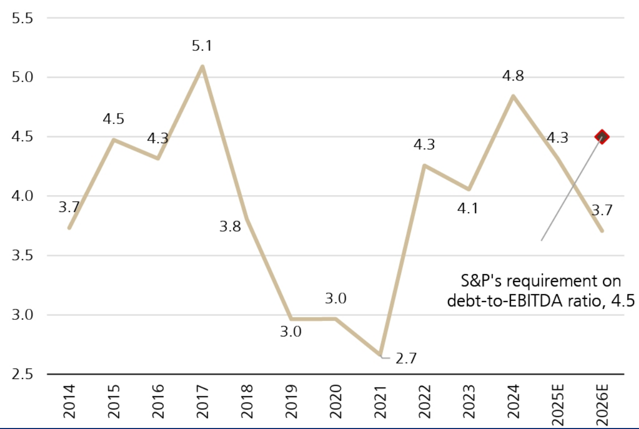
	Interest	UBSe FV 2027E			Methodology & assumptions
	%	HK$bn	HK$/sh	Mix	
Retail					
H&B China	75%	1	0	0%	7x EV/EBITDA 2027E
H&B Asia	75%	25	6	4%	7x EV/EBITDA 2027E
H&B W. Europe	75%	55	14	9%	7x EV/EBITDA 2027E
H&B E. Europe	75%	22	6	4%	7x EV/EBITDA 2027E
Retail others	75%	1	0	0%	6x EV/EBITDA 2027E
Subtotal		**103**	**27**	**18%**	Implied blended 7.0x EV/EBITDA
Telecom					
3 Europe	100%	128	33	22%	6.5x EV/EBITDA 2027E (Europe sector avg)
HTHK	66%	4	1	1%	Listed market value
Subtotal		**132**	**34**	**23%**	
Ports					
HPH Trust	30%	4	1	1%	Listed market value
Hutch Port Holdings	80%	102	27	17%	7.1x 2027E EV/EBITDA (HPH Trust)
Subtotal		**106**	**28**	**18%**	
Infra and Energy					
CKI	76%	127	33	22%	Listed market value
Cenovus	16%	70	18	12%	Listed market value
CKII	10%	2	1	0%	Implied equity value by the latest transaction
Subtotal		**200**	**52**	**34%**	
Others (Tom, Chi-Med, Marionnaud, CKLS)	various	43	11	7%	Market value of listed companies
Gross asset value		**584**	**152**	**100%**	
Consolidated net debt 2027E		**(8)**	**(2)**		
Add back net debt of listed subsidiaries that are valued at equity value		12	3		Add back net debt from CKI and HTHK
NAV		**588**	**153**		
Holding company discount		-45%	-45%		
Price Target		**324**	**84.6**		

Source: company data, UBSe

Swire Pacific (Neutral) - HK$6bn share buyback programme ended in May 2025; Lagging its underlying listcos

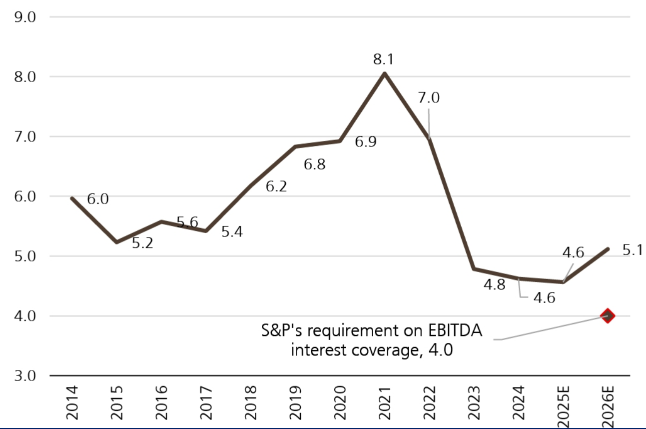
Swire Pacific's debt-to-EBITDA ratio could fall in 2026E to 3.7x

Adjusted Net Debt to Adjusted EBITDA ratio



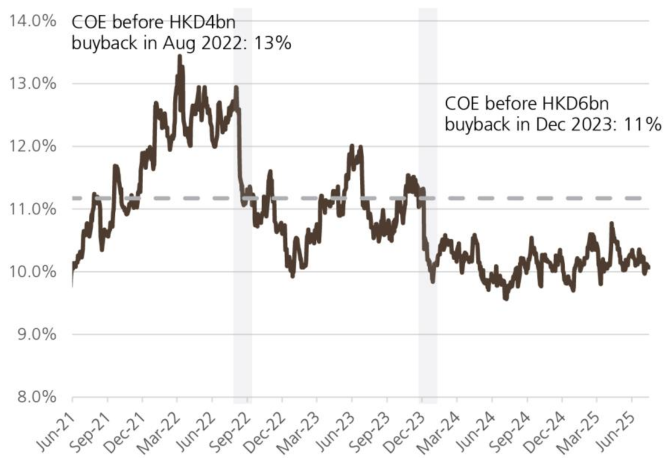
EBITDA interest coverage could improve to 5.1x in 2026E

Adjusted EBITDA / Gross Interest Expenses



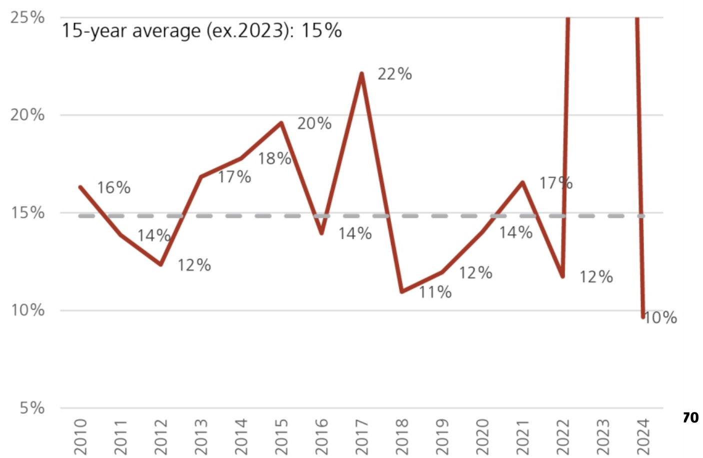
COE is currently 10.1%, vs 11.2%/12.6% before share buyback

Swire Pacific COE estimate



Beverages segment has yielded 15% ROCE on average

Beverages: Return on capital employed



Source: company data, UBSe

Valuation Method and Risk Statement

We base our valuations of China's property developers 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.

We believe the key risks related to the Hong Kong property sector include: 1) weakening macroeconomic conditions; 2) a gradual increase in new housing supply; 3) higher-than expected US Fed rate hikes.