UBS

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First Read

China Property

Shanghai policy easing; Positive policy stance

Equities

China Emerging

Real Estate

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What's new: Shanghai policy easing

On 20 August 2026, Shanghai's Housing and Urban-Rural Development Commission, Housing Administration Bureau and four other government agencies jointly announced a new package of property support measures. The policies include 1) further easing housing provident fund (HPF) withdrawal rules; 2) lowering the minimum down payment ratio for second-home purchases outside Outer Ring to 15% (from 20%); 3) introducing "sell-old, buy-new" subsidies through March 2027, including a mortgage subsidy of 1% of the new home loan amount (capped at Rmb50k per unit) and an additional Rmb30k subsidy for households replacing an Inner Ring home with a new Outer Ring home; 4) expanding the use of housing vouchers in urban renewal and redevelopment projects; and 5) accelerating local government purchases of secondary housing for conversion into affordable rental housing. We view this as positive to developers/ brokers with high exposure in Shanghai, ie. **KE Holdings, COLI, CR Land, C&D, Greentown, Jinmao**.

Our view: A signal of stance

While we expect the near-term demand impact to be modest, the policy signal is positive. Our analysis suggests that only c.5.4% of Shanghai secondary home listings satisfy the government's housing purchase criteria (see report). However, Shanghai has become the second major city to roll out additional property easing measures, after Beijing's relaxation announced on 7 August. In addition, the policy package was introduced despite relatively resilient market conditions, with secondary home transaction volumes up 7% YoY in July and 4% YoY in August month-to-date, and secondary property price remained broadly stable in 2026 YTD. In our view, this suggests policymakers remain committed to stabilizing the property market and preventing a renewed deterioration in sentiment.

Valuation:

MSCI China real estate index is trading at 0.66x 12month forward P/BV, 22% below 15-year historical average.

Valuation Method and Risk Statement

We base our valuations of China's property developers and managers 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.