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China Property | Asia Pacific

Weakened August; Completed-Sales Details Bear Watching

New home sales weakened further in August amid softer construction activity, as we expected. Completed-sales policy is likely to widen the K-shaped trends between new and existing homes, weighing on developers' sales and earnings outlook.

New home sales worsened in August despite a low base: Rebased national sales fell 12.1% y-y by value and 14.8% y-y by volume, bringing 8M26 declines to 13.0% y-y by value and 12.1% by volume. NBS announced the existing home sales volume for the first time, growing 10.6% y-y in 8M26, indicating largely flat combined sales YTD (-1.0% y-y). With the completed-sales policy limiting the formation of new launches, we expect the divergence between new and existing homes to widen in coming years, boosting the transition towards a secondary-dominant housing market.

Construction activity deteriorated further: New starts fell 31% y-y and completions fell 28% y-y in August, due in part to bad weather, bringing 8M26 declines to 25% and 24%, respectively. Combined with the smaller construction scale, the decline in REI deepened to 19.9% y-y in 8M26. We have lowered our full-year forecasts as developers may turn even more disciplined on land replenishment in 4Q until details of the completed-sales policy become clear.

We expect gradual home price stabilization: The impact of destocking is likely to take time to materialize, and demand conditions remain the key determinant of the home price trajectory. We now see home prices to stabilize in most Tier 1 cities by end-2026 and in Tier 2 cities in 2H27, while lower-tier cities could take much longer given severe structural oversupply. Stronger demand stimulus and an improvement in the macro environment could bring forward our expected stabilization timeline.

Stock ideas: We remain cautious on pure-play developers while favoring **KE (BEKE.N)** as a 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)** at current levels, as robust mall operations should provide an earnings buffer. CR Land trades at ~12x recurring profit with limited valuation for its profitable development business. Seazen's ~7x recurring profits materially underappreciates its improving liquidity and business outlook, as well as dividend potential.

Exhibit 1: Rebased NBS 8M26 property data summary

	Unit	YTD 2026	YTD 2025	YoY	2026-08	2025-08	MoM	YoY
Total sales value	(Rmb bn)	4,747	5,456	-13.0%	475	541	-0.4%	-12.1%
New home sales value	(Rmb bn)	4,178	4,807	-13.1%	423	482	-0.9%	-12.2%
Total GFA sold	(mn sqm)	499	567	-12.1%	49	57	-0.5%	-14.8%
New home GFA sold	(mn sqm)	415	477	-13.0%	41	48	-0.7%	-15.7%
Total RE investment	(Rmb bn)	4,798	5,990	-19.9%	497	667	0.7%	-25.5%
New home RE investment	(Rmb bn)	3,702	4,610	-19.7%	385	509	-0.7%	-24.5%
Total GFA started	(mn sqm)	299	398	-24.8%	32	46	-7.7%	-30.9%
New home GFA started	(mn sqm)	218	293	-25.4%	24	34	-9.3%	-31.4%
Total GFA completion	(mn sqm)	211	277	-23.7%	19	27	-3.6%	-28.4%
New home GFA completion	(mn sqm)	148	198	-25.4%	14	18	4.6%	-24.4%
Secondary home GFA sold	(mn sqm)	549	497	10.6%				
Total residential GFA sold	(mn sqm)	964	974	-1.0%				

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Valuation Methodology and Risks

Seazen Group Ltd (1030.HK)

Our HK$3.83/share 2026e NAV comprises HK$3.38 of development properties (DCF, 8.9% WACC), HK$8.31 of investment properties (cap rate 6-9%) and HK$7.86 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 Rmb29.34/share 2026e NAV comprises Rmb13.81 of development properties (DCF, 8.9% WACC), Rmb36.15 of investment properties (cap rate 6-8%) and Rmb20.62 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 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

