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CHINA PROPERTY

Expert call series: Ongoing structural divergence along the recovery path

On Jun 2, we hosted the founder of Trend Animals, Mr. Nie Cong (聂聪) to kick off our China Property Expert Call series in 2026. Trend Animals is a digital analysis platform that focuses on China's real estate market cycles and trend-trading strategies, leveraging proprietary indices compiled from high-frequency, city-level secondary property data (across 80+ cities and classified with different styles based on unit sizes, prices, product positionings, locations, etc.).

Overall, the expert observed that the nationwide secondary housing ***price decline moderated entering May-26*** and highlighted two notable trends: **1)** structural segment out-performance in Shanghai (led by small-size and low-total-price units, likely driven by government-led buybacks for the use of affordable rental housing) and Shenzhen (led by housing units catering to upgrade demand); **2)** price bottoming-out for high-rental-yield assets (incl. residential projects in Urumqi, tourism/vacation/retirement homes in cities of Yunnan, certain low-price housing in Chengdu, etc.).

Looking ahead, the expert sees two paths to recovery: Scenario 1 (the expert's base case) - prolonged structural divergence with price/volume recoveries from new-generation, superior-quality housing and high-yield, low-price assets gradually spilling over to mid-tier housing at different paces, depending on inventory scale (inventory month in leading T&2 cities ranged from 9~32 mths as of Apr-26, vs. 14~479 mths for rest of T2 cities and even higher for T3s); Scenario 2 - broad-based recovery similar to HK, under large-scale policy stimulus. For key market's ***recovery timeline*** (i.e. Shanghai), the expert expects another 6 months may be needed for price to stabilize under an optimistic case, or 6-12 months under a pessimistic case (vs. our prior discussion on SH/SZ potentially bottoming out in late 2026).

In addition, the expert noted **1) housing consumption** is shifting from location-centric toward more quality-focused (e.g. property management services, community facilities), and is already starting to manifest in secondary prices; and **2)** strong demand trends by lifestyle-driven vacation hubs for diverse buyer cohorts. From an **investment perspective**, in a broader-based recovery scenario, the expert believes key opportunities lie in **1)** high-quality new residential projects, **2)** oversold mid-tier assets in major cities, and **3)** prevailing high-rental-yield properties positioned for value accretion under rate cuts.

Yi Wang, CFA
+86(21)2401-8930 |
yi.wang@goldmansachs.cn
Goldman Sachs (China) Securities Company Limited

Shi Xu
+86(21)2401-8929 |
shi.x.xu@goldmansachs.cn
Goldman Sachs (China) Securities Company Limited

Kaiyan Jing
+86(21)2411-8092 |
kaiyan.jing@goldmansachs.cn
Goldman Sachs (China) Securities Company Limited

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Key takeaways

1. Differentiated trends captured by Trend Animals: According to the expert, Trend Animals' proprietary housing indices have **led** mainstream public sentiment and official industry statistics by **1-3 months**, utilizing noise-reduction algorithms to identify market inflection points. YTD on a nationwide scale, the expert sees positives in **1)** nationwide price index has seen narrower monthly price declines capped at -0.5% mom after early-year pressure, and has marginally improved to a pace of -0.4% mom in recent weeks, halting the sharp downturn seen in 2H25 despite historically adverse post-Q1 seasonality; **2)** National rental index for 80 cities bottomed in Jan-26, ending a prolonged decline since 2023 with Shenzhen at the forefront of the rental recovery. The expert also highlighted on a by-city level:

- **Structural out-performance in SH/SZ**, (aligning with our deep-dive analysis) whereby *for Shanghai*, micro-sized units (under 50 sqm) and small-sized units (50-70 sqm) have climbed 4%/11% since bottoming in Nov-25/Jan-26, respectively, as supported by Shanghai government's accelerated existing home buyback initiatives. Meanwhile, Shanghai's commercial apartments (some priced at only 20%-25% of adjacent residential property prices and featuring compelling rental yields) have secured four consecutive months of price appreciation; *for Shenzhen*, overall housing prices have stabilized over the past 3 months, with mid-to-high-end homes priced between Rmb10mn-20mn having bottomed and edging higher amid recovering upgrade demand. Core sub-markets including Nanshan and Futian have registered clear upward momentum benefiting from resilient upgrade demand.
- **Price bottoming-out for high-yield non-core cities:** Examples include **1)** *Urumqi:* Select core areas are seeing price increases supported by a 3.6% average rental yield, halting price declines seen for six consecutive months; **2)** *Dali:* Select Tourism- and retirement-oriented projects rose 8% over the past year, underpinned by ~3% rental yields and high transaction volume.
- **Majority of key cities still sluggish:** BJ's/GZ's home prices remain broadly pressured across segments, though Guangzhou's older small units are showing modest improvement on the back of recently announced local government buybacks. The expert also noted that high-end assets in core districts of Hangzhou and Chengdu have seen accelerated price corrections since Mar-26, though Chengdu's older small-size units outperformed supported by average rental yield of 2.7% (with select units yielding above 3.5%) and increasing allocation from non-local investors.

2. Looking ahead - paths to recovery and timeline

- **Scenario 1 -** the expert's base case, no large-scale property stimulus: Prolonged structural divergence with price/volume recoveries from new-generation, superior-quality housing and high-yield, low-price assets gradually spilling-over to mid-tier housing via replacement demand transmission. The expert sees this occurring at different paces, depending on inventory scale, e.g. inventory month in leading T1&2 cities ranged from 9~32 mths as of Apr-26, vs. 14~479 mths for rest of T2 cities and even higher for lower-tier cities. **Scenario 2 -** massive supportive policies (e.g. 50-100bp mortgage rate cuts, significantly accelerated government-led inventory buyback, etc.): the expert expects a recovery pattern to follow HK, with quick expansion in risk appetite and fast price rebound in mid-price-range housing in key cities.

- **What could be Shanghai's recovery timeline?** The expert expects another 6 months may be needed for price to stabilize under an optimistic case, or 6-12 months under a pessimistic case (vs. our prior discussion on SH/SZ potentially bottoming out in late 2026). In select districts (e.g. Putuo), the expert noted already observing meaningful transmission from active "Lao Po Xiao (old, dilapidated, and small)" home transactions to volume uptick for housing units above 100sqm. On the other hand, digestion for housing units sized between 50~90 sqm could be more strenuous due to higher inventory under the prior "7090" rule (effective in 2006 to 2024).

3. Housing demand trends from consumption/investment perspectives

- **"New Consumption" trends**: the expert noted that market's core pricing rationale has been shifting from a traditional "location-centric" focus toward increasing weighting on property services and living qualities, as showcased by **1)** 15%-20% unit price premium for projects offering superior property management services and enhanced facilities (clubhouse, pedestrian-vehicle separation, and elevator retrofitting etc.) relative to adjacent peer projects; **2)** lifestyle-driven demand for high-quality vacation/retirement housing in key tourism hubs (e.g. Dali, Tengchong, Pu'er, and Beihai), underpinned by divergent buyer cohorts ranging from retirees seeking post-retirement living solutions, to remote-working young professionals prioritizing lifestyle flexibility.
- **Investment** - The expert views the following property categories as attractive investment targets amid a more broader-based recovery trajectory: **1)** new-generation, high-quality residential projects with strong price appreciation potential once circulated in secondary markets; **2)** oversold mid-tier assets in key cities such as Suzhou/Nanjing/Hangzhou/Wuhan since this downturn, which might stage sharp rebounds similar to HK's recent mid-tier-home rally; **3)** high-rental-yield properties (prevailing >3.5%) might see 20-30% value accretion if mortgage rates are down by another 50-100 bps.

China Property coverage valuation comparison

Exhibit 1: China developers' valuation comparisons

Company	Ticker	Mkt Cap (US$ bn)	Daily liquidity (US$ mn) 1 mth trailing	Type	Rating	Price as of 2/Jun/26	12 mth Price target	Potential upside/ downside (%)	Target price disc. to NAV	End-26E NAV	Shr price (disc)/ prem to NAV	FD Core P/E (x)				P/B (x) (excl. revaluation gain)				Dividend yield (%)			
												25	26E	27E	28E	25	26E	27E	28E	25	26E	27E	28E
Developers																							
Stronger SOE developers																							
CMSK	001979.SZ	11.9	100	Central SOE	Neutral	8.94 (Rmb)	**10.10**	13	-15%	**11.93**	(25)	n.m.	22.1	18.4	16.9	0.8	0.8	0.8	0.8	0.6	2.0	2.5	2.7
COLI	0688.HK	22.7	95	Central SOE	Buy	16.3 (HK$)	**14.70**	(10)	-10%	**16.39**	(1)	12.5	12.4	11.9	10.7	0.5	0.5	0.5	0.5	3.0	3.2	3.4	3.8
CR Land	1109.HK	32.9	154	Central SOE	Buy	36.2 (HK$)	**36.60**	1	-10%	**40.70**	(11)	10.5	9.6	9.5	9.2	1.1	1.0	1.0	0.9	3.5	4.0	4.2	4.2
Greentown	3900.HK	2.9	15	Mixed ownership	Buy	8.9 (HK$)	**11.10**	25	-15%	**13.02**	(32)	4.1	4.6	4.5	4.2	0.6	0.6	0.5	0.5	-	2.3	4.1	6.0
Jinmao	0817.HK	3.0	16	Central SOE	Buy	1.7 (HK$)	**1.70**	(2)	-10%	**1.89**	(8)	44.3	24.7	12.9	7.0	0.7	0.7	0.7	0.6	1.7	1.7	3.3	6.1
Poly	600048.SS	9.9	136	Central SOE	Neutral	5.60 (Rmb)	**6.50**	16	-10%	**7.24**	(23)	64.8	n.m.	n.m.	n.m.	0.3	0.4	0.4	0.4	0.6	-	-	-
Average								**7**	**-12%**		**(17)**	**12.5**	**12.4**	**11.9**	**9.2**	**0.7**	**0.7**	**0.6**	**0.6**	**1.6**	**2.2**	**2.9**	**3.8**
POE developers																							
Gemdale	600383.SS	1.8	38	Mixed ownership	Sell	2.70 (Rmb)	**2.70**	0	-20%	**3.40**	(21)	n.m.	n.m.	n.m.	n.m.	0.3	0.4	0.4	0.4	-	-	-	-
Longfor	0960.HK	7.2	23	POE	Neutral	8.0 (HK$)	**8.70**	9	-25%	**11.55**	(31)	n.m.	n.m.	23.8	15.6	0.4	0.4	0.4	0.4	1.0	-	1.3	2.1
Seazen	1030.HK	1.6	8	POE	Sell	1.8 (HK$)	**1.80**	1	-50%	**3.64**	(51)	30.2	44.9	20.9	11.8	0.3	0.3	0.3	0.3	-	-	-	-
Average								**3**	**-32%**		**(34)**	**30.2**	**44.9**	**22.3**	**13.7**	**0.4**	**0.4**	**0.4**	**0.4**	**0.3**	**-**	**0.4**	**0.7**
Other SOE developers																							
OCT	000069.SZ	2.4	18	Central SOE	Sell	2.00 (Rmb)	**1.50**	(25)	-20%	**n.m.**	n.m.	n.m.	n.m.	n.m.	n.m.	0.4	0.5	0.5	0.6	-	-	-	-
Vanke (A)	000002.SZ	4.9	86	Mixed ownership	Sell	3.39 (Rmb)	**3.70**	9	-10%	**4.10**	(17)	n.m.	n.m.	n.m.	n.m.	0.4	0.4	0.5	0.5	-	-	-	-
Vanke (H)	2202.HK	0.8	11	Mixed ownership	Sell	2.78 (HK$)	**2.90**	4	-35%	**4.47**	(38)	n.m.	n.m.	n.m.	n.m.	0.3	0.3	0.3	0.4	-	-	-	-
Average								**(4)**	**-22%**		**(28)**	**n.m.**	**n.m.**	**n.m.**	**n.m.**	**0.3**	**0.4**	**0.4**	**0.5**	**-**	**-**	**-**	**-**
Coverage average								**3**			**(23)**	**27.8**	**19.7**	**14.5**	**10.8**	**0.5**	**0.5**	**0.5**	**0.5**	**0.9**	**1.1**	**1.6**	**2.1**
H-share average								**4**			**(25)**	**20.4**	**19.2**	**13.9**	**9.8**	**0.6**	**0.5**	**0.5**	**0.5**	**1.3**	**1.6**	**2.3**	**3.2**
A-share average								**3**			**(21)**	**64.8**	**22.1**	**18.4**	**16.9**	**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