China Property

Expert call takeaways on pre-sales phaseout

- Following the new policies on phasing out pre-sales announced on 28 August (more in our report), we hosted an expert call with Mr. Yuejin Yan, VP of the E-House Real Estate Research Institute.
- The key takeaway is that **the expert believes local execution might be more flexible than the strict standards set out in the policies**. He also believes **there will be more mitigants** to help developers relieve cash flow pressures.
- However, **as of now there is still no clarity on how strictly local governments/banks will implement the guidelines** set in the policies. As per our checks with developers, they are also awaiting more guidance. Until they get more clarity, we believe they will slow down on land-banking in the near term.
- Thus, investors' concerns on a worse-than-expected sales decline in 2027 (we expect a >20% drop if developers stop buying land in 2H26) may linger for a while.
- Until there is more clarity, we expect the sector to remain soft in the near term.
- We prefer names with lower impact from the policy change - **CR Mixc** (commercial operator with double-digit % earnings growth); **KE Holdings** (secondary sales to benefit in the near term; covered by Daniel Chen). Among developers, we'd buy **CR Land** on dips due to earnings buffer from recurring income (the last dip of CR Land was to ~HK$27).

Mainland China/Hong Kong Property & Conglomerates

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7 Q&As from the expert call

Q1) What is the background of the policies announced on 28 August?

- The policy is **not a sudden policy shift, but rather a natural progression of ongoing policy reforms**, despite coinciding with recent easing measures in Beijing and Shanghai.
- The new policy is part of the routine implementation of the 15th Five-Year Plan's high-level agenda to **"refine the fundamental framework for property development, financing and sales".**
- The policies mainly aim to prevent stalled projects and better protect homebuyers' interests.
- Originally, the policy might have been pushed out last year, but due to weak market sentiment back then, it was delayed until now.

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Q2) What are the implications for developers? What could be the potential mitigants?

- Completed-home sales may **delay cash collection for developers by 2 years** versus the presale model, creating significant cash-flow pressure.
- The typical property development timeline normally includes **1 year from land acquisition to presale** and **2 years from presale to project completion.** Under the new policy framework, developers may not collect the cash until completion.
- However, developers are likely already familiar with "sales only upon completion" given multiple previous pilot programs.

Potential mitigants from governments / banks include:

- Local governments have to **lower land prices & allow longer land payment periods** for developers.
- Banks provide development loans with **longer tenors of up to 7 years, lower interest rates and higher quotas**.
- Developers may collect a **5% deposit** from buyers vs. a 15% down payment under the current presale model.

Potential policies to boost demand (for buyers of completed-homes) include:

- **Max. Housing Provident Fund (HPF) mortgage sizes** may be raised by >50%.
- **Preferential mortgage and tax treatment** by potentially eliminating the differential between "first-home" and "second-home" buyers.

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Q3) How can developers manage homebuyers' default and pricing risks under the 5% deposit model?

- A 5% deposit provides only limited protection against buyer defaults. Developers may mitigate the associated risks through **lower land acquisition costs (i.e., higher margin buffer) & additional bank financing support, etc.**

- **Completed-home land parcels are generally expected to be sold with no premium**, particularly given developers' recently weakened land-acquisition appetite; local governments may also proactively lower land prices to preserve developers' profitability.
- Banks may continue to provide financing support through the whitelist mechanism previously adopted under the "guaranteed home delivery" (保交楼) initiative, including **extending property development loan tenors** until completed homes become eligible for sale.
- Some cities may adopt the approach of **"quasi-completed-homes" (准现房模式)**, which have a lower cash collection standards compared with the "sales at completion" model, to reduce developers' cash-flow pressure.
- In some real-life local examples (in Fujian), for certain land parcels that require "sales upon completion," **the local government first locks in buyer interest from nearby stakeholders (定向需求)** (e.g., for a new land parcel in a suburban area, the government plans a school right next to the parcel; when selling the land, the government already secures interest from the teachers at the school). This helps alleviate developers' concerns about limited visibility into housing demand two years out.

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Q4) What's your view on the requirement that mortgage loans may only be disbursed after the completion of property construction?

While the policy appears strict at a high level, its implementation is expected to remain flexible and gradual at the local level:

- **Taking structural topping-out as a presale threshold is not exactly a new standard**, though its explicit inclusion in the latest policy guidelines has attracted greater market concern.
- There are some real-life examples of how **local governments often grant exemptions for developers to pre-sell earlier than the required threshold**. For example, in Shanghai, the current pre-sales standard is a two-thirds completion of the building structure. However, a land parcel got an exemption from the local government to pre-sell earlier because the construction time was delayed due to the construction of a subway station nearby. This shows that the local government does have some degree of flexibility.
- **The actual loan disbursement standards may vary by city and project**, with local governments retaining flexibility over presale fund supervision.
- Other measures to address developers' cash-flow pressures include the use of **bank guarantees (银行保函)**, which could reduce developers' restricted cash deposit requirements and improve liquidity.
- Existing pre-sale projects are **unlikely to see material near-term policy changes**, as the government expects a a gradual policy transition.

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Q5) How should the "sales only upon completion" policy be implemented?

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Local governments are expected to select specific pilot land parcels rather than immediately applying the model to all projects.

- Major cities may initially implement "sales only upon completion" on **suburban, low-land-cost or upgrading-demand projects with an established population base.**
- **The pre-sale model may still account for the majority (e.g. 90%)** of new land sales in major cities, while **the adoption of a completed-home sales model could be faster in small and medium-sized cities.**
- Cities may gradually raise pre-sale thresholds for construction progress instead of moving directly to fully completed-home sales.
- The share of completed-home sales is **unlikely to increase rapidly in the near term.**

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Q6) What other property policies may be introduced?

Possible directions:

- **Mixed land use**, allowing offices to incorporate retail, senior housing and other functions etc.
- Further **REIT policy optimization** to revitalize existing assets.
- **Renovation and redevelopment** of old and dilapidated housing.
- Wider housing provident fund coverage for **cross-city home purchases.**
- **Mortgage interest subsidies** to support sales during the September-October peak season.

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Q7) What is the outlook for new-home sales volume and prices?

- **~80%** of China's property market is expected to remain under pressure. The remaining **20%** (including tier-1 cities, emerging tier-1 cities and selected lower-tier cities) will be resilient as they benefit from population inflows.
- However, developers' land-acquisition activities are likely to remain under pressure, even in major cities like Shanghai.

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Valuation Summary

Table 1: China Property - Valuation Summary

Company	Stock Code	JPM Rating	JPM Price Target	Last Close (HK$)	Mkt Cap US$B	ADV US$M	P/E 1FY (x)	P/E 2FY (x)	Yield 1FY (%)	P/B 1FY (x)	Share price return 5D	1M	YTD	vs. peak
Mainland China Developers														
	1109.HK	OW	**44.00**	28.98	26.4	95.9	8.3	8.2	4.5%	0.6	-15%	-13%	10%	-30%
China Overseas Land	0688.HK	OW	**19.50**	12.31	17.2	48.1	9.7	8.8	3.8%	0.3	-11%	-9%	3%	-63%
China Jinmao	0817.HK	OW	**2.05**	1.33	2.3	11.1	20.7	16.4	2.6%	0.4	-11%	-4%	10%	-79%
C&D International	1908.HK	NC	**-**	12.21	3.6	11.4	6.8	6.2	7.4%	0.6	-23%	-21%	-18%	-56%
Greentown China	3900.HK	NC	**-**	6.09	2.0	10.6	44.2	20.5	1.1%	0.4	-23%	-15%	-28%	-69%
Yuexiu Property	123.HK	NC	**-**	3.02	1.6	4.4	32.0	15.3	2.5%	0.2	-18%	-17%	-24%	-85%
SOEs							**11.2**	**9.3**	**4.2%**	**0.5**	**-15%**	**-12%**	**3%**	**-48%**
Longfor	0960.HK	OW	**9.00**	6.07	5.5	16.6	-	-	-	0.2	-9%	-12%	-28%	-89%
Seazen Group	1030.HK	N	**1.40**	1.42	1.3	4.0	-	-	-	0.2	3%	-1%	-31%	-87%
Private							**-**	**-**	**-**	**0.2**	**-7%**	**-10%**	**-29%**	**-88%**
China Vanke - H	2202.HK	UW	**1.60**	2.37	5.2	6.5	-	-	-	0.3	-2%	-5%	-28%	-94%
Country Garden	2007.HK	UW	**0.10**	0.19	1.1	8.9	-	-	-	-	-5%	10%	-55%	-99%
Sunac China	1918.HK	UW	**0.30**	0.59	1.5	18.4	-	-	-	0.2	3%	6%	-55%	-99%
Distressed							**-**	**-**	**-**	**0.2**	**-2%**	**-1%**	**-37%**	**-96%**
Mainland China Developers (Overall)							**8.8**	**7.3**	**3.3%**	**0.4**	**-12%**	**-10%**	**-5%**	**-57%**
Mainland China Property Management & Services														
	1209.HK	OW	**55.00**	38.90	11.3	25.6	17.4	15.7	5.8%	4.9	-3%	-3%	-7%	-30%
China Overseas PH	2669.HK	UW	**2.90**	3.46	1.4	3.6	7.6	7.6	6.1%	1.5	-5%	0%	-21%	-69%
Poly Property Services	6049.HK	OW	**41.50**	27.92	2.0	2.8	8.2	7.8	6.1%	1.2	-3%	-1%	-8%	-70%
Greentown Service	2869.HK	OW	**5.50**	4.18	1.7	1.8	10.6	9.9	6.8%	1.3	-4%	-4%	-6%	-70%
Backed by SOE developers							**14.7**	**13.4**	**5.9%**	**3.8**	**-3%**	**-2%**	**-8%**	**-42%**
Country Garden Services	6098.HK	N	**5.40**	5.57	2.4	5.0	6.3	6.3	9.6%	0.5	0%	-1%	1%	-93%
A-Living	3319.HK	UW	**1.50**	1.63	0.3	0.3	2.6	3.0	8.3%	0.2	-13%	-10%	-27%	-97%
Sunac Services	1516.HK	UW	**0.70**	0.81	0.3	0.6	4.5	5.3	6.7%	0.4	-7%	1%	-41%	-97%
Backed by POE developers							**5.7**	**5.8**	**9.1%**	**0.4**	**-2%**	**-1%**	**-6%**	**-94%**
Mainland China Property Management & Services							**13.3**	**12.3**	**6.4%**	**3.3**	**-3%**	**-2%**	**-8%**	**-50%**
KE Holdings	2423.HK	OW	**52.00**	46.20	20.3	66.9	18.0	14.9	0.0%	1.9	1%	6%	13%	-37%
Mainland China Property Agent							**18.0**	**14.9**	**0.0%**	**1.9**	**1%**	**6%**	**13%**	**-37%**

Note: Companies marked with "NC" are not under JPM coverage; all estimates for such companies are based on consensus estimates from Bloomberg Finance L.P. Priced at close of business 1 September 2026.
Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates.