First Read

China Property

The first local government implementation details; Better than expected

Equities

China Emerging

Real Estate

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Better than expected implementation

On Sept 13 2026, Wuhan city issued implementation details of the presale model change. Compared to the central government policy, we think this is more positive than expected, probably as Wuhan is not a core city for land banking by developers. Tier 1 cities implementation details would be more important to watch out for. We estimate project level IRR only reduces to 13.6% from 14.5% as project IRR is sensitive to land premium instalment. This is inline with our macro tour feedback about the flexibility of implementation. See Figure 1-2 for details.

Five key implementation details

First, Wuhan allows land premium to be paid by instalment with a maximum of two years, ie 10% within one month after land auction, 40% in first year, and remaining 50% by end of second year. This is the most important point. Second, property projects will be classified under original presale model if the construction permit is obtained before 28 Aug 2026, and projects will be classified into the new presale model (ie presale after superstructure is topped out or sale upon completion). Third, banks are encouraged to provide letter of guarantee so that developers can take out the presales fund proceeds. Forth, local government accept project completion by phases or minium delivery unit, so that banks can release mortgage earlier. Fifth, banks are encouraged to release mortgage once the building's water, gas, electricity & heat are connected instead of waiting for completion of interior decoration. Currently, it takes ~24 months from land acquisition to project delivery (with decoration), and it will accelerate to 18-21months (without decoration) as per developer, ie the release of mortgage will be 3-6months earlier.

Project IRR only reduces from 14.5% to 13.6%

Assuming Rmb20,000/sqm new home price in Wuhan, land price is 50% of property price, Rmb5,000/sqm for construction cost, 2.7% interest cost, 2.7% of SG&A expense, and two-year sell-through cycle. Under the original presale model, project-level net margin and IRR are 10.4% and 14.5% respectively. Under the new model, we assume sale of completed properties at the end of second year, land premium to be paid at 10% upfront, 40% by end of first year, and 50% by end of second year, and also a two-year sell-through cycle. Property price and land price remains unchanged. Project-level net margin will be lower at 9.0% due to higher interest cost incurred, and IRR is 13.6%, 92bp lower than original level of 14.5%.

Figure 1: We estimate project-level IRR at 14.5%, under old presale model

Scenario 1 - Old presale policy		
Housing price ASP	20,000	Rmb/ sqm
VAT	5%	
Land price ASP	10,000	50% of housing price
Construction cost	5,000	Rmb/ sqm
Interest cost	2.7%	
SG&A	2.7%	As % of sales
Effective tax	32%	Past three-year average
Year to achieve OCF breakeven	1	1-year to achieve operating cash flow breakeven
Net margin	10.4%	
IRR	14.5%	

Source: Company Data, UBS estimates



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Figure 2: We estimate IRR will be lowered to 13.6%, under new presale model

Scenario 2 - Assume land premium by instalment (10%/40%/50%)		
Housing price ASP	20,000	Rmb/ sqm
VAT	5%	
Land price ASP	10,000	50% of housing price
Construction cost	5,000	Rmb/ sqm
Interest cost	2.7%	
SG&A	2.7%	As % of sales
Effective tax	32%	past three years average
Years to achieve OCF breakeven	3	Assume two-year sell-through cycle

Under new presale policy	Compared to old presale policy
Net margin	**9.0%**	-1.4%
IRR	**13.6%**	-0.9%

Source: Company Data, UBS estimates

Figure 3: Valuation comps - China developers

Company (EN)	Ticker	Rating	Price (LC)	Price target (LC)	Price target upside (%)	Market cap (US$ bn)	3M avg trading value (US$ m)	PE 26E (x)	PE 27E (x)	P/BV 26E (x)	P/BV 27E (x)	Dividend yield 26E (%)	Dividend yield 27E (%)	26E NAV discount (%)	25-27E EPS CAGR (%)	NDER FY25A	ROE 26E
CN developers (H-share)																	
CR Land	1109.HK	Buy	29.30	45.00	54%	26.6	95.9	8.3	8.0	0.59	0.56	4.5%	4.6%	N/A	-1%	39%	7%
COLI	0688.HK	Buy	12.31	25.00	103%	17.2	48.5	9.9	8.7	0.29	0.29	3.6%	4.2%	N/A	1%	34%	3%
Longfor	0960.HK	Neutral	5.38	10.20	90%	4.8	16.8	-	-	0.20	0.20	0.0%	0.0%	N/A	-7%	52%	-1%
C&D International	1908.HK	Buy	11.88	21.00	77%	3.4	12.2	8.0	7.6	0.76	0.77	6.1%	6.4%	N/A	-7%	54%	10%
Vanke (H)	2202.HK	Sell	2.22	2.60	17%	3.3	6.6	-	-	0.20	0.30	0.0%	0.0%	N/A	-2%	125%	-36%
Jinmao	0817.HK	Buy	1.20	2.30	92%	2.1	11.6	16.9	16.7	0.36	0.36	2.2%	2.2%	N/A	9%	107%	2%
Greentown China	3900.HK	Buy	5.60	13.00	132%	1.8	10.6	179.0	12.8	0.34	0.34	0.0%	3.2%	N/A	266%	66%	0%
Yuexiu Property	0123.HK	Neutral	3.06	4.40	44%	1.6	4.4	61.7	36.1	0.19	0.19	0.6%	1.1%	N/A	342%	55%	0%
Seazen	1030.HK	Buy	1.39	2.30	65%	1.3	3.8	16.6	15.3	0.18	0.18	0.0%	0.0%	N/A	20%	59%	1%
Wgt avg - H-share					**73%**			**16.6**	**9.7**	**0.43**	**0.43**	**3.3%**	**3.7%**	**0%**	**16%**	**48%**	**3%**
CN developers (A-share)																	
China Merchants Shekou	001979.SZ	Buy	6.75	12.00	78%	9.1	90.5	52.4	21.2	0.62	0.61	0.9%	2.1%	N/A	100%	72%	1%
Poly Developments	600048.SS	Neutral	5.08	6.60	30%	9.1	114.3	126.5	475.3	0.32	0.32	1.5%	0.4%	N/A	-87%	66%	0%
Vanke (A)	000002.SZ	Sell	3.05	3.14	3%	5.4	65.7	-	-	0.32	0.48	0.0%	0.0%	N/A	-2%	125%	-36%
Wgt avg - A-share					**42%**			**68.9**	**191.0**	**0.44**	**0.47**	**0.9%**	**1.0%**	**0%**	**4%**	**82%**	**-8%**
Wgt avg - A + H share					**63%**			**26.7**	**63.1**	**0.41**	**0.42**	**2.9%**	**3.0%**	**0%**	**3%**	**56%**	**0%**

Source: Company data, UBSe. Date as of 14 September 2026.

Figure 4: Valuation comps - China property managers and brokers

Company (EN)	Ticker	Rating	Price (LC)	Price target (LC)	(%)	Market cap (US$ bn)	3M avg trading value (US$ m)	PE 26E (x)	PE 27E (x)	P/BV 26E (x)	P/BV 27E (x)	Dividend yield 26E (%)	Dividend yield 27E (%)	Net cash as % of market cap 2025A (%)	25-27E EPS CAGR (%)	Net cash/ (debt) 2025A (Rmb m)	ROE 26E
China property management companies																	
CR Mixc	1209.HK	Buy	38.32	55.00	44%	11.2	24.6	17.2	15.6	4.71	4.58	5.8%	6.4%	14%	10%	10,778	28%
Onewo	2602.HK	Neutral	19.48	20.00	3%	2.9	2.4	8.7	8.1	1.49	1.46	3.4%	3.7%	62%	6%	12,090	16%
CG Services	6098.HK	Sell	5.38	2.00	-63%	2.3	4.3	17.7	18.0	0.44	0.45	9.8%	9.8%	98%	20%	15,252	2%
Poly Property Services	6049.HK	Neutral	27.30	36.50	34%	1.9	2.5	8.0	7.7	1.14	1.06	6.3%	6.5%	100%	4%	12,949	15%
Greentown Service	2869.HK	Buy	4.15	5.70	38%	1.7	1.7	11.0	9.6	1.36	1.32	6.8%	7.9%	67%	15%	7,541	13%
China Overseas Property	2669.HK	Neutral	3.31	3.90	18%	1.4	3.5	7.4	7.8	1.41	1.28	5.8%	5.5%	67%	-7%	6,234	20%
Weighted average					**23%**			**14.1**	**13.1**	**3.01**	**2.92**	**6.0%**	**6.5%**	**45%**	**9%**	**11,088**	**21%**
China property brokers																	
Beike	2423.HK	Buy	44.48	66.00	48%	18.6	59.8	14.5	12.7	1.69	1.52	5.6%	6.8%	55%	43%	68,732	12%
Beike	BEKE.N	Buy	16.93	25.30	49%	18.5	17.8	14.4	12.7	1.68	1.51	2.2%	2.7%	55%	43%	68,732	12%
Weighted average					**49%**			**14.5**	**12.7**	**1.69**	**1.51**	**3.9%**	**4.8%**	**55%**	**43%**	**68,732**	**12%**

Source: Company data, UBSe. Date as of 14 September 2026.

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.