Hong Kong Property

Larger Units Lead As Their Supply Shrinks

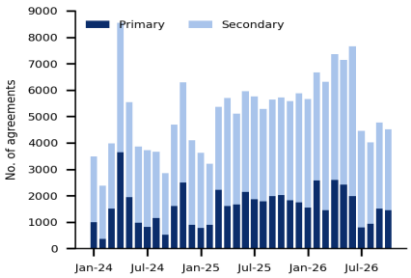
Highlights

- **Larger units led in 2026.** Agreements above HK$10m rose 40.0-50.7% yoy in 10M26 while those below HK$4m fell 9.2%. In 9M26, Class D-E prices rose 7.6% and rents 8.8%, against 7.0% and 5.7% for Class A-C.
- **Supply has shifted to small units.** Class A made up 43.0% of completions in 2016-25, against 11.2% in 2006-15, and RVD forecasts 64.1% in 2027, with only 202 (3.0%) Class D-E units. We expect small-unit prices to face pressure in 2027 and large-unit prices to hold steady.
- **Maintain MARKET WEIGHT.** SHKP is our top pick; highlight Kerry Properties for strong high-end market exposure and attractive yield..

Analysis

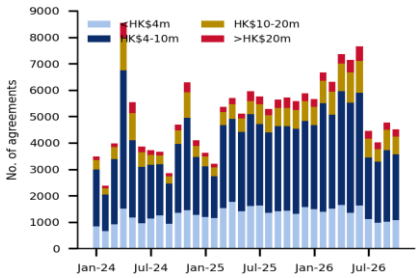
- **Larger units led the 2026 transaction growth.** In 10M26, residential sale and purchase agreements (SPA) number rose 14.0% yoy to 58,564 units, with primary and secondary transactions up 1.5% and 20.2% yoy respectively. Transaction value rose faster, by 20.7% in the primary market and 33.7% in the secondary market, pointing to a higher value per deal, particularly for new homes: The average primary agreement rose 18.9% yoy to HK$12.5m, against 11.2% to HK$7.7m in the secondary market. Stronger volume growth in larger units supports this: Agreements below HK$4m fell 9.2% yoy, while those at HK$4m-10m, HK$10m-20m and above HK$20m rose 16.3%, 50.7% and 40.0%.

SPAs: Primary Vs Secondary



Source: Land Registry (via CEIC), UOB Kay Hian

SPAs By Unit Value



Source: Land Registry (via CEIC), UOB Kay Hian

- **Larger units also outperformed on rent increase in 2026, although price gains were broadly similar across unit sizes.** The RVD residential price index rose 7.1% in 9M26, with prices of Class A-C and Class D-E units up 7.0% and 7.6% respectively. RVD residential rental index for Class D-E rents rose 8.8%, against 5.7% for Class A-C.

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MARKET WEIGHT (Maintained)

Segmental Rating

Segment	Rating
Hong Kong Property	MARKET WEIGHT (Maintained)
Hong Kong Landlords	MARKET WEIGHT (Maintained)

Source: Bloomberg, UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (HK$)	Target Price (HK$)
SHKP	16 HK	BUY	106.00	143.80
Link REIT	823 HK	BUY	36.44	44.30

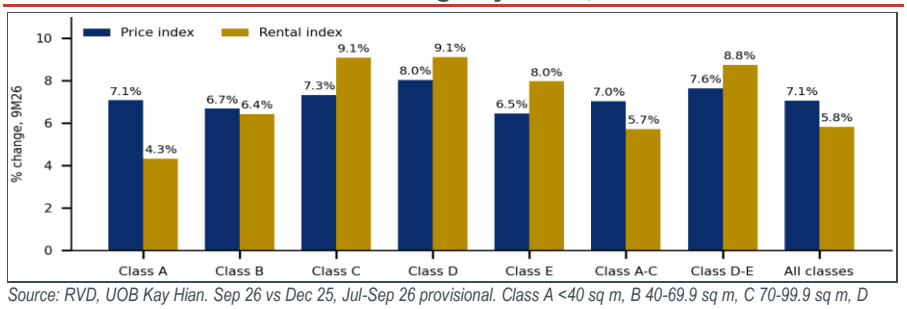
Source: Bloomberg, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec	Price 11-Nov-26 (HK$)	Target Price (HK$)	Upside To TP (%)	Last Year End	PE 2025A (x)	PE 2026E (x)	PE 2027E (x)	Yield 2027E (%)	ROE 2026E (%)	Market Cap. (HK$m)	Price/ NAV ps (x)
New World Development	17 HK	HOLD	5.06	6.44	27.2%	06/2026	N.A.	N.A.	-3.7	0.0	-2.5%	12,734.2	0.08
Sun Hung Kai Properties	16 HK	BUY	113.10	143.80	27.1%	06/2026	15.1	15.0	14.3	3.8	3.6%	327,738.9	0.53
Sino Land	83 HK	BUY	10.45	14.00	34.0%	06/2026	23.1	20.8	20.7	5.6	2.8%	100,175.2	0.57
Kerry Properties	683 HK	BUY	18.40	27.80	51.1%	12/2025	6.7	12.5	10.6	7.3	1.8%	26,704.0	0.26
Wharf Real Estate Investment Co Ltd	1997 HK	BUY	31.96	36.00	12.6%	12/2025	15.8	16.4	15.3	4.0	3.3%	97,037.8	0.51
Link REIT	823 HK	BUY	40.20	44.30	10.2%	03/2026	N.A.	16.1	16.7	6.0	3.9%	103,812.3	0.64
Hysan Development	14 HK	BUY	16.44	20.74	26.2%	12/2025	11.0	8.5	8.3	6.8	3.0%	16,884.0	0.25

Source: Bloomberg, UOB Kay Hian

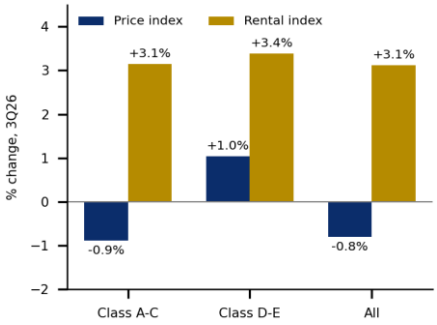
RVD Price And Rental Index Change By Class, 9M26



Source: RVD, UOB Kay Hian. Sep 26 vs Dec 25, Jul-Sep 26 provisional. Class A <40 sq m, B 40-69.9 sq m, C 70-99.9 sq m, D 100-159.9 sq m, E 160 sq m and above

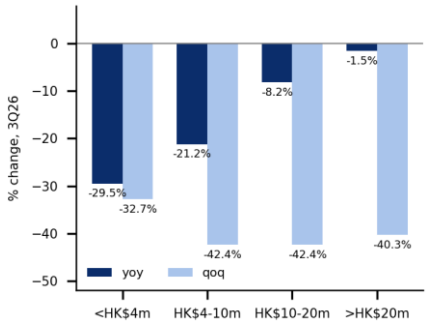
- **Residential market has softened since 3Q26, but larger units are holding up relatively better.** Centaline's CCL fell 0.4% in 3Q26 after rising 11.6% in 1H26. According to RVD, prices of Class D-E units rose 1.0% in 3Q26 while those of Class A-C units fell 0.9%, and rents kept rising, by 3.4% for Class D-E and 3.1% for Class A-C. Residential SPAs fell 20.7% yoy and 40.2% qoq to 13,242 units; agreements below HK$4m fell 29.5% yoy, against only 1.5% for those above HK$20m, lifting units above HK$10m to 21.1% of agreements from 17.8% in 3Q25.

RVD Price And Rent, 3Q26



Source: RVD, UOB Kay Hian. Sep 26 vs Jun 26, provisional

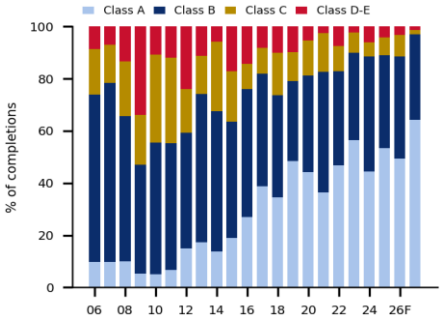
SPAs By Unit Value, 3Q26



Source: Land Registry (via CEIC), UOB Kay Hian

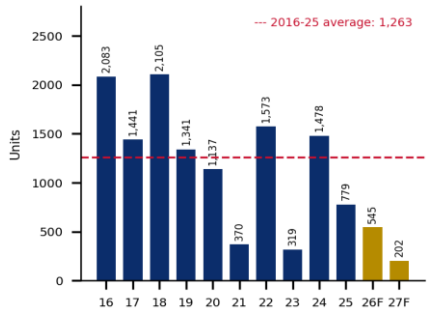
- **Continuous contraction in supply of larger units is a driving factor.** RVD data shows Class A units (<40 sq m) made up 43.0% of 2016-25 private completions, up from 11.2% in 2006-15. Class C-E units (≥70 sq m) fell to 17.4% from 35.1%, and Class D-E units (≥100 sq m) to 7.0% from 13.1%. The trend has sped up recently: Class A reached 53.4% in 2025 and is forecast at 64.1% in 2027. Class D-E completions are forecast to fall to 202 units in 2027 (1.3%), from an average of about 1,260 a year in 2016-25, and Class C-E completions to drop 76.2% to 467 units (3.0%).

Completions Mix By Class , 06-27F



Source: RVD, UOB Kay Hian. 2026F-27F = RVD forecasts

Class D-E Completions

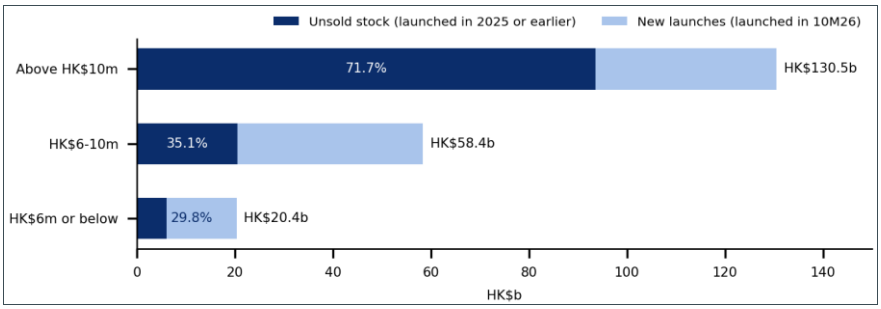


Source: RVD, UOB Kay Hian. Class D-E = 100 sq m and above; 2026F-27F = RVD forecasts

- **We expect small-unit prices to face pressure in 2027 and large-unit prices to hold relatively steady.** Potential rate hikes would squeeze rental yields, a key selling point for small units, while their supply keeps

rising: RVD forecasts Class A completions up 17.9% yoy to 9,854 units in 2027. We therefore expect pressure on the pricing of small units, particularly Class A, and flexible pricing is needed for developers. For large units, buyers' affordability will be negatively affected by China's tighter tax oversight of offshore trusts and investments, but the further fall in supply should partly offset weaker demand. Class C- E completions are forecast to fall by 76% yoy to 467 units in 2027 We therefore expect prices in this segment to stay relatively stable, with developers favouring margins over asset turnover. Destocking above HK$10m was already much faster in 2026: Unsold stock launched in 2025 or earlier made up 71.7% of the HK$130.5b of primary sales above HK$10m in 10M26, against 35.1% at HK$6m-10m and 29.8% at HK$6m or below.

10M26 Primary Sales Value By Price Band



Source: Hong Kong Property, UOB Kay Hian. Unsold stock = projects launched in 2025 or earlier; new launches = launched in 10M26

Valuation/Recommendation

- **Maintain MARKET WEIGHT on the Hong Kong property sector.** We expect residential prices to move sideways in 2H26-1H27. Interest rate path the key driver.
- **SHKP is our top pick.** We prefer names with strong balance sheets and improving profitability. SHKP offers: a) low net gearing of 10.7%, down 4.4ppt yoy; b) proxy for the Hong Kong residential market; and c) a 3.8% FY27 dividend yield on our DPS forecast.
- **Kerry Properties, a high-end home expert, is currently trading at an attractive yield.** We expect the company to launch Branksome Crest in Mid-Levels next year, after converting it from leasing to sale. we estimated a gross value of over HK$6b for its 62 units (about 110,000 sf of saleable area at a conservative ASP of HK$55,000 psf), with the disposal cutting net gearing by around 5ppt. We are positive on its sales prospects, given its location, layout and quality. Kerry is currently trading at a FY27 dividend yield of 7.3%, which is attractive in our view.

Sector Catalyst

- Lower-than-expected HIBOR.

Sector Risk

- A further rise in US yields and HIBOR.
- Further Mainland tightening on offshore money after the 22 Oct 26 trust-income deadline.

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