31 Aug 2026

CMB International Global Markets | Equity Research | Sector Flash Note

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Property

Pre-sale threshold lifted: short-term pain for long-term health

FLASH

On Aug 28, regulators issued the Notice on Improving Commercial Housing Sales System, proposing to lift the pre-sale threshold to structural topping-out and impose full supervision on pre-sale funds for new land parcels. Full rollout of the policy would tighten developer liquidity, accelerate exit of undercapitalized players, lengthen collection cycles and drive market share concentration toward SOEs; while on the demand side, it would reduce delivery risks and boost buyer confidence, in our view. We view this as a landmark step to break the sector's vicious cycle, with regulators directly addressing the root cause. Investor feedback is more positive than we expected and focused on long-term outcomes. The policy reinforces supply contraction and share concentration themes, placing the sector on a medium-to-long term recovery track with limited downside. We recommend selective stock allocation.

- **What's new?** The policy raises the pre-sale threshold from 25% project investment completion or 2/3 structural completion to full structural topping-out of individual buildings, meaning properties can only be marketed once the main structure is fully built. Local authorities are granted discretion to phase in the rules based on local market heat, developer funding stress and affordability, to prevent an abrupt policy shock.
- **Key impacts. 1) Developers:** the policy will ramp up funding pressure by extending the cash collection cycle from 3-6 months to 6-12 months, intensifying cash flow strain and accelerating the exit of undercapitalized small players, with market share further concentrating toward central and local SOEs**. 2) Market:** New home supply will slow in the near term. The supply contraction is set to support price stabilization and repair buyer confidence over the long run. **3) Homebuyers**: The policy will materially reduce home purchase risks by curbing unfinished and delayed deliveries, which is set to significantly boost long-term homebuying confidence. **4) Local governments**: The reform may add near-term fiscal pressure, but the document retains flexibility for local authorities to adjust roll-out pace.
- **Our View.** We view the reform as a critical move to trade short-term pains for long-term sector health. By directly addressing the house delivery risk that has been eroding buyer confidence, it signals regulators' proactive stance to break the sector's vicious cycle. Notably, local governments can tailor rollout pace to local conditions, cushioning the sector from abrupt disruption. For actively traded SOE developers, the policy impact should be limited given lighter cash flow pressure, smooth financing access and lower funding costs.
- **Client feedback is more positive than expected. 1)** Sentiment: Many investors see the policy as a long-awaited bad news finally landing**. 2)** Regulatory signal: Some investors interpret the policy as top-down acknowledgment of the root cause of weak buyer confidence, marking a positive step for sector recovery. While there could be some implementation concerns—local governments may lack incentives to enforce the policy aggressively given the near-term pain and delayed benefits, leading to a slower rollout—overall, investors take a longer-term positive view, and sector positioning remains light. The sector is on a medium- to long-term recovery track with limited downside. We recommend proactive selective allocation to strong SOE leaders with high commercial property exposure and core-city land banks.

China Property Sector

OUTPERFORM

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Valuation

Figure 1: Valuation comps – Property Management

Company	Ticker	Last Price	Mkt Cap	P/E (x)			Net Profit Growth (%)			Payout ratio	Dividend Yield	
		(LC)	(USD mn)	26E	27E	28E	26E	27E	28E	25A	25A	26E
CR MixC	1209.HK	40.44	11,745	18.0 x	16.2 x	14.6 x	11.4	11.0	10.9	101%	4.8%	5.5%
Onewo	2602.HK	19.33	2,858	21.7 x	18.4 x	15.0 x	28.3	18.4	22.7	251%	8.6%	4.2%
Country Garden Services	6098.HK	5.70	2,454	13.6 x	12.4 x	11.4 x	104.0	9.3	9.0	2.7	9.4%	9.1%
Poly Services	6049.HK	28.24	2,002	8.3 x	7.9 x	7.5 x	5.3	5.2	5.5	52%	5.7%	5.0%
COPH	2669.HK	3.54	1,487	7.4 x	7.0 x	6.6 x	0.1	4.7	6.8	43%	5.6%	6.2%
China Merchant PO	001914.SZ	8.87	1,378	9.8 x	9.1 x	8.4 x	45.6	8.3	8.1	42%	2.9%	4.2%
Greentown Services	2869.HK	4.30	1,713	11.5 x	10.2 x	9.1 x	14.3	13.0	12.2	77%	5.6%	5.9%
Binjiang Services	3316.HK	22.08	796	8.4 x	7.7 x	7.2 x	8.3	8.7	7.4	76%	8.2%	n.a.
Yuexiu Services	6626.HK	1.99	383	9.0 x	8.2 x	7.5 x	5.7	51.9	14.4	63%	6.3%	6.9%
C&D PM	2156.HK	2.63	467	7.7 x	6.9 x	6.1 x	13.9	13.1	12.0	69%	7.6%	n.a.
Ever Sunshine	1995.HK	1.80	395	5.2 x	4.9 x	n.a.	17.3	6.6	n.a.	71%	11.0%	n.a.
Jinmao Services	0816.HK	2.35	277	5.0 x	4.5 x	4.2 x	19.8	11.0	7.5	63%	10.1%	n.a.
New Hope Services	3658.HK	1.72	195	5.7 x	5.1 x	4.6 x	8.3	10.3	10.5	68%	11.5%	n.a.
E-star CM	6668.HK	1.38	168	7.3 x	7.1 x	6.9 x	10.1	1.9	3.1	87%	9.8%	n.a.
Average				**14.7 x**	**13.2 x**	**11.7 x**	**22.5**	**11.2**	**11.5**	**117%**	**6.1%**	**5.1%**
BEKE-W	2423.HK	47.46	20,624	23.7 x	20.5 x	16.5 x	96.8	15.7	24.6	72%	1.5%	1.7%
Greentown Management	9979.HK	1.92	478	7.4 x	7.0 x	6.6 x	4.7	5.4	6.0	102%	12.4%	10.7%
Average				**23.4 x**	**20.2 x**	**16.2 x**	**94.7**	**15.5**	**24.2**	**73%**	**1.8%**	**1.9%**

Source: Company data, Wind, CMBIGM
Note: Data as of 28 Aug 2026

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