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China Property | Asia Pacific

Deeper Declines in September; We Expect New Home Sales to Remain Weak in 4Q

New home sales weakened further in September amid sluggish construction activity. We see recent housing policies to widen the K-shaped trends between new and existing homes, weighing on developers' sales and earnings outlook in the medium term.

New home sales worsened further in September despite a low base: Rebased national sales fell 20% y-y by value and 21% y-y by volume, widening 9M26 declines to 13.9% y-y by value and 13.2% by volume. In contrast, existing home sales volume remained robust, growing 11.5% y-y in September (+10.7% y-y in 9M26), indicating further market share gain and largely flat combined sales YTD (-1.4% y-y). With the completed-sales policy limiting the formation of new launches, and mortgage subsidies mainly benefiting lower lump-sum housing in the secondary market, we expect the divergence between new and existing homes to widen in coming years, accelerating the transition towards a secondary-dominant housing market.

Construction activity remained sluggish: New starts fell 26% y-y and completions fell 36% y-y in September, bringing 9M26 declines to 25% and 25%, respectively. Combined with the smaller construction scale, the decline in REI deepened to 20.6% y-y in 9M26. We expect developers to stay disciplined on land replenishment in 4Q until details of the completed-sales policy in more cities become clear.

We expect gradual home price stabilization: We still see the impact of destocking to take time to materialize, and demand conditions remain the key determinant of the home price trajectory. We see home prices stabilizing 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 time line.

Stock ideas: We expect near-term share-price volatility to remain elevated, with 4Q a key test of the sales response to recent policies. A weaker-than-expected recovery could weigh on developer stocks. We stay selective, favoring alpha plays backed by credible self-help initiatives: **CR Land (1109.HK), Seazen A/H (601155.SS/1030.HK)**.

Exhibit 1: Rebased NBS 9M26 property data summary

	Unit	YTD 2026	YTD 2025	YoY	2026-09	2025-09	MoM	YoY
Total sales value	(Rmb bn)	5,380	6,248	-13.9%	633	792	33.2%	-20.1%
New home sales value	(Rmb bn)	4,734	5,485	-13.7%	556	678	31.3%	-18.0%
Total GFA sold	(mn sqm)	565	651	-13.2%	66	83	35.9%	-20.7%
New home GFA sold	(mn sqm)	470	545	-13.8%	55	68	34.7%	-19.4%
Total RE investment	(Rmb bn)	5,336	6,721	-20.6%	539	731	8.4%	-26.3%
New home RE investment	(Rmb bn)	4,113	5,173	-20.5%	411	563	6.8%	-27.0%
Total GFA started	(mn sqm)	340	453	-24.9%	41	56	29.5%	-25.6%
New home GFA started	(mn sqm)	248	332	-25.4%	29	39	24.9%	-25.4%
Total GFA completion	(mn sqm)	233	311	-25.1%	22	34	14.3%	-36.4%
New home GFA completion	(mn sqm)	163	222	-26.6%	15	24	10.9%	-36.6%
Secondary home GFA sold	(mn sqm)	617	558	10.7%	68	61		11.5%
Total residential GFA sold	(mn sqm)	1,087	1,103	-1.4%	123	129		-4.8%

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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$59.88/share 2026e NAV comprises HK$24.02 of development properties (DCF, 8.0% WACC), HK$56.08 of investment properties (cap rate 5-8%) and HK$20.22 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

