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China Property | Asia Pacific

Mortgage Subsidy: Narrow Reach, Modest Sales Support

We expect only marginal support for home sales, primarily through purchases brought forward from the next few years. Narrow coverage and limited incremental financing incentives constrain the scope for a broader shift from renting to buying.

Key Takeaways

- We estimate potential beneficiaries represent only 16% of total transactions and 12% of new-home sales, based on 2025 volumes and assumed financing choices.
- Lifetime interest savings amount to just 3-4% of housing value in our illustration, despite a 10-20% reduction in interest expenses.
- Housing Provident Fund (HPF) loans remain cheaper over 20-30 years than subsidized commercial mortgages, assuming unchanged rates.
- Rental yields already exceed mortgage rates in many targeted markets, while further home price declines could outweigh the subsidy benefit.

Narrow eligibility limits direct support to developers: The first-home requirement and price/size caps concentrate potential beneficiaries in non-core Tier 2 locations and Tier 3/4 cities. Of our estimated 2.1mn eligible purchases, 63% are secondary homes, leaving only 0.8mn new homes. These estimates measure potential policy coverage, rather than incremental sales: some beneficiaries would have proceeded with their purchases regardless of the subsidy.

Lower initial repayments do not eliminate HPF's longer-term cost advantage: In our illustration, subsidized commercial mortgages incur 7.4% and 1.5% more lifetime interest than HPF loans over 30 and 20 years, respectively. For buyers with sufficient HPF borrowing capacity, the subsidy only offers near-term cash-flow relief rather than lower full-tenor financing costs. We expect the incremental incentive to be concentrated among households with limited access to sufficient HPF funding.

Capital-value risk may outweigh incentive for renters to buy: In our sample, 30 of the 31 cities with rental yields above the HPF mortgage rate recorded home price declines in both 2025 and 8M26. For renters in these markets, financing costs may not be the principal constraint on purchasing. With lifetime interest savings equivalent to only 3-4% of housing value, a further MSD % price decline could more than offset the financing benefit, limiting the policy's ability to unlock new demand.

Stock ideas: We expect share-price volatility to stay elevated near-term. With 4Q likely to be a key observation window for assessing policy impact, any weaker-than-expected recovery in home sales could weigh on developer stocks. We thus continue to advocate a selective approach, favoring alpha opportunities underpinned by credible self-help initiatives: *CR Land (1109.HK) & Seazen A/H (601155.SS/1030.HK)*.

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Modest Interest Savings Could Offer Only Marginal Support to Home Sales

The mortgage subsidy lowers financing costs, but the savings are modest relative to housing value and may do little to generate incremental housing demand, in our view. Our illustration assumes a Rmb1mn commercial mortgage, the maximum amount eligible for the subsidy, at an unchanged underlying rate of 3.06%, with a 100bp subsidy for the first five years. On this basis, we estimate that lifetime interest expenses would fall by 10.5%, 14.9% and 18.8% for 30-, 20- and 15-year loans, respectively. However, these savings amount to just Rmb47-56k, equivalent to 3-4% of housing value at a 70% LTV. The subsidy also provides near-term repayment relief: for a 30-year, Rmb1mn mortgage, monthly installments would fall by 12.3%, from ~Rmb4.2k to ~Rmb3.7k, during the first five years.

Exhibit 1: Mortgage subsidy reduces lifetime interest by 10-20%, but savings equate to only 3-4% of housing value

	Commercial Mortgage Interest (Rmb)			Monthly Installment - First 5 Years			Monthly Installment - Remaining		
Loan tenor	With subsidy	Without subsidy	Variance	With subsidy	Without subsidy	Variance	With subsidy	Without subsidy	Variance
30-year	473,882	529,449	-10.5%	3,726	4,248	-12.3%	4,168	4,248	-1.9%
20-year	287,824	338,254	-14.9%	5,087	5,576	-8.8%	5,459	5,576	-2.1%
15-year	201,580	248,248	-18.8%	6,463	6,935	-6.8%	6,782	6,935	-2.2%

Note: Assumes a Rmb1mn loan with equal monthly installments, an effective commercial mortgage rate of 2.06% for the first five years and 3.06% thereafter, with installments recalculated upon subsidy expiry. Lifetime interest figures are undiscounted.

We therefore expect only marginal support to home sales, with the subsidy more likely to shift purchase timing than generate substantial new demand. Its narrow eligibility criteria concentrate the benefits in non-core Tier 2 locations and lower-tier cities. In many of these markets, rental yields already exceed available mortgage rates, while buyers with sufficient Housing Provident Fund (HPF) borrowing capacity can access loans with lower lifetime interest costs than subsidized commercial mortgages over longer tenors. These factors limit the incremental incentive to buy. We see the policy primarily bringing forward purchases already planned for the next 1-2 years, while providing a modest additional incentive for buyers with limited or no access to HPF financing.

(a) Narrow eligibility limits both the breadth and location of the benefits

The policy's price and size caps concentrate its reach in more affordable housing markets. Eligibility is restricted to first-home purchases below 120sqm and Rmb1.5mn, limiting coverage in Tier 1 cities and core Tier 2 locations. We therefore expect potential beneficiaries to be concentrated in non-core Tier 2 areas and Tier 3-4 cities, rather than distributed broadly across the housing market.

Our estimates suggest that only 16% of transactions would qualify after allowing for buyers' financing choices. Using 2025 transaction volumes as a baseline and assuming that 50% of qualifying first-home buyers opt for commercial mortgages, we estimate a potential beneficiary pool of 2.1mn purchases. This comprises 0.8mn new homes and 1.3mn secondary homes, equivalent to only 12% and 21% of their respective transaction volumes. Secondary homes account for 63% of the estimated pool, further limiting the

policy's direct reach into developers' sales.

Assuming an average housing value of Rmb1.05mn and a 70% LTV, we estimate eligible commercial mortgages of Rmb1.5trn, implying an annualised subsidy of Rmb15.4bn based on initial loan balances. Under the 90%/10% funding split, the central and local governments would contribute Rmb13.9bn and Rmb1.5bn, respectively. These estimates reflect potential policy coverage, rather than incremental housing demand. The actual sales uplift will depend on the extent to which the subsidy generates additional purchases or brings forward existing purchase plans, rather than simply lowering financing costs for transactions that would otherwise proceed as planned.

Exhibit 2: We estimate only 2.1mn purchases would qualify for the subsidy, equivalent to 16% of 2025 transactions

	New home	Existing home	Overall
Estimated total units sold in 2025 (mn units)	6.4	6.3	12.8
Share of qualified units (<120sqm GFA, <Rmb1.5mn value)	40.0%	60.0%	49.9%
Estimated qualified units sold in 2025 (mn units)	2.6	3.8	6.4
Share of first-home buyers among qualified units	60.0%	70.0%	66.0%
Qualified first homes (mn units)	1.5	2.7	4.2
Share of buyers opting for commercial mortgage	50.0%	50.0%	50.0%
Qualified first homes with commercial mortgage (mn units)	**0.8**	**1.3**	**2.1**
Average housing value in 2025 (Rmb mn)			1.05
Housing value of qualified first homes using commercial mortgages (Rmb bn)			2,205
Average LTV of commercial mortgage			70.0%
Qualified commercial mortgage loans (Rmb bn)			**1,544**
Mortgage subsidy			1.0%
Annualized subsidy on initial loan balances (Rmb bn)			**15.4**
- 90% funded by central government (Rmb bn)			*13.9*
- 10% funded by local government (Rmb bn)			*1.5*

(b) HPF mortgages remain cheaper over longer loan tenors

The subsidy lowers initial repayments, but HPF financing remains cheaper over 20-30-year loan tenors. For a Rmb1mn, 30-year mortgage, subsidized commercial loan installments are 6.9% below HPF repayments during the first five years, but become 4.1% higher once the subsidy expires. At a 2.6% HPF rate, lifetime interest expenses total Rmb441k for an HPF loan, versus Rmb474k for a subsidized commercial mortgage, a 7.4% premium for the latter. This premium narrows to 1.5% for 20-year loans; only in our 15-year illustration does the subsidized commercial mortgage offer savings, of just 3.4%, or Rmb7k. These comparisons assume unchanged underlying rates and no early repay
HPF rate cuts would strengthen its relative cost advantage, assumin
mortgage rates remain unchanged.

Borrowers also cannot assume they can combine the initial subsidy
financing thereafter. Switching from a commercial mortgage to an H
subject to local rules, borrower eligibility and lending limits, rather t
automatic option when the subsidy expires. We therefore expect the



financing incentive to be concentrated among households with limited or no access to sufficient HPF funding, rather than extend broadly across eligible first-home buyers.

Exhibit 3: HPF mortgages retain a lifetime interest-cost advantage over 20-30 years, despite the commercial mortgage subsidy

	Total Mortgage Interest (Rmb)			Monthly Installment - First 5 Years			Monthly Installment - Remaining		
Loan tenor	Commercial	HPF	Variance	Commercial	HPF	Variance	Commercial	HPF	Variance
30-year	473,882	441,223	7.4%	3,726	4,003	-6.9%	4,168	4,003	4.1%
20-year	287,824	283,491	1.5%	5,087	5,348	-4.9%	5,459	5,348	2.1%
15-year	201,580	208,712	-3.4%	6,463	6,715	-3.8%	6,782	6,715	1.0%

Note: Assumes a Rmb1mn loan with equal monthly installments, an effective commercial mortgage rate of 2.06% for the first five years and 3.06% thereafter, with installments recalculated upon subsidy expiry. HPF financing assumes a 2.6% rate throughout. Underlying rates remain unchanged, with no early repayment. Lifetime interest figures are undiscounted.

(c) Lower mortgage rates may do little to change renters' purchase decisions

Rental yields already exceed mortgage rates in many of the markets targeted by the subsidy. Based on Bingshan data, in August 2026, 31 cities in our 66-city sample (including 11 Tier 2 and 20 Tier 3 cities) had rental yields above the 2.6% HPF mortgage benchmark. Of these, 13 cities (six Tier 2 and seven Tier 3 cities) also had yields above the 3.06% commercial mortgage benchmark. For households with access to the corresponding financing, home ownership therefore already compares favorably with renting on an interest-cost basis, before accounting for other ownership costs.

The subsidy widens an existing interest-cost advantage rather than fundamentally altering purchase economics. For households that continue to rent despite positive yield spreads, downpayment requirements, income uncertainty and home-price expectations may be more binding constraints. We therefore expect lower financing costs to have greater influence on the timing of planned purchases than on the underlying willingness to buy.

Potential capital-value losses could more than offset the subsidy's cumulative interest savings. Among the 13 cities where August 2026 rental yields exceed the commercial mortgage benchmark, 12 (92%) recorded home-price declines in both 2025 and 8M26. The corresponding figure for cities with yields above the HPF benchmark is 30 out of 31 (97%), highlighting that positive rental-yield/mortgage-rate spreads have coexisted with continued price weakness. With estimated cumulative interest savings equivalent to only 3-4% of housing value in our illustration, a further mid-single-digit home-price decline could outweigh the entire financing benefit. For context, CREIS data show cumulative home price declines of 4.8% and 4.3% in Tier 2 and Tier 3 cities, respectively, in 9M26, comparable in magnitude to the estimated lifetime interest savings from the subsidy. We therefore think concerns over further capital-value losses may outweigh temporary financing relief, limiting the policy's ability to convert renters into buyers.

Exhibit 4: Rental yields already exceed mortgage rates in many Tier 2/3 cities

City tier	City	City	Rental yield (Aug 2026)	Yield vs. mortgage rate		Home price change		City tier	City	City	Rental yield (Aug 2026)	Yield vs. mortgage rate		Home price change	
				Commercial	HPF	2025	8M26					Commercial	HPF	2025	8M26
T1	Beijing	北京	2.1%	-1.0%	-0.5%	-13.8%	0.0%	T3	Shaoxing	绍兴	1.9%	-1.2%	-0.7%	-9.5%	-5.9%
T1	Shanghai	上海	2.0%	-1.1%	-0.6%	-13.8%	3.9%	T3	Nantong	南通	2.2%	-0.9%	-0.4%	-18.0%	-1.3%
T1	Guangzhou	广州	2.1%	-1.0%	-0.5%	-13.9%	-2.8%	T3	Taizhou	台州	2.2%	-0.9%	-0.4%	-8.1%	-6.8%
T1	Shenzhen	深圳	1.8%	-1.2%	-0.8%	-9.1%	-2.3%	T3	Jiaxing	嘉兴	2.2%	-0.9%	-0.4%	-5.6%	-2.4%
T2	Xiamen	厦门	1.7%	-1.4%	-0.9%	-21.9%	-6.9%	T3	Jinhua	金华	2.4%	-0.7%	-0.2%	-9.9%	-6.7%
T2	Hangzhou	杭州	2.0%	-1.1%	-0.6%	-6.1%	-4.4%	T3	Quanzhou	泉州	2.4%	-0.7%	-0.2%	-10.3%	-5.7%
T2	Ningbo	宁波	2.0%	-1.0%	-0.6%	-16.2%	-3.3%	T3	Linyi	临沂	2.4%	-0.7%	-0.2%	-11.7%	-3.8%
T2	Nanjing	南京	2.2%	-0.9%	-0.5%	-21.3%	-3.1%	T3	Xuzhou	徐州	2.4%	-0.7%	-0.2%	-19.6%	1.1%
T2	Hefei	合肥	2.2%	-0.9%	-0.4%	-21.9%	0.6%	T3	Wenzhou	温州	2.4%	-0.6%	-0.2%	-15.3%	-8.6%
T2	Dongguan	东莞	2.2%	-0.9%	-0.4%	-13.3%	-3.0%	T3	Langfang	廊坊	2.4%	-0.6%	-0.2%	-17.4%	1.3%
T2	Qingdao	青岛	2.3%	-0.8%	-0.4%	-14.1%	-5.6%	T3	Changzhou	常州	2.5%	-0.6%	-0.1%	-14.8%	-1.2%
T2	Jinan	济南	2.3%	-0.8%	-0.3%	-15.4%	-1.5%	T3	Maanshan	马鞍山	2.5%	-0.6%	-0.1%	-9.3%	-5.2%
T2	Tianjin	天津	2.3%	-0.7%	-0.3%	-18.4%	-2.4%	T3	Wuhu	芜湖	2.6%	-0.5%	0.0%	-9.7%	-5.1%
T2	Suzhou	苏州	2.3%	-0.7%	-0.3%	-14.9%	1.6%	T3	Zhangzhou	漳州	2.6%	-0.4%	0.0%	-4.3%	-3.7%
T2	Chengdu	成都	2.4%	-0.7%	-0.2%	-5.4%	-1.4%	T3	Yancheng	盐城	2.6%	-0.4%	0.0%	-16.6%	-6.3%
T2	Foshan	佛山	2.5%	-0.6%	-0.1%	-11.1%	-2.8%	T3	Huai'an	淮安	2.7%	-0.4%	0.1%	-17.9%	-4.6%
T2	Fuzhou	福州	2.5%	-0.6%	-0.1%	-12.2%	-4.1%	T3	Weihai	威海	2.7%	-0.4%	0.1%	-5.0%	-5.2%
T2	Haikou	海口	2.5%	-0.6%	-0.1%	-12.6%	-4.0%	T3	Huzhou	湖州	2.7%	-0.3%	0.1%	-5.8%	-3.8%
T2	Zhengzhou	郑州	2.5%	-0.6%	-0.1%	-13.6%	-2.0%	T3	Ganzhou	赣州	2.8%	-0.3%	0.2%	-5.6%	-3.8%
T2	Wuxi	无锡	2.5%	-0.5%	-0.1%	-14.6%	-5.7%	T3	Zibo	淄博	2.8%	-0.3%	0.2%	-6.6%	-4.3%
T2	Taiyuan	太原	2.6%	-0.5%	0.0%	-3.7%	-1.8%	T3	Luoyang	洛阳	2.8%	-0.3%	0.2%	-6.4%	-1.4%
T2	Xi'an	西安	2.6%	-0.5%	0.0%	-19.5%	-5.5%	T3	Xinxiang	新乡	2.9%	-0.2%	0.3%	-8.4%	-4.2%
T2	Chongqing	重庆	2.7%	-0.4%	0.1%	-9.0%	-3.6%	T3	Zhenjiang	镇江	2.9%	-0.1%	0.3%	-8.6%	-3.4%
T2	Nanchang	南昌	2.8%	-0.3%	0.2%	-15.7%	-3.7%	T3	Mianyang	绵阳	3.0%	-0.1%	0.4%	-6.4%	-4.2%
T2	Kunming	昆明	2.8%	-0.3%	0.2%	-9.2%	-4.2%	T3	Yantai	烟台	3.0%	-0.1%	0.4%	-16.7%	-2.7%
T2	Wuhan	武汉	2.8%	-0.2%	0.2%	-18.4%	-4.0%	T3	Yinchuan	银川	3.0%	0.0%	0.4%	-6.5%	-4.1%
T2	Nanning	南宁	2.9%	-0.2%	0.3%	-6.6%	-5.7%	T3	Huizhou	惠州	3.1%	0.0%	0.5%	-9.5%	-3.6%
T2	Dalian	大连	3.3%	0.2%	0.7%	-14.2%	-0.4%	T3	Zhongshan	中山	3.1%	0.1%	0.5%	-7.5%	-4.5%
T2	Shenyang	沈阳	3.3%	0.3%	0.7%	-7.8%	-2.5%	T3	Lanzhou	兰州	3.2%	0.2%	0.6%	-11.8%	-2.1%
T2	Changsha	长沙	3.4%	0.3%	0.8%	-14.3%	-5.9%	T3	Zhanjiang	湛江	3.3%	0.2%	0.7%	-6.4%	-5.2%
T2	Guiyang	贵阳	3.5%	0.4%	0.9%	-8.7%	0.1%	T3	Liuzhou	柳州	3.3%	0.3%	0.7%	-7.5%	-2.9%
T2	Changchun	长春	3.7%	0.7%	1.1%	-9.2%	-5.1%	T3	Jiangmen	江门	3.6%	0.5%	1.0%	-6.7%	-2.7%
T2	Harbin	哈尔滨	3.8%	0.7%	1.2%	-5.6%	-2.1%	T3	Zhuzhou	株洲	4.3%	1.2%	1.7%	-8.3%	-4.8%

Note: Rental yields are as of August 2026. Comparisons use uniform commercial/HPF mortgage-rate benchmarks of 3.06%/2.6%; city counts are based on unrounded data. City-level observations do not separately identify policy-eligible properties or non-core districts.

Exhibit 5: Over 90% of cities with rental yields above mortgage rates recorded home-price declines in both 2025 and 8M26

Metric	T1	T2	T3	Total
Cities covered	4	29	33	66
Rental yield > commercial mortgage rate	0	6	7	13
Of which: home prices fell in both 2025 and 8M26	0	5	7	12
Share with price declines in both periods	n/a	83%	100%	92%
Rental yield > HPF mortgage rate	0	11	20	31
Of which: home prices fell in both 2025 and 8M26	0	10	20	30
Share with price declines in both periods	n/a	91%	100%	97%
Avg. 2025 home price change	(12.6%)	(12.9%)	(10.1%)	(11.5%)
Avg. 8M26 home price change	(0.3%)	(3.2%)	(3.9%)	(3.4%)

Note: Rental yields are as of August 2026. Comparisons use uniform commercial/HPF mortgage-rate benchmarks of 3.06%/2.6%; city counts are based on unrounded data. City-level observations do not separately identify policy-eligible properties or non-core districts.

Overall, we expect more demand to be brought forward than newly created. The subsidy may encourage eligible households already planning to purchase within the next 1-2 years to transact sooner, while modestly incentivizing buyers without sufficient access to HPF mortgages. However, its narrow reach, the availability of cheaper long-tenor HPF financing and already favorable interest-cost comparisons in many targeted markets limit the scope for a broader shift from renting to buying. We therefore see potential for some near-term transaction support, but only a marginal uplift in underlying housing demand.

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