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China Property | Asia Pacific

Weakening Indicators may Lead to Faster Home Price Declines

Secondary home prices continued to diverge among cities in June. We think the higher secondary listing volume and softening visitations may accelerate home price drops in 3Q amid cooling sales. We suggest waiting for better entry points for stocks and sticking with quality alpha plays.

Stable declines in secondary listing home prices: They fell 0.5% m-m (-10.5% y-y) across the 85 sample cities we track (vs. -0.5% in May), bringing 6M26 to -2.6% y-y. 94% of sample cities recorded m-m declines, but with fewer cities seeing faster declines (56% vs. 64% in May). Tier 1 cities continued to outshine, with stable drops of -0.1% m-m, which we attribute to their more robust secondary home sales. We are concerned about lower listing prices exerting stronger pressure on transaction prices in the upcoming low season.

Diverging secondary listing trends continued: Total listings across ~50 sample cities edged up, by 0.2% m-m in June, with slightly more cities recording m-m increases (~65% vs. 59% in May). New secondary listings continued to decline (-3% m-m and -13% y-y) as more cities recorded m-m declines (76% vs. 67% in May). Compared to end-2025 levels, total listings increased in 45% of sample cities, with 35% reaching record highs (vs. 51% and 31% in May, respectively).

Visitations unexpectedly cooled further: Contrary to m-m increases seen in prior years, visits to agent shops across 45 sample cities continued to drop 16% m-m (flat y-y) on average in June. We attribute this partially to fading policy effects and pent-up demand after a sales rebound in March-May. We expect lower visitations, together with seasonality, could see secondary homes sales in major cities turn negative y-y in 3Q, despite their continued market share gains.

Home prices may fall faster: Both new and secondary home sales saw rapid softening in June, and the above weakening indicators are pointing to potential further cooling in coming months. We remain cautious on the physical market's recovery, and expect slightly faster m-m home price declines in 3Q, though select Tier 1 cities may see a mild uptrend due to their better demand/supply dynamics.

Stay selective: Considering near-term headwinds (e.g., increasing uncertainty around sales recovery, potential weak 1H26 results), limited policy upside in July's Politburo meeting and continued fund flow disruption, we suggest staying prudent and await better entry points, despite recent sharp share price declines dragging the industry's P/B valuation back to historical trough levels. We continue to favor quality players with credible self-help alpha. Relatively, we think **CR Land (1109.HK)**, **C&D (1908.HK)**, and **Seazen (601155.SS/1030.HK)** offer more attractive risk-reward at current valuations. They all have solid EPS outlooks and medium-term re-rating potential, even with no notable physical market recovery.

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Key Charts – Secondary Market

Exhibit 1: Secondary listing home prices trended down 0.5% m-m in June (vs. -0.5% in May)



Exhibit 2: ...with 94% of sample cities recording m-m decreases (vs. 93% in May)

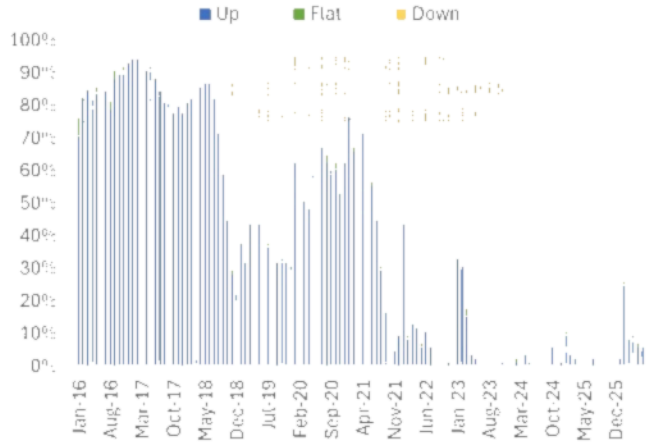


Exhibit 3: New secondary listings continued to decrease m-m in June



Exhibit 4: Visits to agents continued to decrease m-m in June post-strong sales in March-May



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Valuation Methodology and Risks

Seazen Group Ltd (1030.HK)

Our HK$4.80/share 2026e NAV comprises HK$3.75 of development properties (DCF, 9.0% WACC), HK$8.93 of investment properties (cap rate 6-9%) and HK$7.88 of net debt. To this we apply a 40% discount based on our developers' scorecard, comprising landbank (with a 5/10 score), execution (7), scale (6), growth (5), profitability (6), financing (7) and leverage (7). We use 30-45% discounts in our coverage.

Risks to Upside

- Stronger-than-expected contracted sales
- Stronger-than-expected new IP launches and IP operation
- Faster-than-expected land acquisition

Risks to Downside

- Weaker-than-expected contracted sales growth
- Faster-than-expected margin compression
- Weaker rental growth

China Resources Land Ltd. (1109.HK)

Our HK$60.88/share 2026e NAV comprises HK$15.62 of development properties (DCF, 8.0% WACC), HK$55.22 of investment properties (cap rate 5-8%) and HK$9.96 of net debt. To this we apply a 30% discount based on our developers' scorecard, comprising landbank (with a 8/10 score), execution (8), scale (9), growth (8), profitability (8), financing (10) and leverage (10). We use 30-45% discounts in our coverage.

Risks to Upside

- Stronger-than-expected contracted sales.
- Accelerated openings of new malls.

Risks to Downside

- Weaker-than-expected contracted sales.
- Slower-than-expected openings of new shopping malls.

C&D International Investment Group Ltd (1908.HK)

Our HK$29.69/share 2026e NAV comprises HK$32.49/share of development properties (DCF, 8.2% WACC), HK$0.93/share of other business and HK$3.73/share of net debt. To this we apply a 35% discount based on our developers' scorecard, comprising landbank (with a 8/10 score), execution (8), scale (8), growth (8), profitability (7), fina
(8). We use 30-45% discounts in our coverage.

Risks to Upside

- Stronger-than-expected contracted sales.
- Stronger-than-expected gross margin.



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Risks to Downside

- Weaker-than-expected gross margin.
- Slower-than-expected land acquisitions.

Seazen Holdings Company Ltd. (601155.SS)

Our Rmb35.84/share 2026e NAV comprises Rmb15.70 of development properties (DCF, 9.2% WACC), Rmb39.45 of investment properties (cap rate 6-8%) and Rmb20.86 of net debt. To this we apply a 40% discount based on our developers' scorecard, comprising landbank (with a 5/10 score), execution (7), scale (6), growth (5), profitability (6), financing (7), and leverage (7). We use 30-45% discounts in our coverage.

Risks to Upside

- Stronger-than-expected contract sales
- Stronger-than-expected new IP launching and IP operation
- Faster-than-expected land acquisition

Risks to Downside

- Faster-than-expected compression of development margin
- Weaker-than-expected growth of recurring income
- Slower-than-expected divestment of shopping malls into private REITs