

STRATEGY

Hong Kong Developers And Landlords

Top Developer Leads Strong Sales Rebound In Oct 24; Landlords Continue To Face Challenges From GBA Integration

In Oct 24, the primary property market showed signs of recovery, with a notable increase in transaction volume. Nov 24 may see a pullback in transaction volume on lower high-quality new supply. However, we still expect a 3% recovery in property prices in 4Q24-1Q25, driven by rising rental yields and supportive macro factors. On the other hand, retail landlords continue to face challenges from GBA integration. Maintain MARKET WEIGHT and prefer developers over landlords. SHKP and LINK REIT are our top picks.

WHAT'S NEW

- Hong Kong's primary property market recorded 2,990 units of transactions in Oct 24.
- The number of mainland tourists to Hong Kong as well as the number of Hong Kong residents travelling northbound increased by 16%/35% yoy in Oct 24 respectively.

ESSENTIALS

- CCL index increased by 0.7% in Oct 24.** Ytd, the CCL index still dropped by 7.0%.
- Primary transactions volume saw a strong recovery in October.** During the month, 2,990 units of primary units were sold, marking the highest monthly sales figure since Apr 24. In 10M24, the total number of primary transactions was around 14,000 units, which represents 93.3% of our projected annual sales. Due to a drop in the supply of high-quality new projects, we anticipate a mom decline in primary transaction volume in Nov 24. However, we hold our view that Hong Kong's residential market is on a recovery trend in the near term, supported by: a) a high rental yield of 3.4%; b) potential rate cuts; and c) supportive macro policies. We reiterate our view that Hong Kong's property price will rebound by 3% in 4Q24-1Q25.
- Variation in sales performance among projects remains wide.** The Cullinan Sky and Echo House, both of which are directly linked to MTR stations and are sold at attractive ASPs, are selling very well. In contrast, Blue Coast II saw a slower sales progress due to an aggressive ASP hike. The Double Coast project, which is the farthest from MTR, saw the slowest sales despite its relatively attractive pricing. The abovementioned indicate that buyers still remain selective and cautious. We anticipate that the new-home and second-hand markets will be primarily driven by transactions involving high-quality units in the near term.

SALES OF PERFORMANCE OF NEW PRIMARY PROJECTS LAUNCHED IN OCT 24

Project	Developer	ASP (HK\$/sq ft)	No. of units sold	Sell-through rate on 1st day of sales launch	Total no. of units of project
Cullinan Sky	SHKP	19,668/20,939/21,768/22,223 for 1st/2nd/3rd/4th ^{3rd} / 4th batch	842	100% for all the four batches of sales	906
Echo House	URA/Chinachem	14,888/15,440/17,162 for 1st / 2nd /3rd batch	198	100% for all the three batches of sales	198
Blue Coast II	CKA/MTR	21,526-21,876/ 22,404 for 1st /2nd batch	223	75%/36% for 1st/2nd batches of sales	558
Double Coast I	Wheelock/Henderson/COLI/NWD	17,899 for 1st batch	16	28%	361

Source: Respective media, UOB Kay Hian

PEER COMPARISON

Company	Ticker	Rec	Price @	Target	Upside/Downside	Market	PE		P/B		Yield	
			4 Nov 24 (HKD)	Price (HK\$)	(%)	Cap (HK\$ m)	2024F (x)	2025F (x)	2024F (x)	2025F (x)	2024F (%)	2025F (%)
New World Development	17 HK	SELL	7.88	7.02	-10.9	19,831.1	26.1	13.9	0.1	0.1	3.1	3.4
Hysan Development	14 HK	BUY	12.86	16.10	25.2	13,207.3	7.8	7.3	0.2	0.2	8.3	8.3
Sun Hung Kai Properties	16 HK	BUY	85.20	103.00	20.9	246,890.9	10.4	10.0	0.4	0.4	4.8	4.9
Wharf Real Estate Investment Co Ltd	1997 HK	BUY	23.55	32.80	39.3	71,503.2	11.5	10.9	0.4	0.4	5.5	5.8
Link REIT	823 HK	BUY	36.60	45.05	23.1	94,305.2	14.0	13.8	0.5	0.5	7.2	7.3

Source: UOB Kay Hian

MARKET WEIGHT

(Maintained)

SECTOR RATING

Sector	Rating
Hong Kong developers	Market weight
Hong Kong landlords	Market weight

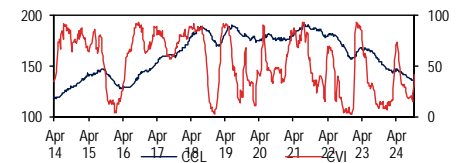
Source: UOB Kay Hian

SECTOR PICKS

Company	Ticker	Rec	Share Price (HK\$)	Target Price (HK\$)
SHKP	16HK	BUY	85.20	103.00
LINK REIT	823 HK	BUY	36.60	45.05

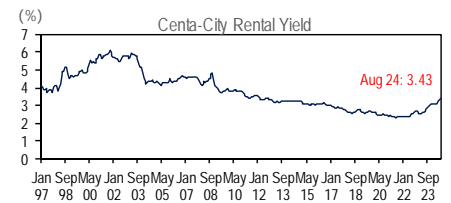
Source: UOB Kay Hian

CCL INDEX AND CVI INDEX



Source: Centaline, UOB Kay Hian

CENTA-CITY RENTAL YIELD



Source: Centaline, UOB Kay Hian

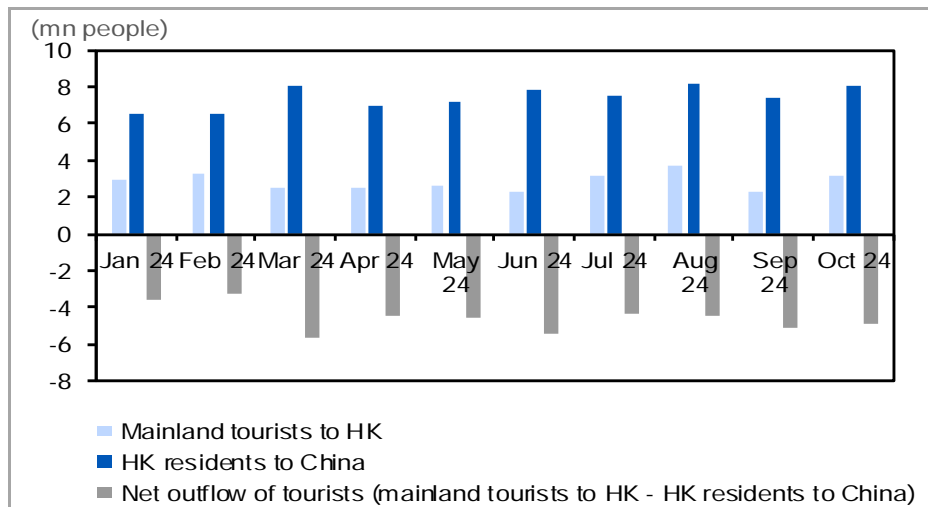
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- Hong Kong landlords continue to face challenges from GBA integration.** The number of Hong Kong residents travelling to mainland China by land and sea increased 35% yoy/59% yoy respectively in Oct 24/10M24. On the other hand, the number of mainland tourists to Hong Kong increased 16% yoy/33%yoy in Oct 24/10M24. Consequently, the net outflow of tourists, which is measured as the total number of mainland tourists to Hong Kong minus the total number of Hong Kong residents going to China, expanded 45.8m in 10M24, from 25.3m in 10M23. It is also worth noting that leading e-commerce operators have recently been making efforts to increase their penetration rates in Hong Kong. We expect Hong Kong retail sales to continue to face challenges from GBA integration.

THE TREND OF MAINLAND TOURISTS TO HONG KONG AND HONG KONG RESIDENTS TO MAINLAND CHINA



Source: HKTB

ACTION

- Maintain MARKET WEIGHT with a preference for Hong Kong developers over landlords.** The number of primary private units available for sale for the next 3-4 years stood at 108,000 as of Sep 24, decreasing by 1% qoq. Although supply remains a key concern for Hong Kong's property market, the positive development on the demand side is non-negligible and is expected to support the stabilisation of property prices in the near term. Hence, we expect a 3% recovery in property prices in 4Q24-1Q25. However, for retail landlords, the challenges from continuous GBA integration may offset the positive policies' impact on consumption. We maintain MARKET WEIGHT on both Hong Kong developers and landlords, while we reiterate our preference for developers over landlords. SHKP and LINK REIT are our top picks for Hong Kong developers and landlords respectively.

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