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UPDATE

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China Property | Asia Pacific

Mortgage Subsidy Policy Falls Far Short of Market Expectations

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CHINA PROPERTY
Asia Pacific
Industry View **In-Line**

Key Takeaways

- Mortgage subsidy with narrow eligibility – policy falls far short of market expectations on scope and size.
- We see limited fundamental impact on home sales.
- We expect a near-term industry pullback.

The Ministry of Finance announced a 100bp subsidy for qualified first-home mortgages, covering homes with <120sqm GFA and a value below Rmb1.5mn. The subsidy will last for up to five years, with the eligible mortgage amount capped at Rmb1mn.

The eligibility criteria imply that the policy is primarily targeted at lower-tier cities (and largely excludes Tier 1 cities). The maximum cumulative subsidy amounts to only 3-4% of the property value.

We expect limited support for home sales, given that the key constraints in lower-tier cities are weak housing demand and severe oversupply, rather than affordability alone.

Within our coverage, Seazen (601155.SS/1030.HK) – our preferred play – is relatively better positioned given its large exposure to Tier 3/4 cities.

Following the recent industry rally, we expect notable share price weakness in response to the policy disappointment, consistent with the expectation gap risk highlighted in our recent report – Potential Mortgage Subsidy: Policy Design Matters More Than Headline (27 Sept 2026).

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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

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