Morgan Stanley | RESEARCH

IDEA

September 3, 2026 05:49 AM GMT

China Property | Asia Pacific

Deeper Home Price Drops, Mixed Leading Indicators in August

Secondary home prices continued to edge down at a slightly faster pace in August amid softened sales in summer. The lower listing volume, better visitation and likely slower new home launches could sustain outperformance of existing home sales.

Deeper declines in secondary home prices: CREIS 100-city secondary ASP dropped 0.45% m-m (-7.1% y-y) in August (the fourth consecutive month of faster m-m drops) as we expected, bringing YTD decline to -3.8%. In particular, top-10 cities posted a steeper decline of -0.46% m-m (vs. -0.36% in July), which we attribute to the softened existing home sales in top-tier cities in the summer season.

Faster drops in listing prices may add stress in 4Q: Secondary listing prices saw a similar acceleration trend, falling 0.7% m-m (-8.9% y-y) across the 85 sample cities we track (vs. -0.5% in July), bringing YTD to -3.8%. Similar share (~95%) of sample cities recorded m-m declines, but with more cities seeing faster declines (73% vs. 49% in July). We are concerned about ongoing drops in listing prices exerting stronger pressure on transaction prices in coming months, although the potential slower new home launches may partially offset the downside.

Secondary listing lowered: Total listings across ~50 sample cities edged down, by 1.0% m-m in August (vs. +0.5% in July), with much more cities recording m-m decreases (76% vs. 29% in July). New secondary listings continued to decline, falling -3% m-m and -13% y-y amid more cities recorded m-m drops (71% vs. 60% in July). Compared to end-2025 levels, total listings increased in slightly fewer sample cities (47% vs. 51% in July), with 8% reaching record highs.

Visitation improved: Agent shop visits in 34 sample cities recovered 5% m-m (-3% y-y) on average in Aug. after the trend-down in June-July. We think higher visitations, together with potential smoothing on new home launches due to completed-sales model, could boost secondary homes sales m-m & y-y in major cities in the upcoming peak season, accelerating market share gains amid easier bases.

Stock ideas: We remain guarded on pure-play developers while favoring **KE (BEKE.N)** as key beneficiary of a higher share of existing home transactions. We would also accumulate **CR Land (1109.HK)** and **Seazen A/H (601155.SS/1030.HK)**, where robust mall operations should provide an earnings buffer.

CR Land trades at ~12x its recurring profit, with limited valuation for its profitable development business, which is defensive in our view. Seazen's ~7x recurring profits materially underappreciate its improving liquidity and business outlook, as well as dividend potential. The likely public REIT listing in 4Q serves as a near-term catalyst.

Stephen Cheung, CFA
Equity Analyst
Stephen.Cheung@morganstanley.com +852 3963-0385

Cara Zhu
Equity Analyst
Cara.Zhu@morganstanley.com +852 2848-7117

Eddy Wang, CFA
Equity Analyst
Eddy.Wang@morganstanley.com +852 2239-7339

CHINA PROPERTY

Asia Pacific
Industry View **In-Line**

Related reports:

1. First Take on Cancellation of Housing Pre-sales (28 August 2026)
2. Quantifying the Impact of a Completed-Sales Model (30 August 2026)
3. An Inflection or Another False Start? (18 May 2026)
4. June-26 AlphaWise Survey: Better Sentiment, but Still Limited Home Purchase Plans (14 July 2026)
5. 2026 Outlook: Physical Market Stays Challenging; Diverging Outperformance of Alpha Plays (10 Dec 2025)

investors should be aware that the firm may have a conflict of

Research as only a single factor in making their investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

+= Analysts employed by non-U.S. affiliates are not registered with FINRA, may not be associated persons of the member and may not be subject to FINRA restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Key Charts – Secondary Market

Exhibit 1: CREIS 100-city secondary home prices

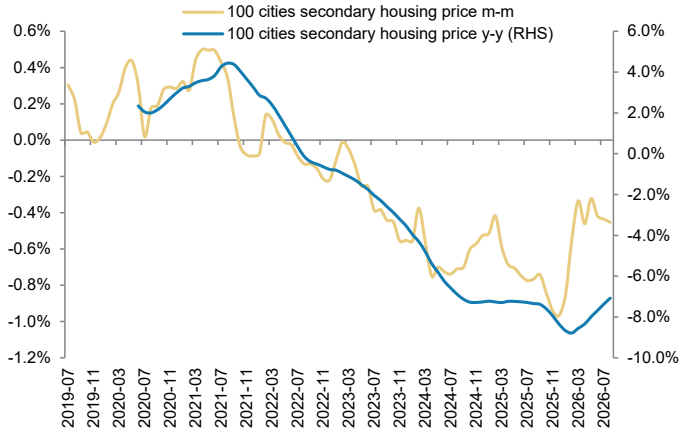


Exhibit 2: CREIS top-10 cities secondary home prices

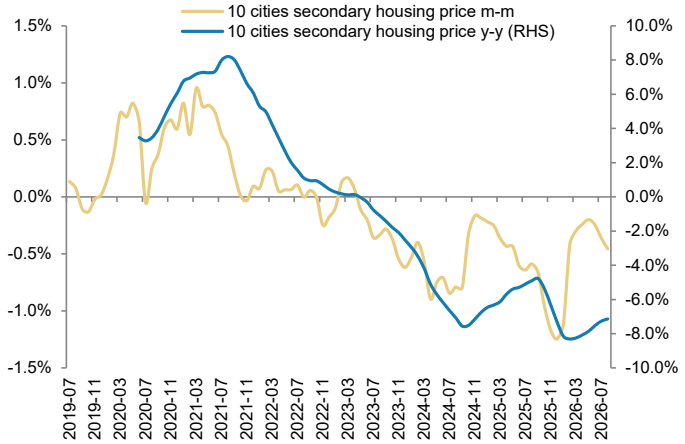


Exhibit 3: Secondary listing home prices trended down 0.7% m-m in August (vs. -0.5% in July)...

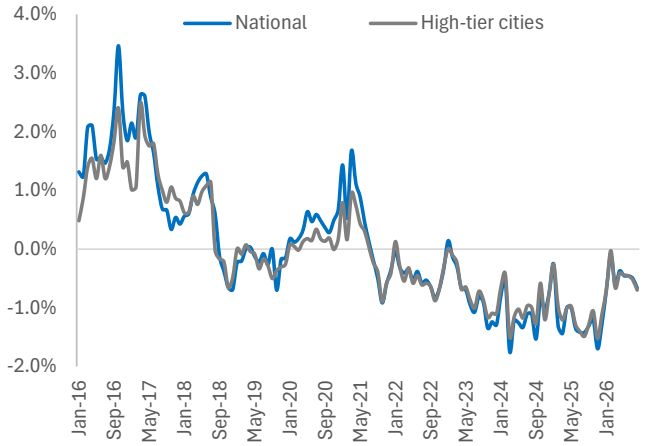


Exhibit 4: ...with 94% of sample cities recording m-m decreases (vs. 95% in July)

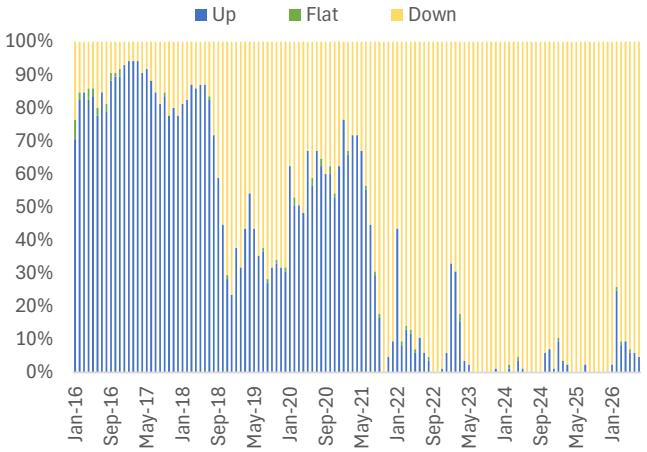


Exhibit 5:

New secondary listings continued to decrease m-m in August

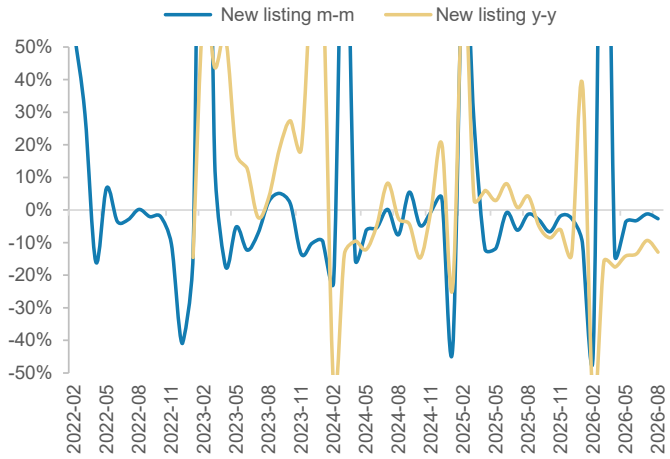
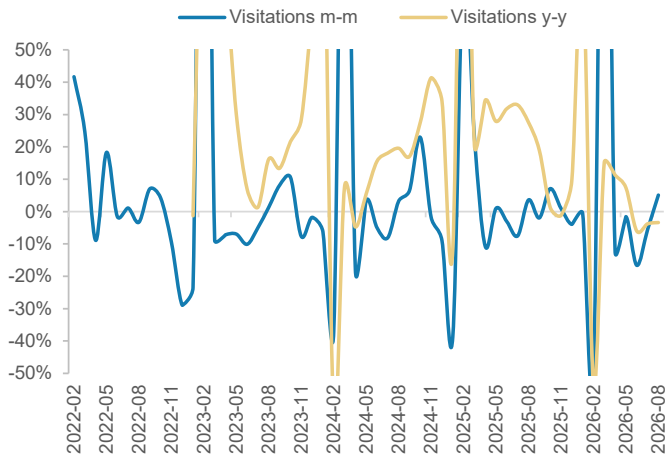


Exhibit 6: Visits to agents increased m-m in August



Valuation Methodology and Risks

Seazen Group Ltd (1030.HK)

Our HK$3.83/share 2026e NAV comprises HK$3.39 of development properties (DCF, 8.8% WACC), HK$8.39 of investment properties (cap rate 6-9%) and HK$7.96 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

Our HK$60.54/share 2026e NAV comprises HK$18.44 of development properties (DCF, 8.0% WACC), HK$55.72 of investment properties (cap rate 5-8%) and HK$13.62 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.

Seazen Holdings Company Ltd. (601155.SS)

Our Rmb29.38/share 2026e NAV comprises Rmb13.98 of development properties (DCF, 8.9% WACC), Rmb36.51 of investment properties (cap rate 6-8%) and Rmb21.10 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), financ
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

KE Holdings Inc (BEKE.N)

Base case, derived from our DCF model. Key assumptions include 12% WACC and 3% terminal growth rate, in line with our Chinese Internet coverage.

Risks to Upside

- More demand-side policy relaxations in higher-tier cities to accelerate market recovery
- Better-than-expected sales efficiency improvement, driving accelerated adoption from third-party agency stores

Risks to Downside

- Property developers' liquidity crunch affecting the company's earnings and market sentiment
- Slower-than-expected further easing policies
- Resurgence of competition during the recovery cycle