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China property metrics' decline rate continues in June '26, incremental declines less material to metal demand

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CITI'S TAKE

Floor space sales were down -14.3%y/y and starts down -26.0%y/y in June'26 (1H'26: -11.6% and -23.4%, FY'25: -8.7%y/y and -20.4%y/y; FY'24: -13%y/y, -23%y/y respectively). Total starts amounted to 53mn sq.m in June which was the lowest level in well over two decades. Completions were also down -25.1%y/y in June'26 (1H'26: -23.7% and 2025 at -18%y/y). Sales were higher than starts suggesting destocking that began over 5 years ago is continuing. Citi house forecasts are for sales of -7%y/y and starts at -23%y/y for FY'26. Property has now declined to less than a fifth of steel demand in China so the incremental impact from lower property starts is likely to be less material.

Floor space sales -14.3%y/y and starts -26.0%y/y for June'26, (1H'26 -11.6%y/y sales and starts -2%/y) on weak comps — Property weakness that began in 2021 is now in its fifth year although the rate of decline has started to narrow for floor space sales and starts. The 52mn sq.m of floor space starts in June'26 was the lowest figure in at least two decades.

FY'21 sales +2%y/y, starts -11%y/y; FY'22 sales -24%y/y, starts -39%y/y; FY'23 sales -9%y/y starts: -21%y/y; FY'24 and FY'25 starts fell by double-digit-percentage on a low base: The full effect of property starts weakness in 2H'22-4Q'25 was felt in steel demand in 1Q'23-1H'26 in China. Property is now less than a fifth of steel demand in China, so the incremental impact from lower property starts is likely to be less material.

Sales growth outpacing starts growth (suggesting significant destocking) for over 5 years, but the pace has started to slow — During Aug-Dec'20, sales growth outpaced starts growth, widening to ~2000ps in '21. That continued in 2022 with sales outpacing starts by 1600 bps and in FY'23 sales outpaced starts by 1200bps, expanding to ~2400bps in FY'24. For 2025 the gap narrowed slightly to ~1300bps. For 1H'26, the gap was 1180bps.

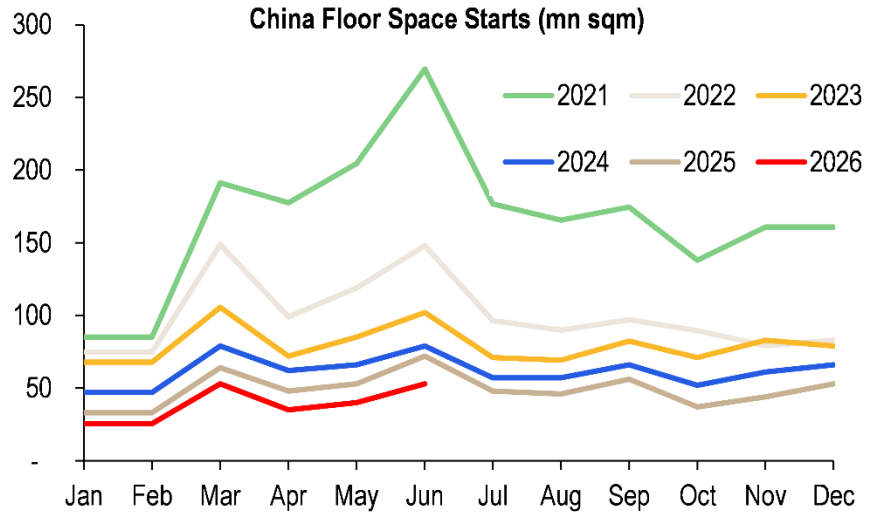
Citi house forecasts: sales at -7%y/y and starts -23%y/y for FY'26 — This broadly takes us back to the sales levels seen in 2008 and starts level in 2004. 1Q is usually a weak period for floor space sales and starts in China. Citi's house forecasts imply floor space starts at -22.5%y/y and sales at -1.2%y/y for the rest of the year.

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations



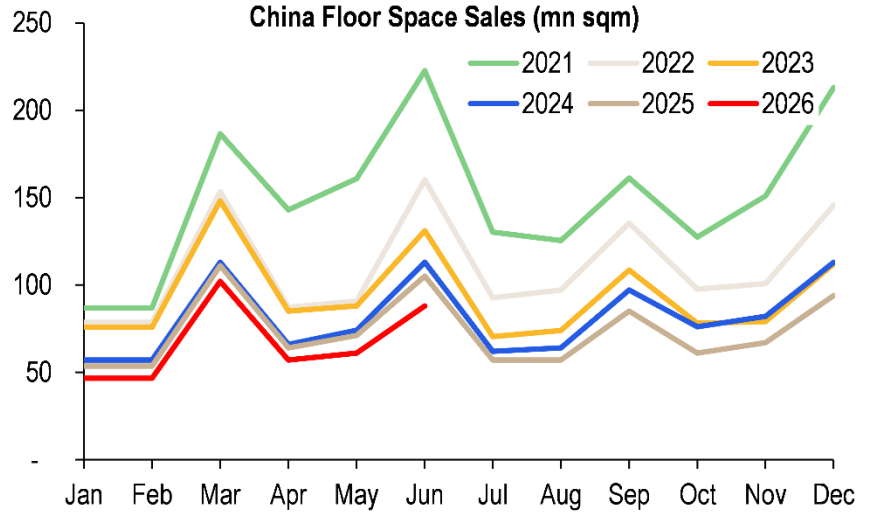
China Property – Key Indicators

Figure 1. China Property: Floor Space Starts



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Source: Citi Research, NBS

Figure 2. China Property: Floor Space Sales



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