HSBC Global Investment Research

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China Real Estate

Beijing relaxation: Well-timed ahead of peak season

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- Beijing easing comes at the right time, which should bolster sentiment and safeguard recovery
- Interim focus: margin recovery trend and the sustainability of luxury sales
- Prefer CR Land and C&D, both rated Buy

Modest easing into peak season. Beijing rolled out relaxations on home purchase restrictions on 7 August, cutting the required social insurance/income tax tenure for non-local households to buy homes within the 5th Ring Road from two years to one year. The policy timing lands right before the "Golden September, Silver October" and should help unlock some pent-up demand after the summer lull. This policy move is in line with our expectation that local governments will deploy modest easing measures to sustain sales momentum into peak season (*Defying the seasonal lull*, 3 August 2026). We continue to believe that the sector is in a gradual fundamental recovery even without substantial incremental stimulus. Policy, in our view, is increasingly serving as a safeguarding rather than a stimulus role, stabilising price expectation and anchoring homebuyer sentiment.

Playbook for upcoming interim results. Greentown's profit alert (*Equity Snap: Greentown China (3900 HK): 1H26 profit decline expected; land investment accelerates*, 10 August) released this morning again highlights continued sector earnings pressure. That said, we think the market is already well aware of the legacy landbank drag, and the incremental negative surprise is limited. With a broad-based recovery taking time, developers still have incentives to kitchen sink legacy issues in 2026 earnings, creating a cleaner base for an earnings recovery from 2027e onwards. Into 1H26 results, we suggest looking beyond headline weakness and focusing more on: 1) **the margin outlook embedded in unbooked sales and presold projects**, which should provide better visibility on the pace and magnitude of margin recovery; 2) **management confidence in luxury sales strength and pricing upside** – whether robust high-end market is sustainable and pricing outlook for land acquired at high A.V.

Offshore interest is rebuilding. We have recently seen increasing engagement from offshore investors, driven by improving sector fundamentals and sustained share price outperformance of key names, e.g. CR Land. Investors' preference is skewed towards developers with greater residential exposure, while remaining cautious on retail exposure. Feedback continues to be supportive of our preference for mainland China developers over HK developers (*Better surprise vector: mainland China over HK developers*, 8 July 2026). The key debate now is when recovery is strong enough to overcome valuation hurdles and unlock more upside.

Stock picks: We continue to see greater upside surprise potential for residential developers, favouring CRL and C&D (both Buy-rated) for their leading position in high-end projects and stronger earnings visibility. We also like COLI (Buy), which has significant exposure in Beijing.

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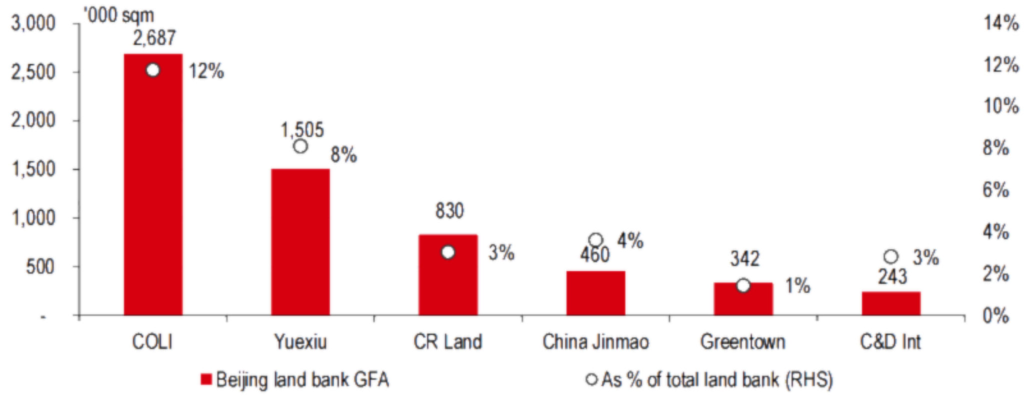
Figure 1: Tier-1 cities rolled out easing property measures successively

Areas	Key policy adjustments
Beijing relaxation (Aug 2026)	
Home purchase restrictions	Further relaxes purchase eligibility for non-local residents: - Inside the Fifth-ring Road: up to one home with 1-yr social insurance contribution (previously: 2-yr) - Outside the Fifth-ring Road: unlimited purchase with 1-yr social insurance contribution (unchanged)
HPF loan	Loan cap: - Spousal cap can be combined: a married couple may now borrow up to RMB2.4m for a first home (previously RMB1.2m) and RMB2.0m for a second home (previously RMB1.0m). Flexible component uplift (green buildings, multi-child families, etc.): - Up to RMB1m for married couples (previously same as single contributor: RMB0.6m) (All-in impact: maximum HPF loan for a married couple increases from RMB1.8m to RMB3.4m) Eligibility: Allow applicants to obtain a new HPF loan once their previous loan has been fully repaid
Property gifting	Direct property gifting is now allowed without home-purchase qualification checks. Parents can transfer properties directly to their adult children.
Shenzhen relaxation (Apr 2026)	
Home purchase restrictions	One more quota in the core area (Futian, Nanshan, Bao'an New Area) for eligible homebuyers: - Local households: maximum 3 (previously: 2) - Non-local households with 1-yr contribution: maximum 2 (previously: 1) - Non-local households without social insurance contribution but holding a residential permit: 1 (previously: not eligible)
Housing provident fund (HPF) loan	Loan cap: - Lift by RMB100k/RMB200k for individual/household application. Flexible component uplift: - An additional 60%/70%/40% for first-home buyers/first marriage families/affordable housing (up 20ppt versus previous standards); an additional 50% for first marriage families (previously: none). Together, the adjustments bring individual/household maximum loan amount to RMB1.9m/3.5m (up RMB0.7m/1.3m).
Shanghai relaxation (Feb 2026)	
Home purchase restrictions	Maintain unlimited purchases in non-core areas and relax purchase restrictions in the core area: - Local residents: 2 for individuals/families - Non-local residents: 1 for those with 1-yr contribution; 2 for those with 3-yr contribution (previously: 1 for those with 3-yr contribution) - Non-local residents without social insurance contribution but with 5-yr residence permit: 1 in the whole city regardless of area (previously: not eligible)
HPF loan	Loan cap: - Lift by 50% for both new and existing projects: RMB2.4m for first home; RMB2m for second home. Flexible component uplift: - An additional 12.5% for eligible newly built green projects and an additional 20% for multi-child families. Application limit: - Enable unlimited applications if the buyer owns <2 homes and repaid previous loans. (previously: 2 times only)
Beijing relaxation (Dec 2025)	
Home purchase restrictions	Additional support for multi-child families: - One more purchase quota inside the Fifth-ring Road for both local and non-local households. Relax purchase eligibility for non-local residents: - Inside the Fifth-ring Road: up to one home with 2-yr social insurance contribution (previously: 3-yr) - Outside the Fifth-ring Road: unlimited purchase with 1-yr social insurance contribution (previously: 2-yr)
HPF loan	Lower downpayment ratio for second homes to 25% (previously: 30%).
Mortgage rate	Interest rates of commercial mortgage loans no longer distinguish between first and second homes.

Source: Government release, HSBC

Figure 2: Developers' Beijing landbank exposure by GFA as of 2025



Note: Yuexiu and Greentown data are presented on a gross basis, while all others are presented on an attributable basis.
Source: Company 2025 annual reports, company information, HSBC

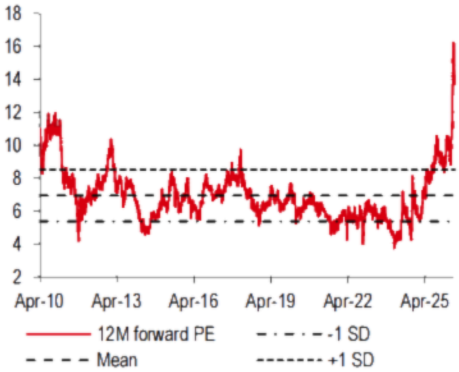
Figure 3: Valuation summary

Company	Ticker	Rating	Share Price (HKD)	Target Price (HKD)	Mkt Cap (USDbn)	3M ADTV (USDm)	NAV (HKD/sh)	(Disc)/ Prem (%)	PE (x) 2025a	PE (x) 2026e	PE (x) 2027e	Yield (%) 2026e	PB (x) 2025a	Net Gearing (%)
Property developers														
C&D Int'l	1908 HK	Buy	14.60	19.90	4.3	13.6	42.4	(66)	7.1	6.3	5.8	7.8	0.6	25
COLI	688 HK	Buy	13.14	16.50	18.3	55.1	25.7	(49)	9.4	10.3	9.6	3.6	0.3	33
CR Land	1109 HK	Buy	32.82	43.80	29.8	114.4	55.5	(41)	9.0	8.5	8.0	4.3	0.7	39
China Vanke	2202 HK	Reduce	2.50	2.50	5.3	8.0	5.9	(58)	n.m.	n.m.	n.m.	-	0.3	108
CIFI	884 HK	Hold	0.04	0.08	0.1	0.4	0.5	(92)	n.m.	n.m.	n.m.	-	0.0	81
Country Garden	2007 HK	Hold	0.18	0.30	1.1	10.3	1.9	(91)	1.3	n.m.	n.m.	-	n.m.	n.m.
China Jinmao	817 HK	Hold	1.35	1.50	2.3	10.4	3.5	(62)	22.1	22.9	21.5	1.5	0.4	76
Greentown China	3900 HK	Hold	7.34	9.50	2.4	10.6	17.9	(59)	n.m.	23.6	8.9	1.9	0.4	65
Longfor	960 HK	Hold	6.52	8.60	5.9	18.8	25.4	(74)	n.m.	30.1	11.1	1.0	0.2	48
Seazen	1030 HK	Buy	1.37	3.00	1.3	5.3	7.4	(81)	21.6	6.2	4.4	-	0.2	59
Shenzhen Inv	604 HK	Hold	0.69	0.70	0.8	0.8	2.2	(69)	12.2	20.5	13.3	-	0.2	91
Yanlord (SGD)	YLLG SP	Hold	0.66	0.53	1.0	1.5	1.6	(59)	n.m.	17.5	16.4	-	0.2	34
Yuexiu	123 HK	Buy	3.50	5.10	1.8	4.6	14.7	(76)	46.2	11.5	7.3	3.4	0.2	69
Average								**(67)**	**16.1**	**15.7**	**10.7**	**1.8**	**0.3**	**61**
Property brokerage service providers														
KE Holdings (Beike) (USD)	BEKE US	Buy	17.04	23.30	19.7	71.9	n.a.	n.a.	25.0	17.0	14.0	2.4	2.0	net cash
Property managers														
COPL	2669 HK	Hold	3.40	4.30	1.4	4.1	n.a.	n.a.	6.0	5.7	5.3	5.7	1.4	net cash
CR Mixc	1209 HK	Hold	39.96	44.00	11.6	25.1	n.a.	n.a.	19.7	17.8	16.4	5.5	4.3	net cash
CG Services	6098 HK	Hold	5.39	6.10	2.2	5.3	n.a.	n.a.	6.1	5.6	4.9	10.5	0.4	net cash
Greentown Serv	2869 HK	Buy	4.19	5.10	1.7	2.1	n.a.	n.a.	12.8	11.5	10.5	6.2	1.4	net cash
Sunac Services	1516 HK	Hold	0.83	0.90	0.3	0.8	n.a.	n.a.	6.1	3.8	3.6	1.5	0.4	net cash
Average									**10.1**	**8.9**	**8.2**	**5.9**	**1.6**	

Note: Priced at close of 7 August 2026. NA – Not applicable/available. NM – Not meaningful
Source: Bloomberg, HSBC estimates

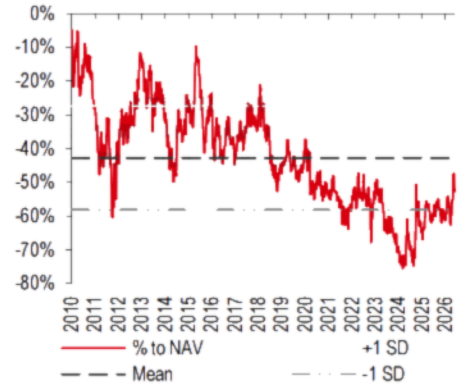
Valuation charts

Figure 4: SOE developers' forward PE (x)



Source: 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 estimates

Figure 5: SOE developers' NAV discount (%)



Source: Bloomberg, HSBC estimates

Figure 6: 2026 y-t-d share price performance

Note: Priced as of 7 August 2026.
Source: Bloomberg, HSBC

Figure 7: 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

Valuation and risks

		Valuation	Risks
CR Land 1109 HK **Buy**	Current price: HKD32.82 Target price: HKD43.80 Upside: 33.5%	**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 at 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 c34% upside; we therefore maintain our Buy rating on the stock, which is supported by its promising margin recovery trajectory and exposure to high-profile cities, positioning the company to benefit early in a market recovery. **Michelle Kwok*** | michellekwok@hsbc.com.hk | +852 2996 6918	**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: HKD14.60 Target price: HKD19.90 Upside: 36.3%	**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 c36% upside; accordingly, we maintain our Buy rating on the stock. **Stephen Wang*, CFA** | stephen.wang@hsbc.com.hk | +852 2284 1675	**Downside risks** ◆ Land acquisition slowdown. ◆ Sharp sales deterioration. ◆ Steep margin compression. ◆ Share placement at deep discounts. ◆ JV project risks. ◆ Policy uncertainties.
COLI 688 HK **Buy**	Current price: HKD13.14 Target price: HKD16.50 Upside: 25.6%	**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 36%, set at 0.25 SD below the historical mean, is applied to our NAV per share estimate of HKD25.70 (all unchanged). We use a discount that is 0.25 SD below the mean due to lingering concerns on its inventory impairment risks. Our unchanged target price of HKD16.50 implies c26% upside; we maintain our Buy rating on the stock as we expect it to benefit from the sector recovery led by tier-1 cities. **Michelle Kwok*** | michellekwok@hsbc.com.hk | +852 2996 6918	**Downside risks** ◆ Slower sales momentum ◆ Lower-than-expected margins ◆ Slower booking pace ◆ Significant impairment loss ◆ Uncertainties related to macroeconomic and property specific policies

Note: Priced at close of 7 August 2026.
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Source: Bloomberg, HSBC estimates