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UPDATE

August 20, 2026 06:20 AM GMT

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Shanghai Easing may Help New Home Destocking, but Fundamental Impact Seems Marginal

Key Takeaways

- The measures could help to destock new home inventory in non-core regions, and help land sales in those areas, but the home sales boost may be limited given:
- 1) lower downpayment ratio implies higher leverage and larger mortgage installments, for which residents have limited appetite given lukewarm macro;
- 2) housing subsidy is minimal, and likely unappealing to replacement buyers who live in core regions given less favored location of eligible new homes; and
- 3) funding source and size remain the bottleneck for housing buy-back and urban redevelopment.

Shanghai relaxed its housing policies during the noon stock market break. The measures included:

- Lower the minimal downpayment ratio to 15% (vs. 25% before) for second-homes for housing outside outer ring.
- Subsidize 1% of mortgage amount (cap at Rmb50k/unit, Rmb200mn total funding) for buyers who replace their homes with outside-outer-ring new homes by March 2027. Additional Rmb30k/unit subsidy for inside-outer-ring home sellers.
- Increase the share of settlement with housing vouchers for urban redevelopment.
- Expand the usage of Housing Provident Fund (HPF) for buying completed new housing, parking lots and storage rooms. Shorten the time frame of HPF withdrawal to once a year (vs. every five years before).
- Accelerate the purchase of secondary homes for affordable rental housing.