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China Property | Asia Pacific

Faster Price Declines, Mixed Leading Indicators in October

Secondary price declines accelerated in October albeit milder new listings and higher visitation. We expect the subdued macro to continue to weigh on home prices through the rest of the year, despite slower new-home launches and mortgage-subsidy support.

Faster secondary price declines despite stronger transaction volumes: CREIS 100-city secondary home prices fell 0.61% m-m in October (vs. -0.60% in September), marking the sixth consecutive month of accelerating declines, as we expected. Prices were down 6.7% y-y and 4.9% YTD. The top-10 cities recorded an even larger decline of 0.66% m-m (vs. -0.54% in September) despite resilient secondary sales. We attribute the continued price weakness to greater pricing flexibility among sellers amid large listings, which has been consistently witnessed on decreasing listing prices.

Listing-price weakness continued to weigh on transaction prices: Secondary listing prices across our 85-city sample fell 0.6% m-m (vs. -0.6% in September), taking the y-y and YTD declines to 7.8% and 5.0%, respectively. Declines remained broad-based, affecting almost all cities, although the share of cities recording faster declines narrowed to 38% from 52% in September. While the pace moderated, continued asking-price reductions suggest further downside pressure on transaction prices in coming months.

New listings dropped slightly: New secondary listings edged down 2% m-m, with 43% of cities recording increases (vs. >95% in September). Total listings across ~50 cities remained largely stable (-0.2% m-m), while the share of cities recording declines increased to 63% from 53%. Compared with end-2025, listings were higher in 41% of cities (vs. 43% in September), with 10% at record highs.

Increased visitation: Agent-shop visits across 34 cities increased 13% m-m (+3% y-y) in October, indicating a seasonal increases similar to previous years. We expect secondary sales to remain robust on both m-m and y-y comparisons in coming months. Slower new-home launches and the secondary market's greater exposure to mortgage-subsidy beneficiaries should provide support. Together with easier bases, these factors should sustain further secondary-market share gains.

Stock ideas: We expect industry share prices to remain under pressure for the rest of the year (-14% on average in Oct) given disappointment over the impact of the mortgage subsidy, limited near-term catalysts, and stretched valuations for select SOE players despite sluggish fundamentals (e.g. CMSK). We thus continue to advocate a selective approach, favoring alpha opportunities underpinned by credible self-help initiatives, including *CR Land (1109.HK)* and *Seazen A/H (601155.SS/1030.HK)*.

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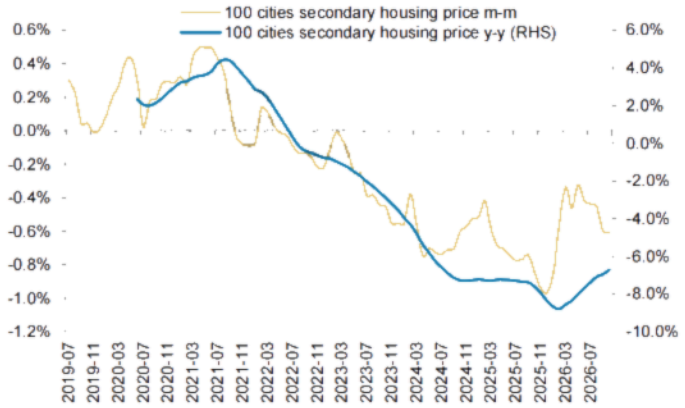
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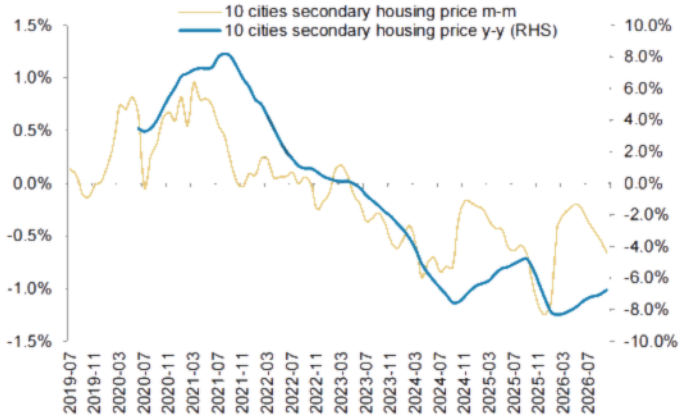
Key Charts – Secondary Market

Exhibit 1: Secondary home-price declines accelerated to 0.61% m-m in October



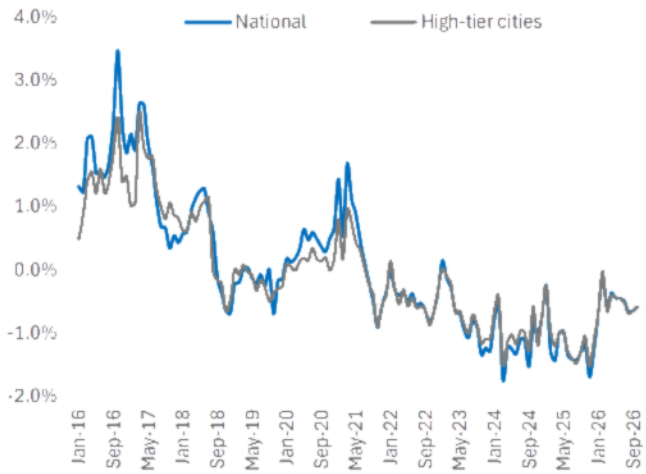
Source: CREIS, Morgan Stanley Research

Exhibit 2: Top -10 cities recorded even faster home-price declines of 0.66% m-m in October



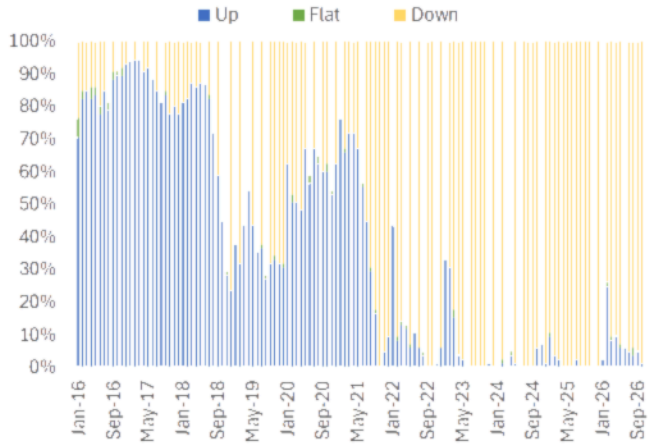
Source: CREIS, Morgan Stanley Research

Exhibit 3: Listing prices fell a further 0.6% m-m despite resilient secondary home sales



Source: Bingshan, Morgan Stanley Research

Exhibit 4: Listing-price declines remained broad-based, affecting 99% of sample cities



Source: Bingshan, Morgan Stanley Research

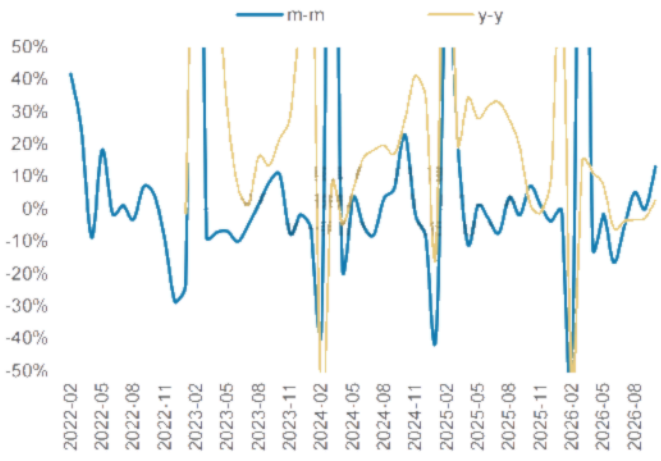
Exhibit 5:

New secondary listings declined 2% m-m in October



Source: Beike, Morgan Stanley Research

Exhibit 6: Agent-shop visits increased 13% m-m in October on seasonality



Source: Beike, Morgan Stanley Research

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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

China Resources Land Ltd. (1109.HK)

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