China Real Estate

Construction decline: Less built, less left

Equities
REMD

China

- Progress update: we estimate absolute broad inventory fell c20% in 2023-25, driven by a decline in construction area
- Idle land acquisition is set to pick up pace, reinforcing a faster decline in long-term stock
- A new supply-demand balance is forming quickly; we stay constructive – prefer CRL and C&D, both rated Buy

Michelle Kwok*
Head of Asia Real Estate and HK Equity Research
The Hongkong and Shanghai Banking Corporation Limited
michellekwok@hsbc.com.hk
+852 2996 6918

Oliver Yu*
Analyst, Asia Real Estate
The Hongkong and Shanghai Banking Corporation Limited
oliver.y.o.x.yu@hsbc.com.hk
+852 2288 2050

Stephen Wang*, CFA
Analyst, Asia Real Estate
The Hongkong and Shanghai Banking Corporation Limited
stephen.wang@hsbc.com.hk
+852 2284 1675

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Supply tightening underpins a more durable recovery (not just sentiment). Investors are split on whether the recent rally is driven by mood or fundamentals. We believe it is the latter (*Still early in the rally*, 7 May 2026). We see fundamentals doing the heavy lifting. Beyond resilient near-term sales, a tightening supply pipeline should help extend the recovery. Shenzhen's fast-declining inventories are already improving sell-through for premium projects (*Pulse check on supply squeeze*, 23 April 2026). This report looks at national inventory trends to confirm the broader picture.

Absolute inventory is shrinking, even if turnover metrics lag. While headline inventory turnover has not improved materially, we estimate total "broad inventory" (across categories) declined c19% over 2023-25 (*The path from oversupply to undersupply*, 17 May 2024). The key driver is that sold area has consistently exceeded new starts, rapidly drawing down stock that is under construction but not yet approved for sale. Remaining inventory is increasingly skewed towards completed units and projects yet to commence construction. We still expect a 2026e inflection, with price stabilisation and better sales in key cities.

Completed homes remain a near-term focus, but the pipeline is gradually thinning. Over the past year, 19 cities recorded inventory declines of 10%-plus, while 80 cities saw a milder c3% drop. Completed homes for sale rose in 2025, highlighting ongoing clearance needs. However, with less construction converting into completions, completed-for-sale inventory should fall meaningfully. Developers typically expect 2-3 years to clear older stock.

Idle land buybacks could reduce inventory by a further 5-10%. In 1Q26, local governments issued RMB48bn of special bonds for idle land purchases (+56% y-o-y), with scope to accelerate. Chongqing's programme is sizeable (c16% of 2019-24 land sold). If more cities lift targets towards 10% (versus a c5.5% average), broad inventory may fall another 5-10%. Plan revisions can also cut GFA (e.g., a Shenzhen parcel repurchased from Shimao and subsequently resold to CRL saw GFA cut by 35%).

Equity implications. The squeeze is most visible in high-quality supply in top-tier cities, albeit gradual rebuilding. Against this backdrop, we favour developers with stronger premium pipelines. We prefer CRL (Buy) and C&D (Buy), with improved visibility for an earnings recovery from 2027e.

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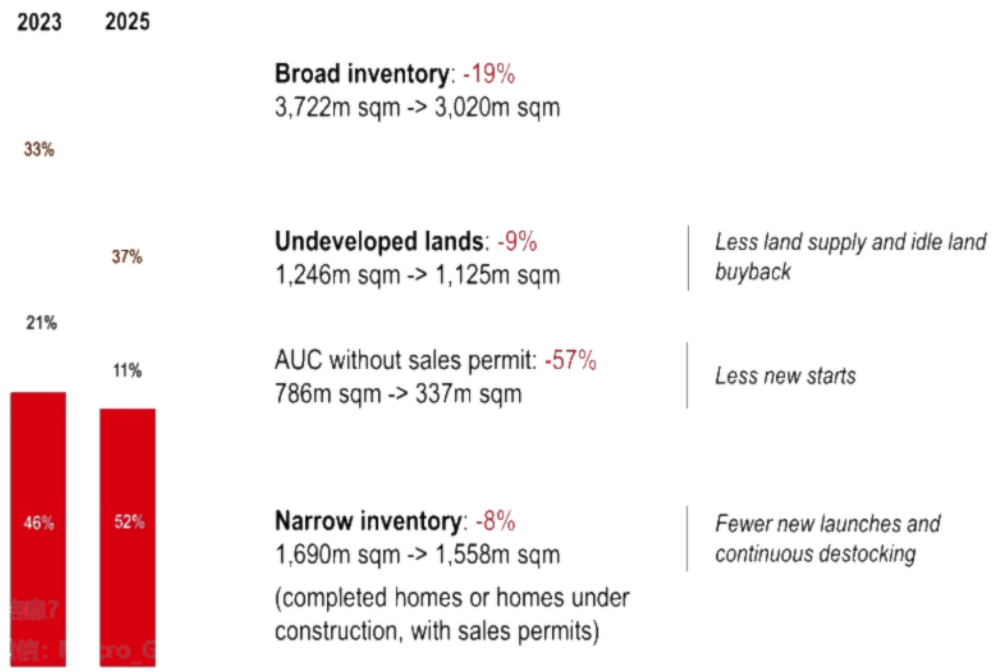
Supply squeeze in progress

Two years after we first flagged the supply squeeze theme (*The path from oversupply to undersupply*, 17 May 2024), it is encouraging to see it materialising – though not without disappointments. Inventories are falling across the board, and we expect narrow inventory to clear faster as under-construction stock is being drained. The missing piece is policy execution: some governments, such as in Chongqing and Guangdong, have announced plans to buy significant amounts of idle land (Figure 5), but more governments are lagging. We estimate if other cities lift their buyback targets to 10% of land sold in 2019-24 (current national average: 5.5%), the broad inventory will be cut by another 5-10%.

What's underwhelmed: inventory turnover has worsened, not improved
We expected national inventory turnover to improve; instead, turnover has moved the other way. The main drag is the secondary (resale) market: price-sensitive buyers are opting for cheaper resale units, while primary market launches are increasingly geared towards upgraders. This mix shift weighs on new home sales, but we see a constructive angle – stronger resale liquidity gives buyers clearer exit options and helps stabilise price expectations (*From 'exit' to 'upgrade' – why resale liquidity matters*, 24 Mar 2026). We expect turnover to improve once confidence returns to a larger scale and the market moves back towards a more natural equilibrium.

Figure 1: Broad inventory declines 19% in 2024-25

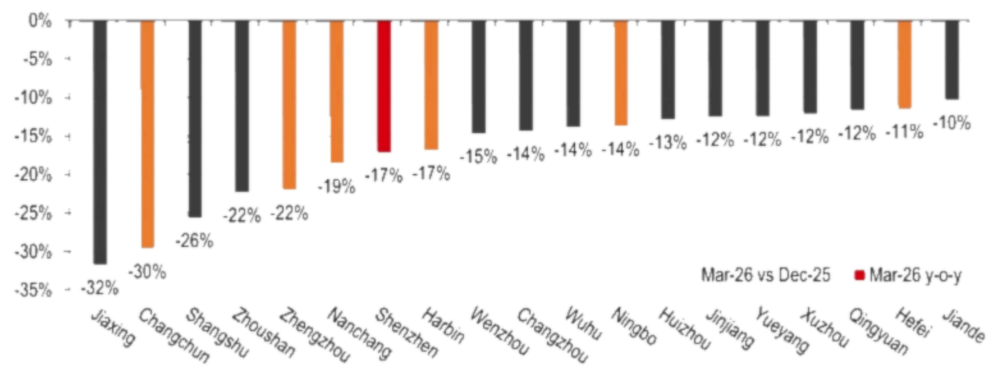


Source: NBS, CRIC, HSBC estimates

Figure 2: Accumulated GFA started but not sold declined to 1.9bn sqm as of end-2025 from 2.5bn sqm as of end-2023

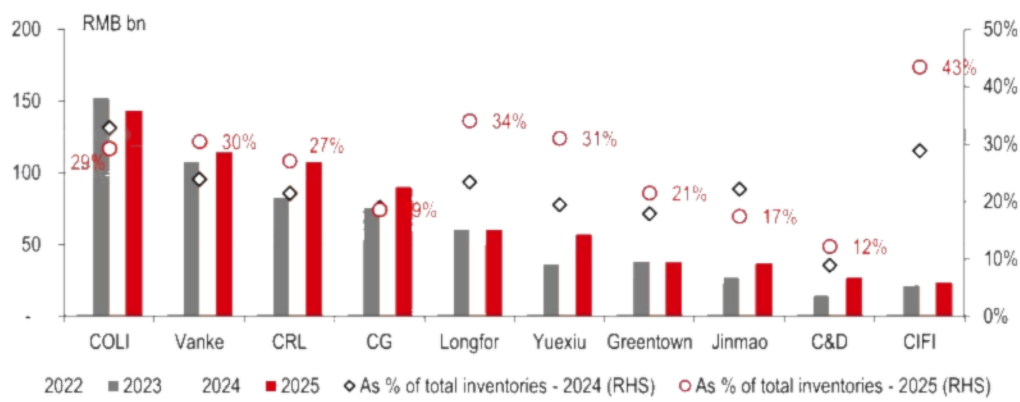
Source: NBS, HSBC

Figure 3: 19 cities had a 10%-plus inventory decline in the past 12 months



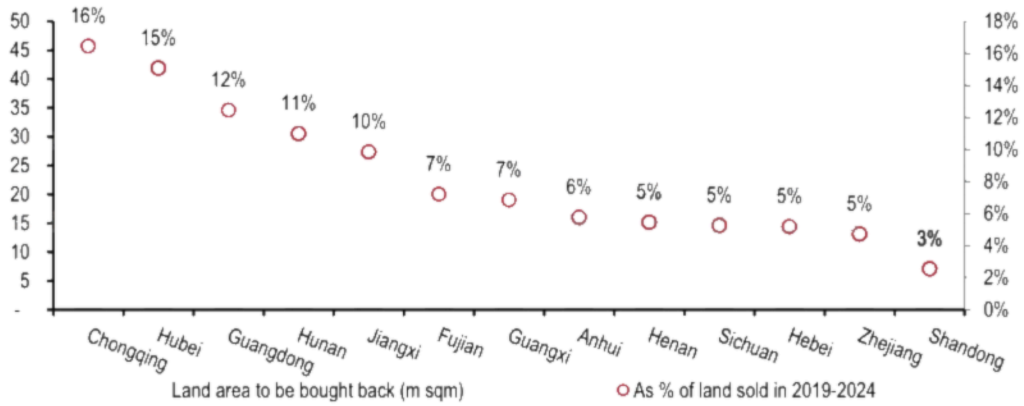
Note: Red, orange and grey represent tier-1, tier-2 and tier-3 cities, respectively.
Source: CRIC, HSBC

Figure 4: Developers' completed homes for sale continue to increase



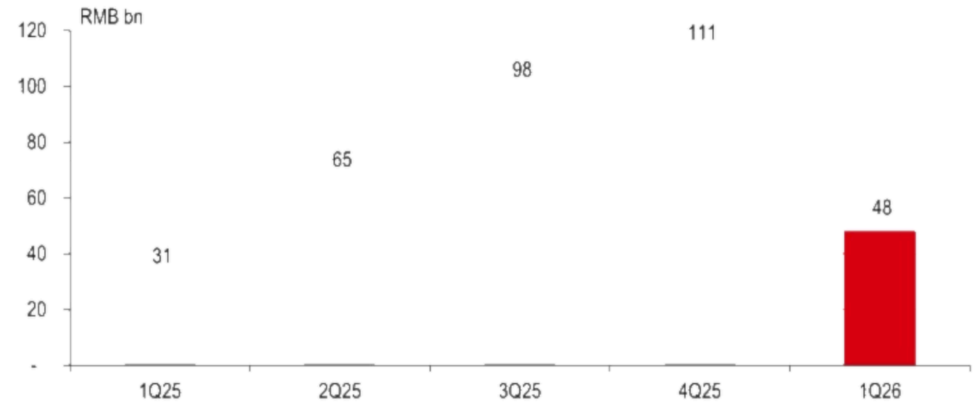
Source: Company data, HSBC

Figure 5: Chongqing leads in announcing to buy back land, accounting for 16% of land area sold in 2019-24



Source: CREIS, HSBC

Figure 6: Issuance of special bonds for land buyback should accelerate, according to the seasonality in 2025



Source: CREIS, HSBC

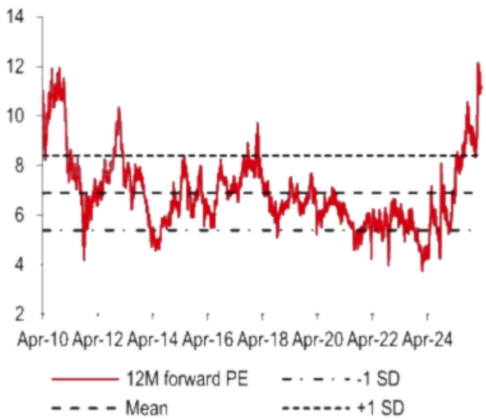
Figure 7: Local governments have announced large buyback plans, but progress has been slow

	Land area to be bought back (m sqm)	Land value (RMBbn)	Issued special bonds (RMBbn)	Land area sold in 2019-2024 (m sqm)	As a % of land sold in 2019-24
Guangdong	21.5	89.1	68.0	172.2	12.5%
Zhejiang	14.9	83.1	19.1	314.6	4.7%
Jiangxi	27.6	71.2	32.2	279.9	9.9%
Chongqing	21.0	69.9	29.6	127.7	16.5%
Hunan	31.8	63.0	38.9	288.6	11.0%
Hubei	46.3	54.2	16.1	306.4	15.1%
Henan	20.1	45.5	0.2	366.2	5.5%
Sichuan	18.7	44.1	2.3	354.5	5.3%
Anhui	16.8	42.7	2.0	290.2	5.8%
Fujian	8.7	40.5	2.0	119.9	7.2%
Shandong	15.4	37.2	2.1	600.9	2.6%
Jiangsu	5.2	36.0	3.5	575.7	0.9%
Hebei	14.7	27.0	0.7	281.3	5.2%
28 provinces/cities total	**308.9**	**786.5**	**352.5**	**5,650.8**	**5.5%**

Note: The first batch of buyback plans was announced in February 2025 and the data covers then until March 2026.
Source: CREIS, HSBC

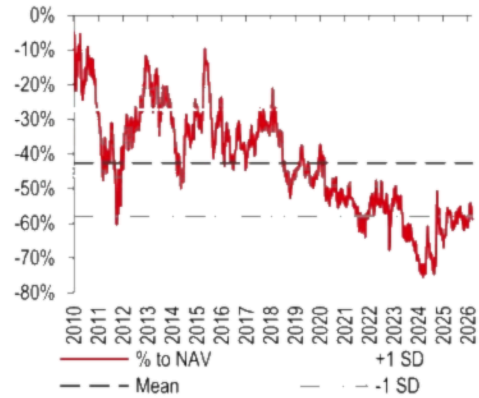
Valuation charts

Figure 8: SOE developers' forward PE (x)



Note: The average forward PE multiples of COLI, CRL, Vanke, Greentown, Yuexiu, C&D Int'l, and Longfor are based on Bloomberg consensus.
Source: Bloomberg, HSBC

Figure 9: SOE developers' NAV discount (%)



Source: Bloomberg, HSBC estimates

Figure 10: 2026 YTD share price performance

Note: Priced as of 14 May 2026.
Source: Bloomberg, HSBC

Figure 11: SOE developers' trailing PB (x)

Note: The average trailing PB multiples of COLI, CRL, Vanke, Greentown, Yuexiu, and C&D International are based on monthly data.
Source: Bloomberg, HSBC

Figure 12: Valuation summary

Company	Ticker	Rating	Share Price (HKD)	Target Price (HKD)	Mkt Cap (USDbn)	3M ADTV (USDm)	NAV (HKD/sh)	(Disc)/ Prem (%)	PE (x) 2025e	PE (x) 2026e	PE (x) 2027e	Yield (%) 2025e	PB (x) 2024a	Net Gearing (%)
Property developers														
C&D Int'l	1908 HK	Buy	17.60	19.90	5.0	13.6	42.4	(58)	8.7	7.7	7.2	5.1	0.8	28
COLI	688 HK	Buy	16.43	16.50	23.0	49.0	25.7	(36)	12.0	13.1	12.2	3.0	0.4	34
CR Land	1109 HK	Buy	37.62	43.80	34.2	78.1	55.5	(32)	10.3	9.8	9.2	3.6	0.9	39
China Vanke	2202 HK	Reduce	3.11	2.50	6.4	10.4	5.9	(47)	NM	NM	NM	-	0.2	111
CIFI	884 HK	Hold	0.07	0.08	0.2	0.9	0.5	(86)	NM	NM	NM	-	0.0	74
Country Garden	2007 HK	Hold	0.26	0.30	1.5	12.6	1.9	(86)	1.9	NM	NM	-	NM	NM
China Jinmao	817 HK	Hold	1.92	1.50	3.3	8.8	3.5	(45)	32.0	33.2	31.2	1.4	0.6	87
Greentown China	3900 HK	Hold	10.80	9.50	3.5	13.2	17.9	(40)	NM	35.3	13.2	-	0.7	70
Longfor	960 HK	Hold	9.65	8.60	8.7	19.8	25.4	(62)	NM	45.3	16.7	0.8	0.4	52
Seazen	1030 HK	Buy	2.21	3.00	2.0	5.3	7.4	(70)	35.4	10.1	7.2	-	0.3	56
Shenzhen Inv	604 HK	Hold	0.84	0.70	1.0	0.8	2.2	(62)	14.9	25.1	16.4	-	0.2	92
Yanlord (SGD)	YLLG SP	Hold	0.80	0.53	1.2	2.5	1.6	(51)	NM	21.3	19.9	-	0.3	39
Yuexiu	123 HK	Buy	4.69	5.10	2.4	5.5	14.7	(68)	62.8	15.7	10.0	3.5	0.3	72
Average								**(56)**	**22.3**	**21.6**	**14.3**	**1.3**	**0.4**	**63**
Property brokerage service providers														
KE Holdings (Beike) (USD)	BEKE US	Buy	18.86	19.10	22.0	69.6	NA	NA	28.6	24.3	18.7	1.5	2.2	net cash
Property managers														
COPL	2669 HK	Hold	4.13	4.30	1.7	4.7	NA	NA	7.4	7.0	6.5	4.8	2.3	net cash
CR Mixc	1209 HK	Hold	49.62	48.00	14.5	16.6	NA	NA	24.8	22.5	20.7	3.8	5.9	net cash
CG Services	6098 HK	Hold	6.46	6.10	2.7	5.7	NA	NA	7.4	6.8	6.0	8.3	0.5	net cash
Greentown Serv	2869 HK	Buy	4.79	5.10	1.9	1.7	NA	NA	14.8	13.3	12.2	5.0	1.7	net cash
Sunac Services	1516 HK	Hold	1.16	0.90	0.5	1.8	NA	NA	8.7	5.4	5.2	6.0	0.6	net cash
Average									**12.6**	**11.0**	**10.1**	**5.6**	**2.2**	

Note: Priced at close of 14 May 2026. NA – Not applicable/available. NM – Not meaningful.
Source: Bloomberg, HSBC estimates

Valuation and risks

		Valuation	Risks to our view
CR Land 1109 HK **Buy**	Current price: HKD37.62 Target price: HKD43.80 Upside: 16.4%	**Methodology:** The NAV is calculated by adding up the gross asset values (GAVs) of development projects (DPs) and investment projects (IPs), then subtracting net debt, based on company reports. Our assignment of a target discount is on a relative basis; companies that share similar operational/financial strengths and execution track records should be assigned the same target discount. **Assumptions:** A NAV discount of 21%, set a 1 SD above the historical mean, is applied to our NAV per share estimate of HKD55.50 (all unchanged). We use a discount that is 1 SD above the historical mean in the valuation to reflect CR Land's increase in sales momentum, strong recurrent income, and solid execution track record. Our unchanged target price of HKD43.80 implies c16% upside from the current share price; we maintain our Buy rating on the stock as it is supported by the potential to unlock the value of its IP portfolio and a promising margin recovery trajectory. **Michelle Kwok*** | michellekwok@hsbc.com.hk | +852 2996 6918	**Key downside risks** ◆ Inability to maintain sales momentum ◆ Lower-than-expected margins ◆ Any material slowdown in the shopping mall segment ◆ Inability to maintain dividend stability ◆ Uncertainties related to macroeconomic and property-specific policies
C&D International 1908 HK **Buy**	Current price: HKD17.60 Target price: HKD19.90 Upside: 13.1%	**Methodology:** The NAV is calculated by adding up the gross asset values (GAVs) of development projects (DPs) and investment projects (IPs), then subtracting net debt, based on company reports. Our assignment of a target discount is on a relative basis; companies that share similar operational/financial strengths and execution track records should be assigned the same target discount. **Assumptions:** A NAV discount of 53%, set at 0.25 SD above the historical mean, is applied to our NAV per share estimate of HKD42.40 (all unchanged). We use a discount that is 0.25 SD above the historical mean to reflect the encouraging margin recovery trend and unique competitive edge supported by a young landbank. Our unchanged target price of HKD19.90 implies c13% upside from the current share price; we maintain our Buy rating on the stock, given its young land bank and relatively high earnings visibility. **Stephen Wang*, CFA** stephen.wang@hsbc.com.hk | +852 2284 1675	**Key downside risks** ◆ Land acquisition slowdown ◆ Sharp sales deterioration ◆ Steep margin compression ◆ Share placement at deep discounts ◆ JV project risks ◆ Policy uncertainties

Note: Priced at close of 14 May 2026
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Source: Bloomberg, HSBC estimates

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For the purposes of the distribution above the following mapping structure is used during the transition from the previous to current rating models: under our previous model, Overweight = Buy, Neutral = Hold and Underweight = Sell; under our current model Buy = Buy, Hold = Hold and Reduce = Sell. For rating definitions under both models, please see "Stock ratings and basis for financial analysis" above.

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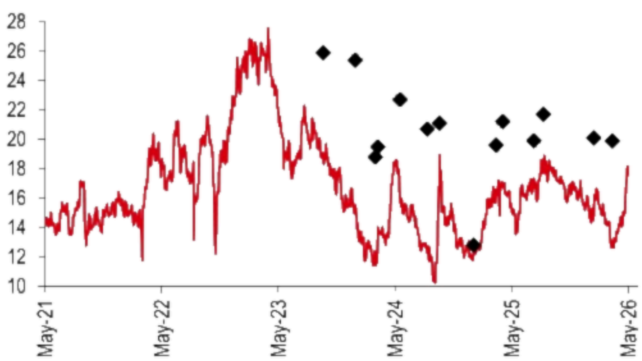
Share price and rating changes for long-term investment opportunities

C&D International (1908.HK) share price performance HKD Vs HSBC rating history



Source: HSBC

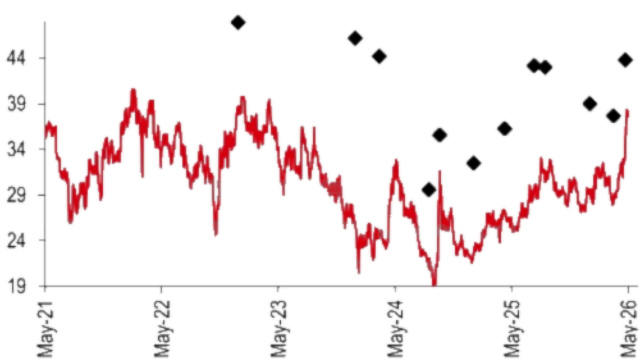
Rating & target price history

From	To	Date	Analyst
N/A	Buy	03 Oct 2023	Stephen Wang, CFA
Buy	Hold	16 Jan 2025	Stephen Wang, CFA
Hold	Buy	27 Mar 2025	Stephen Wang, CFA

Target price	Value	Date	Analyst
Price 1	25.90	03 Oct 2023	Stephen Wang, CFA
Price 2	25.40	11 Jan 2024	Stephen Wang, CFA
Price 3	18.80	14 Mar 2024	Stephen Wang, CFA
Price 4	19.50	22 Mar 2024	Stephen Wang, CFA
Price 5	22.70	30 May 2024	Stephen Wang, CFA
Price 6	20.70	23 Aug 2024	Stephen Wang, CFA
Price 7	21.10	01 Oct 2024	Stephen Wang, CFA
Price 8	12.80	16 Jan 2025	Stephen Wang, CFA
Price 9	19.60	27 Mar 2025	Stephen Wang, CFA
Price 10	21.20	17 Apr 2025	Stephen Wang, CFA
Price 11	19.90	23 Jul 2025	Stephen Wang, CFA
Price 12	21.70	22 Aug 2025	Stephen Wang, CFA
Price 13	20.10	27 Jan 2026	Stephen Wang, CFA
Price 14	19.90	26 Mar 2026	Stephen Wang, CFA

Source: HSBC

China Resources Land (1109.HK) share price performance HKD Vs HSBC rating history



Source: HSBC

Rating & target price history

From	To	Date	Analyst
Hold	Buy	12 Aug 2015	Michelle Kwok

Target price	Value	Date	Analyst
Price 1	47.90	09 Jan 2023	Michelle Kwok
Price 2	46.20	11 Jan 2024	Michelle Kwok
Price 3	44.20	26 Mar 2024	Michelle Kwok
Price 4	29.60	28 Aug 2024	Michelle Kwok
Price 5	35.60	01 Oct 2024	Michelle Kwok
Price 6	32.50	16 Jan 2025	Michelle Kwok
Price 7	36.30	23 Apr 2025	Michelle Kwok
Price 8	43.20	24 Jul 2025	Michelle Kwok
Price 9	43.00	27 Aug 2025	Michelle Kwok
Price 10	39.00	15 Jan 2026	Michelle Kwok
Price 11	37.70	30 Mar 2026	Michelle Kwok
Price 12	43.80	06 May 2026	Michelle Kwok

Source: HSBC

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Company	Ticker	Recent price	Price date	Disclosure
C&D INTERNATIONAL	1908.HK	17.60	14 May 2026	4
CHINA RESOURCES LAND	1109.HK	37.62	14 May 2026	1, 4, 5, 6, 7, 11

Source: HSBC

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