China Property

Can housing reform in presales and property financing lift home sales?

The reform announcement came against a backdrop of weak summer property sales,but we do not expect a material effect on overall home sales.We also quantify the effects of the new presale and property financing rules on major developers.

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The announced package of measures,[1]which include financing supports and tightening of presales rules,underscores policymakers'determination to restore homebuyers'confidence even at the expenses of homebuilders,with Evergrande specifically referenced by regulators during the media Q&A sessions as evidence of the shortcomings of the existing presale model.In our view,the reforms effectively shift **development risk from homebuyers to developers,** but we do not expect a material improvement in homes sales,as the policy primarily realocates risk rather than altering underlying demand (China Property-the biggest housing reform since 1999.31August 2026).

We estimate that 50-65%of the unsold land reserves of surviving HY developers(Figure 3) are exposed to the new presale rules.This is not low despite their muted land banking activities over the past few years.

In our base case of no meaningful sales recovery,we expect higher leverage and lower asset turnover across the sector due to the funding gap and business model shift,with stronger SOEs and better-capitalized developers gaining market share through consolidation.Landlords may also benefit from alternative funding channels such as REITs.

- Among private developers,we have Overweight ratings on **Longfor 2029s**(mid-YTW: 9.4%) **and 2032s** (mid-YTW:9.5%)and **Shui On Land 2029s**(mid-YTW:8.9%),as these bonds offer attractive yields of 8-9%ormore,supported by sizable investment property portfolios, funding flexibility via REITs/CMBS/ABS,and recurring rental income.

- Among state-backed developers,we see value in **China Jinmao 2029s**(OW;mid-YTW:7.1%) and **Greentown 2028s**(OW;mid-YTW:7.9%),given both issuers'strong positions in Tier 1/2

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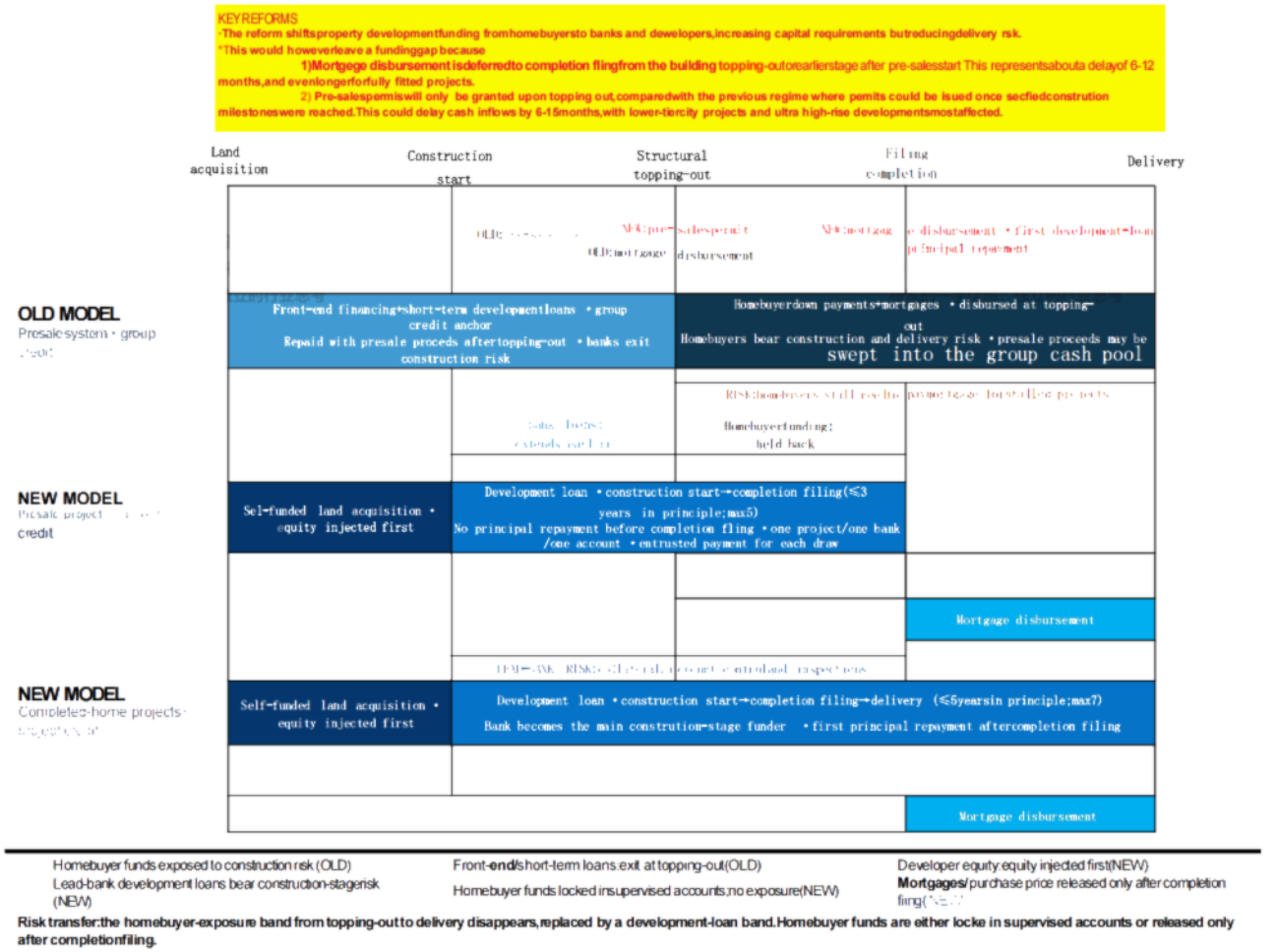
Please see analyst certifications and important disclosures beginning on page 8.

[1]China to improve management of pre-sales of homes,Xinhua.28 August 2026



cities,funding access,and execution capabilities,which should help them navigate a more capital-intensive development model and gain market share.

FIGURE 1.**Mechanismillustration of the China home sale and financing reforms announced on 28 August 2026**



Risk transfer:the homebuyer-exposure band from topping-outto delivery disappears,replaced by a development-loan band.Homebuyer funds are either locke in supervised accounts or released only after completionfiling.

Source:MOHURD,PBOC,NFRA,MNR,CSRC,Bardays Research

Lower monthly repayments may not overcome homebuyers'weak appetite for leverage

We believe the latest measures may provide only a modest lift to housing demand. **While extending mortgage maturities from 30 to 40 years reduces monthly repayments and improves affordability,it also increases total interest costs over the life of the loan.In** addition,in our earlier ground check[2],we observed that many households remain focused on **deleveraging,** with **mortgage prepayments** still common and prioritized and buyers often **reluctant to maximize available borrowing capacity** despite historically low downpayment requirements.

2026.

Based on our channel checks,following the announcement of the new measures,sales agents have been marketing properties on the basis that monthly mortgage payments can be lower than rental costs,making residential property appear more attractive as an investment asset. This seems counter-intuitive because the policy objective is to improve housing affordability for genuine homebuyers rather than to lure property investors.

Effects of the new presale rule

Effect on T1/2 cities

Presales accounted for 70%of home sales by value and 65%by volume,in 2025,according to NBS.Under the traditional presale system developers could obtain a presale permit before project completion,typically after meeting specified construction milestones(which varied by city,often over 25%of construction completed).

The new measures tighten the link between construction progress and sales proceeds.presale permits generally will not be granted before **topping out,**rather than upon reaching earlier construction milestones.Certain new projects may be encouraged or required to adopt completed-home sales.presale funds will face stricter supervision and be used primarily for project construction and delivery.

As a reference,deposits and advance payments,and personal mortgage loans accounted for 30%and 36%,respectively,of the total sources of funds for real estate investment in 2025, according to the NBS.

In our analysis(Figure 2)**, we first compare the previous presale requirements across 19 major Tier 1 and Tier 2 cities** with the new framework to assess the extent of regulatory tightening **.We then analyze inventory levels in** those cities to evaluate their ability to absorb a reduction in new supply.Combining the two factors,**we assess the potential effects of tighter presale rules and the resulting near-term supply contraction on home prices across Tier 1and Tier 2 markets.**

We believe closer scrutiny of major T1/2 cities matters because large developers have increasingly concentrated their land banks and investment activity in higher-tier markets while scaling back exposure to lower-tier cities.As a result,these cities account for the majority of projects developed by investable developers.We therefore believe our analysis of T1/2 cities provides a representative assessment of the policy's effect on the major bond issuers.

According to our analysis, **the new presale rules will have a greater effect on lower-tier cities,** given their more relaxed presale practices. **However,the near-term supply shock may be insufficient to offset the existing high inventory** in lower-tier cities;hence,we expect no material effect on local home prices.

Combining these factors,we assess that Shanghai,Shenzhen,and **Hangzhou are likely to benefit the most from the new rules,** with longer presale lead times compared with the old presale rules.This may temporarily suppress new supply,and already-low inventory levels could provide further support for home prices and potentially diverting demand to existing-home transactions.

Our analysis does not include the broader T3/4 cities,where presale requirements were **generally more relaxed and regulatory tightening** is likely to be more significant.However,we believe the risk of upward price pressure from a supply shock remains limited in these markets, given their elevated inventory and weaker underlying demand.

FIGURE 2. Changes to presale requirements and effect on near-term housing supply and home prices

	City	Previous presales requirement	New presales requirement	Impact	GFA available for sale(mn sqm, end of June 2026)	#of months of inventory^	Supply shock impact on home prices
Tier 1	Beijing	Development investment≥25%of total construction investment.		High	11.72	23.66	Moderate
Tier 1	Shanghai	Low-rise projects generally required topping-out and high-rise projects materially advanced construction		Moderate	7.55	15.35	High
Tier 1	Guangzhou	≤7 floors:structural topping-out;>7 floors:≥2/3 of structural works completed;development investment ≥25%of total construction investment.		Moderate	15.89	22.86	Moderate
Tier 1	Shenzhen	≤7 floors:structural topping-out;>7 floors:≥2/3 of above-ground floors completed;development investment ≥25%of total construction investment.		Moderate	2.48	5.2	High
Tier 2	Hangzhou	≤10 floors:structural topping-out; ≥11 floors:≥1/2 of main structure and at least 10 floors;>100m:≥1/3 of main structure and at least 50m		Moderate	4.67	8.03	High
Tier2	Chongqing	≤8 floors:structural topping-out;≥9 floors:completed building area≥1/2 of planned building area.		Moderate	8.89	23.17	Moderate
Tier2	Tianjin	Historically permits could be applied for after the foundation stage. Projects failing specified development/application deadlines were subject to higher thresholds: ≤6F topping-out;7-12F≥6 floors; ≥13F≥50%.	Structural topping out(主体结构封顶) must be completed	High	11.42	17.02	Moderate
Tier 2	Wuhan	≤15 floors:≥1/2 structure;>15 floors: ≥1/3 and at least 7 above-ground floors;qualifying major projects without mortgages may be reduced to≥1/4.		High	13.86	20.92	Moderate
Tier2	Chengdu	≤7 floors:topping-out;≥8 floors:≥1/2 of above-ground structure and at least 7 floors.		Moderate	23.59	32.27	Moderate
Tier2	Nanjing	Development investment≥25%of total construction investment.		High	7.38	23.13	Moderate
Tier2	Qingdao	≥25%of total construction investment and foundation works completed under Shandong rules.		High	9.87	16.49	Moderate
Tier2	Ningbo	High-rise buildings generally≥1/3 of structural construction;multi-storey buildings generally topping-out.		High	2.63	15.68	Moderate
Tier 2	Dalian	Development investment≥25%of construction investment,with construction progress documentation required.					Low
				High	5.41	55.07	

	City	Previous presales requirement	New presales requirement	Impact	GFA available for sale(mn sqm, end of June 2026)	#of months of inventory^	Supply shock impact on home prices
Tier 2	Shenyang	Development investment≥25%of total construction investment; project progress is subject to on-site inspection.		High	15.21	52.53	Low
Tier 2	Xiamen	≤7 floors:structural topping-out;≥8 floors:≥1/2 of main structure and at least 7 floors;investment≥25%.		Moderate	3.09	16.81	Moderate
Tier 2	Jinan	Development investment ≥25%of total construction investment; project-specific construction-progress requirements may be set at ±0,specified floors or topping-out.		High	7.45	25.79	Moderate
Tier 2	Fuzhou	Credit-based:AAA/AA/A developers may presellat≥1/5 of total floors; B/C developers generally at≥1/3.		High	3.99	30.62	Moderate
Tier 2	Suzhou	Differentiated by developer credit. Basic legal threshold≥25% investment;stronger developers faced lighter physical-progress requirements,while lower-rated developers faced roughly 1/4-1/2 structural progress depending on height.		High	6.08	22.73	Moderate
Tier 2	Zhuhai	Construction typically required to reach around 2/3 of total floors; qualifying prefabricated projects could obtain presale earlier,at about 1/10 of above-ground floors.		Moderate	5.63	44.22	Low

Note:Some cities,such as Shanghai,**have lowered their** presale requirements since the COVID-19 downturn to support the market recovery.even with no formal changes to the underlying regulations;^ **available-for-sale GFA as at end of** June 2026/average GFA sold over the past three months ended in June 2026.
Source:Local MOHURD,PTI,Barclays Research

Effect on major property developers

It is important to note that the presales are not totally banned under the reform.It is clearly stated that projects that had **obtained construction planning permits before the policy's implementation will continue to follow the previous presale** and escrow rules.This limits the immediate effect on existing developments.

We thus quantify the effects of the new presale rules on developers'land banks and sales by calculating the land reserves that have not started construction and measuring them against the unsold land banks-the total land reserve after deducting presold undelivered GFA.This essentially captures the share of future development that will be subject to the new presale regime.

In Figure 3,we analyze the land reserves of seven major developers including two performing HY developers(Greentown and China Jinmao),four surviving HY developers(China Vanke, Seazen ,Longfor,Shui On Land),and one restructured developer(Country Garden)

·Unsurprisingly,high-turnover developers are most exposed given their faster consumption of land reserves and reliance on ongoing land replenishment.

- Our analysis suggests that performing developers with pipelines where construction has **not yet commenced could face a bigger hit,**with such projects accounting for more than 75%of unsold land banks for **Greentown** and **China Jinmao.**

·More notably,surviving private developers also face meaningful exposure(which is not low at all)despite limited land acquisitions in recent years,as many have prioritized completing existing projects while deferring new starts,leaving sizable undeveloped legacy land banks.

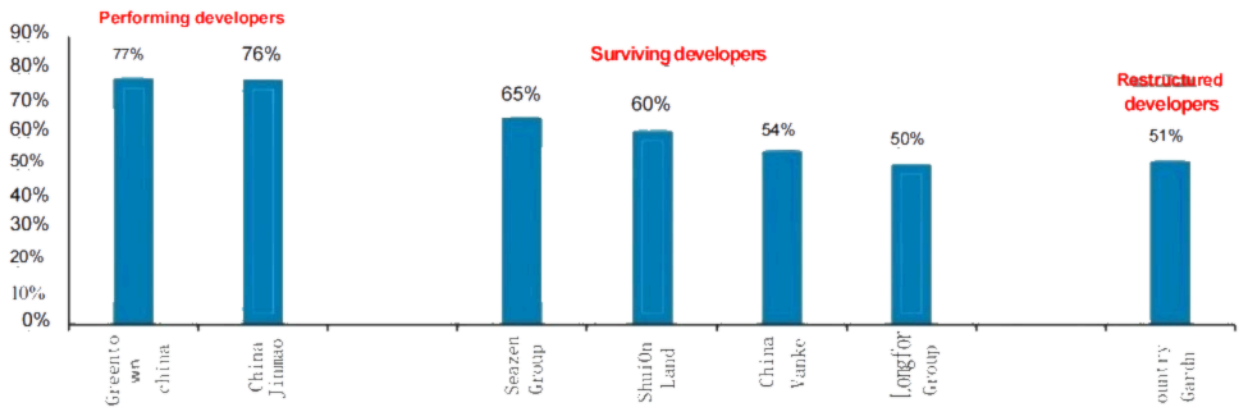
- According to our analysis,the future pipelines of **China Vanke,Seazen,Longfor**,and **Shui On Land** account for 50-65%of their unsold land bank reserves.

·For **Country Garden**,51%of its land bank reserves belong to projects that have been acquired but not yet obtained construction permits.We expect the company to reassess its development pipeline,as a substantial portion will likely face higher capital intensity and lower returns.

·Overall,the new rules are likely to raise capital intensity,lower project returns,and reduce asset turnover across the sector

In our recent report,we analyzed 10 major Chinese developers(China Property-the biggest housing reform since 1999,31August 2026)and assessed that in a scenario where funding shortfalls are bridged equally by debt and equity,net gearing would increase by c.5pp on average,while gross leverage would rise by c.25%.**In a more adverse scenario where the** shortfall is funded entirely by debt,net gearing would increase by c.41pp and gross leverage by C.49%on average.

FIGURE 3.**Exposure to new presale rules for selected developers-Undeveloped land bank as percent of unsold land reserves**



Note:Data are as of end-2025 for Country Garden and China Jinmao,and end-June 2026 for all other developers.
Source:Company data,Barclays Research

Summer sales weakness continues;property stimulus unlikely while exports remain strong

August contracted sales remained disappointing,with a smaller sequential uptick from a weak July despite decent sales performance since March.We argued ealier that the strength of secondary property transaction is uneven and that diluted property ladder effects,along with substitution and cannibalisation effects,could weaken demand transmission from the secondary to the primary market.As such,**we** considered July-August sales performance to be

a key test of momentum sustainability (Sight on site-Beijing, Shanghai and Hangzhou: Decoding the "surge"in secondary transactions,29 May 2026).

Aggregate contracted sales of 19 major developers with USD bond issuance increased by 6.05% m/m but dropped by 16.96%y/y in August,according to preliminary sales data from PTI and the China Index Academy.The y/y decline was larger than the 0.1%decline in July.8M26 aggregate contracted sales declined by 13.69%y/y.

Among the performing non-SOE developers,contracted sales improved in August for **Longfor,** with CNY1.5bn on an attributable basis(-56.3%y/y or+6.47m/m),but weakened for **Vanke,**with CNY4.9bn in contracted sales(-45.33%y/y or-26.13%m/m).Contracted sales for **Seazen** amounted to CNY0.9bn (-43.53%y/y or+3.49%y/y).

On the policy front,the new presale and property financing rules are not stimulus but reforms. While September contracted sales are likely to improve sequentially amid increased launches,we think the policy package is unlikely to boost home sales materially,as it addresses risk allocation rather than the underlying drivers of demand.We noted earlier that strong exports may limit the scope for further property stimulus against the backdrop of a two-speed economy in which the property sector's importance is diminishing[3].

FIGURE 4. **Preliminary contracted sales for August 2026**

	Jul	Aug			YTD	YTD
	CNY bn	CNY bn	m/m	y/y	CNY bn	y/y
Evergrande	0.2	0.7	204.55%	-59.64%	6.4	-53%
Greentown	5.3	7.1	33.96%	-33.02%	72.6	-24%
CR Land	14.1	18.5	31.21%	40.15%	149.1	9%
CIFI	0.6	0.7	13.11%	-28.13%	6.3	-18%
Greenland Group	5.6	6.3	12.50%	43.18%	47.8	13%
Sunac	1.3	1.4	10.08%	-73.65%	11.7	-62%
Yuexiu	5.1	5.6	9.61%	1.54%	61.2	-16%
Longfor(attr)	1.4	1.5	6.47%	-56.34%	13.9	-57%
COLI	15.1	16.0	5.69%	-12.82%	165.5	10%
Seazen	0.9	0.9	3.49%	-43.53%	8.1	-10%
Country Garden(attr)	2.3	2.3	0.88%	-22.97%	18.8	-16%
Poly China	14.9	15.0	0.34%	-16.90%	165.0	-9%
Yango	0.6	0.6	-1.79%	-16.67%	7.4	-26%
Sino-Ocean	0.9	0.8	-11.76%	-55.88%	9.7	-11%
Powerlong	0.6	0.5	-16.36%	-23.59%	4.4	-10%
Jinmao	9.2	7.4	-19.57%	-18.48%	74.1	5%
Zhongliang	0.4	0.3	-21.05%	-68.75%	4.3	-18%
Agile	0.5	0.4	-22.45%	-34.48%	4.7	-26%
Vanke A	6.7	4.9	-26.13%	-45.33%	46.6	-49%
Tota 19 developers	85.5	90.6	6.05%	-16.96%	877.5	-13.69%

Data from PTI, except for companies denoted with*, which use China Index Academy data.
Source:CIA,PTI,Barclays Research

3China PropertyHow to survive in a double-dip downturn,6 March 2026.