

STRATEGY – GREATER CHINA

China and Hong Kong Property

Review Of The Mainland And Hong Kong Property Markets In 2024

The second-hand home market in Tier 1 cities was strong in 2024, while new home sales and land supplies in major cities continued to drop. In Hong Kong, the primary market outperformed due to attractive pricing. There were higher relative returns from letting out properties in Tier 1 cities and Hong Kong. Stabilisation of the property market will be given higher priority due to rising geopolitical risks in 2025. Maintain OVERWEIGHT/MARKET WEIGHT on the China/Hong Kong property sectors. Top picks: COLI, SHKP.

WHAT'S NEW

- Financial data terminal (iFind) released daily new and second-hand home sales data.
- Centaline announced the latest CCL index and CVI index data on 3 Jan 25.
- CREIS published data of land sales in 300 major cities.

ESSENTIALS

- For the mainland property market:
  - In Dec 24, new home transactions in major cities showed positive mom growth. During Dec 24, the average daily sales volume of new homes (by GFA) in 15 major cities increased by 20.1% mom and 7.2% yoy, while that in Tier 1 cities increased by 6.2% mom and 26.7% yoy.
  - In 2024, the average daily sales volume of new homes (by GFA) in 15 major cities decreased by 13.0% yoy, while that of Tier 1/2/3 cities changed by +8.6%/-26.9%/-22.0% yoy. After the policy combo on 26 Sep 24, sales showed a continuous mom rebound, but the full-year sales level still fell short of 2023's performance.
  - Second-hand housing transactions in Tier 1 cities saw strong yoy growth in 2024. During Dec 24, the average daily sales of second-hand homes (by number of units) in Beijing/Shanghai/Guangzhou/Shenzhen increased 7.3% mom and 60.7% yoy. In 2024, Shanghai/Beijing/Shenzhen/Guangzhou recorded 240,000/175,600/66,880/110,000 transactions for the full year of 2024, a yoy rise of 36.8%/13.0%/57.1%/1.6%. The strategy of trading price for volume continues, with listing prices for second-hand homes in major cities still declining. According to National Bureau of Statistics, second-hand home prices in Tier 1/2/3 cities decreased by 8.0%/8.4%/8.8% yoy in Nov 24.
  - Land sales contracted further. According to CREIS data, land sale revenue/GFA from all types of land in 300 cities reached Rmb 2.7t/1,400m sqm in 2024, a yoy drop of 23.1%/14.7% respectively. Residential land sale revenue and GFA totalled Rmb2.1t/380m sqm, down 27.8%/23.3% yoy respectively. According to data from the Ministry of Finance, revenue from state-owned land use rights in the first 11 months of 2024 was Rmb3.26t, a yoy decrease of 22.4%.

PEER COMPARISON

Company	Ticker	Rec	Price @	Target	Upside/(Downside)	Market	PE		P/B		Yield	
			6 Jan 25 (HK\$)	Price (HK\$)	to TP (%)		Cap (HK\$m)	2024F (x)	2025F (x)	2024F (x)	2025F (x)	2024F (%)
China Resources Land Ltd	1109 HK	BUY	22.15	32.40	46.3	157,950.3	6.6	5.7	0.5	0.5	6.2	7.0
Sunac China Holdings Limited	1918 HK	SELL	1.91	1.06	-44.5	17,774.9	n.m.	n.m.	0.6	0.0	0.0	0.0
China Overseas Land	688 HK	BUY	12.32	18.60	51.0	134,841.0	7.0	6.5	0.3	0.3	5.3	5.5
Longfor Properties	960 HK	BUY	9.91	17.20	73.6	68,261.7	6.3	6.1	0.4	0.4	4.7	4.7
New World Development	17 HK	HOLD	4.93	7.02	42.4	12,407.0	-1.4	28.5	0.1	0.1	3.5	4.6
Sun Hung Kai Properties	16 HK	BUY	73.65	103.00	39.9	213,421.5	9.8	9.4	0.3	0.3	5.3	5.9

Source: Bloomberg, UOB Kay Hian

SECTOR RATING

Sector	Sector Rating
China Property	OVERWEIGHT
Hong Kong Property	MARKET WEIGHT

Source: UOB Kay Hian

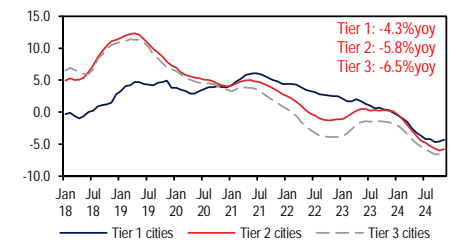
SECTOR PICKS

Company	Ticker	Rec	Share Price (HK\$)	Target Price (HK\$)
COLI	688 HK	BUY	12.32	18.60
LONGFOR	960 HK	BUY	9.91	17.20
SHKP	16 HK	BUY	73.65	103.00

Source: UOB Kay Hian

YOY OF NEW HOME PRICE INDEX IN 70 CITIES

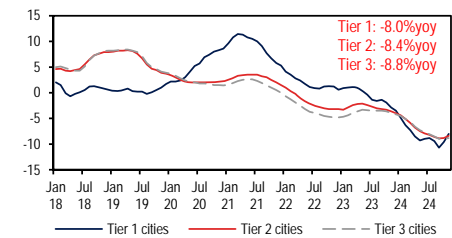
YoY of new home price index in 70 cities



Source: iFind, UOB Kay Hian

YOY OF SECONDARY HOME PRICE INDEX IN 70 CITIES

YoY of secondary home price index in 70 cities



Source: iFind, UOB Kay Hian

ANALYST(S)

Jieqi Liu  
+852 2826 1392  
jieqi.liu@uobkayhian.com.hk

Damon Shen  
+86 21 54047225 ext.820  
damonshen@uobkayhian.com

• For Hong Kong property:

a) In 2024, CCL index fell 6.4% to 137.64, hitting its lowest level in over eight years.

The CCL has continued to fluctuate, hovering narrowly around 138 points for nearly nine weeks. The CVI index, which is an indicator showing banks' expectations of property price, now stands at 48.78. The CVI has declined for two consecutive weeks, dropping a total of 5.4 points. showing that banks' attitude towards property weakened.

b) In 2024, the total number and value of building sale and purchase agreements registered in Hong Kong reached a three-year high.

In terms of first-hand private residential properties, the number and value of transactions in 2024 increased by 57.8% yoy and 58.9% yoy to 16,861 and HK\$208.22b respectively, indicating that the low pricing strategy of developers has been effective, driving a rebound in first-hand transactions. The number of second-hand private residential transactions also increased by 13.8% to 33,794, but the transaction amount fell slightly by 3.5% yoy to HK\$242.31b, reflecting that buyers are willing to enter the market again, but housing prices continue to decline.

• Relative returns from renting out properties in Tier 1 cities and Hong Kong are rising.

According to our calculation, rental yield in Beijing/Shanghai/Shenzhen/Guangzhou stood at 2.55%/2.05%/2.35%/1.82% respectively in Dec 24, as compared with 1.9-2.0% of five-year deposit rate at major mainland banks and approximately 3% of mortgage rates. We expect more interest rate cuts to further enhance the rental yield in Tier 1 cities. In Hong Kong, rental yield reached 3.46% as of Oct 24, higher than the latest interest rate of new mortgage (3.5%) and 6-month HK\$ saving rate (3.2-3.4%).

ACTION

• **Maintain OVERWEIGHT on China's property sector.** As the Chinese New Year approaches, we foresee a mom drop in property transactions in Jan 25. However, due to rising geopolitical tensions, we expect the Chinese government to prioritise stabilising the property market. The supportive policies announced by the PBOC and MoF reinforce this trend. Potential further fiscal easing measures in Mar 25 will boost sentiments in the sector. We maintain OVERWEIGHT on the Chinese property market, with COLI as our top pick.

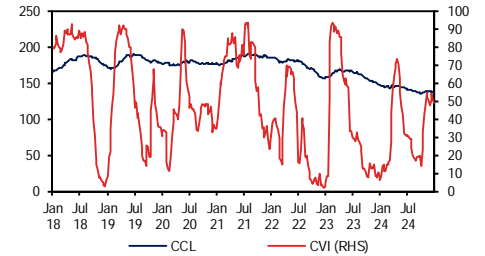
RECENT POLICY STATEMENT BY MOF AND PBOC REGARDING PROPERTY MARKET STABILISATION

Department	Date	Major policy statement related with property industry
MoF	24 Dec	Arrange a larger quota of government bonds to support growth stabilisation and structural adjustment.
PBOC	3-4 Jan	Improve and strengthen macro-prudential management of real estate finance and support the establishment of a new real estate development model.

Source: Government websites

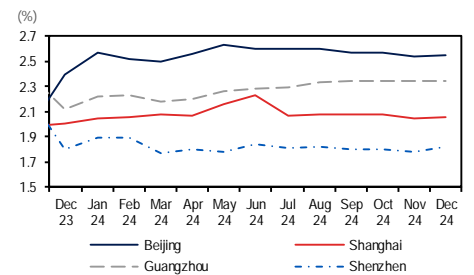
• **Maintain MARKET WEIGHT on Hong Kong's property sector.** Hong Kong's real estate market offers much stronger rental yields than China's Tier 1 cities, but geopolitical risks, higher market rate and uncertainty about interest rate cuts may hinder market recovery. The revival of China's macroeconomics will significantly influence the Hong Kong property market. Maintain MARKET WEIGHT. SHKP remains our top pick.

CCL & CVI INDEX



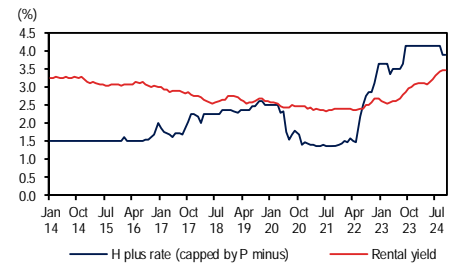
Source: Centaline, UOB Kay Hian

RENTAL YIELD IN T1 CITIES



Source: iFind, Ice Index, UOB Kay Hian

HONG KONG RENTAL YIELD VS MORTGAGE RATE



Source: Centaline, UOB Kay Hian

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