CHINA PROPERTY

Urban Renewal Plan for 15th FYP a potential boost to housing demand

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The 15th FYP for Urban Renewal is outlined

Yesterday, China's State Council issued Urban Renewal 15th Five-Year **Plan**, highlighting the shift from large-scale incremental construction to tapping the value of existing urban stock, prioritizing quality improvement, operational efficiency and functional optimization. The plan aims to build safe, green, smart, resilient, and people-centered modern cities by 2030. It also underscores coordinated development between urban renewal, industrial upgrading, cultural heritage preservation and risk prevention. We see several areas of acceleration (esp. the renovation for urban dilapidated housing, old blocks and factory areas, and underground pipeline network) and niche fields of development (Exhibit 1) in the outlined urban renewal targets for the 15th FYP. We roughly calculate **Rmb4-5tn incremental investment scale against 14th Five-year Plan.** Compared with shantytown redevelopment period (concentrated during 2015-2019), total investment is about Rmb7.5tn, with incremental investment about Rmb6tn+ compared to the preceding 5 years. The incremental investment this round would be equivalent to 66% of our estimated average property FAI in 2026E-27E, which is similar to 69% if we compare the incremental investment last round against property FAI in 2014.

Funding/execution remains the key to watch, possible to be front loaded to buffer economic downside

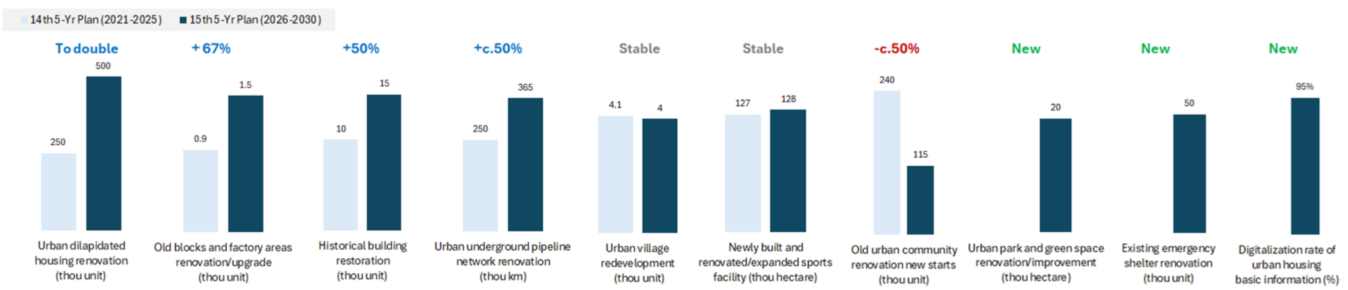
In addition, we believe funding will remain the focus for the market. According the Plan, **the investment will be fulfilled through 1)** *Local fiscal and credit support:* LGSBs (per our macro team's estimate, Rmb4.4tn issuance for 2026E, on-track by YTD-26) are approved as project capital for eligible urban renewal projects, while commercially viable and well-controlled projects can also access syndicated loans and comprehensive development financing; **2)** *Capital markets tools:* the Plan promotes the issuance of Infrastructure REITs and ABS for urban renewal usages, while eligible entities are also encouraged to tap debt markets via corporate bonds and MTNs; **3)** *Private Participation:* policymakers emphasized standardizing Public-Private Partnerships (PPP) to incentivize private sector involvement, complemented by a steady advancement of public utility price reforms; **4)** *Land revitalization investments:* the plan emphasizes relaxations in facilitating land-use conversion and functional building upgrades, encouraging multi-entity cooperative renovations and reducing the tax burden on land consolidation and joint developments, as well as diversifying land supply through long-term leasing, lease-to-own models, and flexible-term arrangements. We will closely monitor the changes to assess the real impact, and we would not rule of the possibility of front loading this plan in the earlier part of the coming 5 years to support housing demand recovery.

The importance to form a positive feedback loop

We have previously highlighted the necessity to form a positive feedback loop that supports the property market and urban consumption, and we view the newly released Plan as an important step to see that happen. A broader job market recovery would help stimulate housing demand in the mass market, which is not being seen even in top tier cities such as Shanghai and Shenzhen where we are relatively more positive.

Exhibit 1: We see acceleration of renovation for urban dilapidated housing, old neighborhoods and factory areas, historical building and urban underground pipeline network, with several niche fields of urban renwal newly introduced during the 15th 5-Year Plan

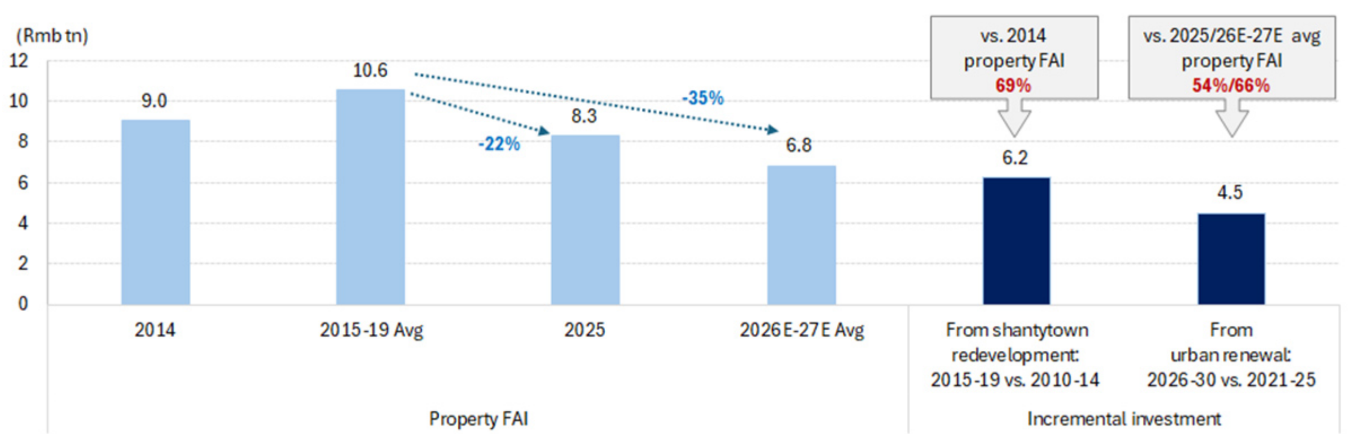
Summary of urban renewal targets for the 15th 5-Year Plan vs. 14th 5-Year Plan



Source: Government announcement, Data compiled by Goldman Sachs Global Investment Research

Exhibit 2: We roughly calculate Rmb4-5tn incremental investment scale against 14th Five-year Plan. Compared with shantytown redevelopment period (concentrated during 2015-2019), total investment is about Rmb7.5tn, with incremental investment about Rmb6tn+ compared to the preceding 5 years. The incremental investment this round would be equivalent to 66% of our estimated average property FAI in 2026E-27E, which is similar to 69% if we compare the incremental investment last round against property FAI in 2014

Comparison of property FAI and incremental FAI from shantytown redevelopment and urban renewal



Source: NBS, Government announcement, Goldman Sachs Global Investment Research

Related research

China Property: Positioning ahead of Tier-1 cities turnaround

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China Real Estate: Slower margin/growth recovery for SOEs, heightened liquidity pressure for POEs; downgrade Seazen to Sell and Longfor to Neutral

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China Property: 3RL removal not new, but raise market expectations on timely policy support to strengthen YTD positive momentum

China Property: Potential housing provident fund (HPF) reform might help to stabilize market

China Property: Potential new round of policy stimulus would be positive on both housing market and consumption

China: C-REITs: A new regulatory framework to accelerate transformation of our covered companies to an asset-light model

Key takeaways: More clarity in urban renewal targets outlined for next 5 years and beyond

Core objectives of the Urban Renewal 15th Five-Year **Plan**

- **By 2030:** Urban renewal initiatives to deliver tangible outcomes, with key improvements in strengthened urban safety system and governance capabilities, improved residential and public living environments, revitalized idle industrial assets and cultural heritage sites, and the transition from the traditional urban construction model largely completed.
- **By 2035:** A mature urban renewal system will be fully established. Cities will become innovative, livable, eco-friendly, disaster-resilient, culturally vibrant and digitally intelligent, with balanced advances in industrial transformation, green low-carbon development and cultural inheritance.
- **By numbers:** Policymakers quantified key 2026-2030 targets, including: *on the residential side* **1)** complete renovation of 500k dilapidated residential units (vs. 250k in 14th FYP) to eliminate potential safety hazards; **2)** initiate comprehensive upgrades for 115k old urban communities (vs. 240k in 14th FYP), and renovations for 4k urban villages (vs. 4.1k in 14th FYP); *on the public space and urban facility side* **1)** revitalize and upgrade 1,500 old blocks and factory areas (vs. 900 in 14th FYP); **2)** initiate construction and upgrades of sports facilities totaling 128k hectares (vs. 12k in 14th FYP) and urban parks and green spaces totaling 20k hectares; **3)** Implement construction and upgrades of 770k km of aged urban pipelines (amongst renovations accounting for 365k km, vs. 250k km in 14th FYP), and 50k existing emergency shelters will be renovated.

Key priorities under the 15th FYP:
Investment and financing mechanisms: **1)** *Local fiscal and credit support:* LGSBs (Rmb4.4tn issuance for 2026E, on-track by YTD-26) are approved as project capital for eligible urban renewal projects, while commercially viable and well-controlled projects can also access syndicated loans and comprehensive development financing; **2)** *Capital markets tools:* the plan encourages Infrastructure REITs, ABS, corporate bonds and MTNs to fund urban renewal initiatives;**3)** *Private sector participation:* regulated PPP models will be used to draw private investment, supported by ongoing public utility pricing reforms.; **4)** *Ancillary land policies:* Rules are relaxed for land use conversion and building functional upgrades. Authorities will support joint renovation by multiple parties, cut taxes for land consolidation and joint development, and diversify land supply via long-term leasing, lease-to-own and flexible land tenure schemes.

Housing system reform & upgrading: 1) *Affordable housing:* Expand supply to meet basic housing needs for low- and middle-income groups, and ease housing pressures for new urban residents and young people.; **2)** *Housing upgrades:* Adopt city-tailored policies to increase supply of upgraded housing; **3)** *High-quality green & smart Housing:* Roll out quality improvement programs covering design, materials, construction and post-operation management. The plan promotes prefabricated retrofits, age-friendly and barrier-free renovations, high-performance building materials and digital home solutions for both new and existing residences.

Other key urban renewal initiatives:

- **Revitalize existing assets:** Conduct full surveys and categorized disposal of idle land and stalled projects. Underused old factories, commercial properties, offices and public housing will be fully repurposed.
- **Old community renovation:** Prioritize upgrades for residential communities aged 20 years or older. Works include improving common area and public services, and installing elevators where feasible. Long-term property management systems will be put in place to sustain operating quality.
- **Industrial & consumption facilities upgrades:** Restructure old commercial districts, residential areas and idle factory zones to build innovation hubs. Authorities will also upgrade consumption infrastructure to foster growth in the silver economy, ice-snow economy, low-altitude economy, event economy and experience economy, lifting overall urban consumption.
- **Green, low-carbon & infrastructure upgrades:** Beyond pipeline renovations, the plan advances ecological restoration, sponge city development, green buildings and ultra-low energy consumption construction. Urban green spaces will also be expanded to accelerate cities' low-carbon transition.

China property coverage valuation comparison

Exhibit 3: China developers' valuation comparisons

Company	Ticker	Mkt Cap (US$ bn)	Daily liquidity (US$ mn) 1 mth trailing	Type	Rating	Price as of 29/May/26	12 mth Price target	Potential upside/ downside (%)	Target price disc. to NAV	End-26E NAV	Shr price (disc)/ prem to NAV
Developers											
Stronger SOE developers											
CMSK	001979.SZ	11.7	94	Central SOE	Neutral	8.82 (Rmb)	**10.10**	15	-15%	**11.93**	(26)
COLI	0688.HK	21.1	92	Central SOE	Buy	15.1 (HK$)	**14.70**	(3)	-10%	**16.39**	(8)
CR Land	1109.HK	31.4	143	Central SOE	Buy	34.5 (HK$)	**36.60**	6	-10%	**40.70**	(15)
Greentown	3900.HK	2.8	15	Mixed ownership	Buy	8.8 (HK$)	**11.10**	27	-15%	**13.02**	(33)
Jinmao	0817.HK	2.9	16	Central SOE	Buy	1.7 (HK$)	**1.70**	1	-10%	**1.89**	(11)
Poly	600048.SS	10.2	130	Central SOE	Neutral	5.77 (Rmb)	**6.50**	13	-10%	**7.24**	(20)
Average								**10**	**-12%**		**(19)**
POE developers											
Gemdale	600383.SS	1.8	38	Mixed ownership	Sell	2.75 (Rmb)	**2.70**	(2)	-20%	**3.40**	(19)
Longfor	0960.HK	6.8	23	POE	Neutral	7.5 (HK$)	**8.70**	16	-25%	**11.55**	(35)
Seazen	1030.HK	1.7	8	POE	Sell	1.8 (HK$)	**1.80**	(1)	-50%	**3.64**	(50)
Average								**5**	**-32%**		**(35)**
Other SOE developers											
OCT	000069.SZ	2.3	17	Central SOE	Sell	1.94 (Rmb)	**1.50**	(23)	-20%	**n.m.**	n.m.
Vanke (A)	000002.SZ	5.1	74	Mixed ownership	Sell	3.55 (Rmb)	**3.70**	4	-10%	**4.10**	(13)
Vanke (H)	2202.HK	0.7	10	Mixed ownership	Sell	2.54 (HK$)	**2.90**	14	-35%	**4.47**	(43)
Average								**(1)**	**-22%**		**(28)**
Coverage average								**6**			**(25)**
H-share average								**9**			**(28)**
A-share average								**1**			**(20)**

Company	FD Core P/E (x) 25	FD Core P/E (x) 26E	FD Core P/E (x) 27E	FD Core P/E (x) 28E	P/B (x) (excl. revaluation gain) 25	P/B (x) 26E	P/B (x) 27E	P/B (x) 28E	Dividend yield (%) 25	Dividend yield (%) 26E	Dividend yield (%) 27E	Dividend yield (%) 28E
Developers												
Stronger SOE developers												
CMSK	n.m.	21.8	18.1	16.7	0.8	0.8	0.8	0.7	0.6	2.1	2.5	2.7
COLI	11.7	11.5	11.1	10.0	0.5	0.5	0.4	0.4	3.2	3.4	3.6	4.0
CR Land	10.0	9.2	9.0	8.8	1.1	1.0	0.9	0.9	3.7	4.2	4.3	4.4
Greentown	4.1	4.5	4.4	4.2	0.6	0.6	0.5	0.5	-	2.3	4.1	6.1
Jinmao	42.8	23.9	12.4	6.7	0.7	0.7	0.7	0.6	1.8	1.7	3.4	6.3
Poly	66.8	n.m.	n.m.	n.m.	0.4	0.4	0.4	0.4	0.6	-	-	-
Average	**11.7**	**11.5**	**11.1**	**8.8**	**0.7**	**0.6**	**0.6**	**0.6**	**1.6**	**2.3**	**3.0**	**3.9**
POE developers												
Gemdale	n.m.	n.m.	n.m.	n.m.	0.3	0.4	0.4	0.4	-	-	-	-
Longfor	n.m.	n.m.	22.2	14.6	0.4	0.4	0.4	0.4	1.1	-	1.4	2.2
Seazen	30.7	45.7	21.2	12.0	0.3	0.3	0.3	0.3	-	-	-	-
Average	**30.7**	**45.7**	**21.7**	**13.3**	**0.3**	**0.4**	**0.4**	**0.4**	**0.4**	**-**	**0.5**	**0.7**
Other SOE developers												
OCT	n.m.	n.m.	n.m.	n.m.	0.4	0.5	0.5	0.5	-	-	-	-
Vanke (A)	n.m.	n.m.	n.m.	n.m.	0.4	0.4	0.5	0.5	-	-	-	-
Vanke (H)	n.m.	n.m.	n.m.	n.m.	0.2	0.3	0.3	0.3	-	-	-	-
Average	**n.m.**	**n.m.**	**n.m.**	**n.m.**	**0.3**	**0.4**	**0.4**	**0.5**	**-**	**-**	**-**	**-**
Coverage average	**27.7**	**19.4**	**14.1**	**10.4**	**0.5**	**0.5**	**0.5**	**0.5**	**0.9**	**1.1**	**1.6**	**2.1**
H-share average	**19.9**	**18.9**	**13.4**	**9.4**	**0.5**	**0.5**	**0.5**	**0.5**	**1.4**	**1.7**	**2.4**	**3.3**
A-share average	**66.8**	**21.8**	**18.1**	**16.7**	**0.5**	**0.5**	**0.5**	**0.5**	**0.2**	**0.4**	**0.5**	**0.5**

Note:
Our 12-month target prices are based on end-2026E NAV for our coverage universe except for OCT.
Our OCT TP is based on SOTP of its property development (valued by NAV) and its tourism business (valued by P/E).

Source: Datastream, Goldman Sachs Global Investment Research