First Read

China Property

Relaxation in Beijing after 7 months

Equities

China

Real Estate

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Relaxation again after 7 months

On Aug 7th, Beijing city government announced a relaxation of home purchase restriction and housing provident fund. The city government lowered the required social security or income tax payment for non-Beijing Hukou households purchasing properties within fifth ring road from two years to one year, same as the requirement outside of fifth ring road, effective since Aug 8th. Also, Beijing increased the housing provident fund borrowing cap for a couple who are both working class from Rmb1.2mn to Rmb2.4mn.

Our view and stock implication

This is seven months since the last relaxation in Beijing city in Dec 2025, which relaxed home purchase restriction but did not relax housing provident fund. We think the timing of the relaxation could be due to recent slowdown in secondary transaction in Beijing. In June and July 2026, Beijing secondary home transaction volume growth was +9% YoY and +12% YoY respectively, whilst secondary home price is flattish in the past 3 months. Similar to Shanghai's relaxation of housing provident fund, we expect Beijing secondary home transaction (in particular small and old units) will benefit more from the housing provident fund relaxation rather than the home purchase restriction, due to a lower borrowing rate at 2.6% vs mortgage rate of 3.06%. Beijing current rental yield is 1.6%. Since 90% of transaction volume within fifth ring road is secondary, this should benefit KE Holdings more than developers. We estimate Beijing accounts for 17% of BEKE secondary home GTV.

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.