CHINA PROPERTY

Expert expects resilient 4Q volume and Shanghai to continue to lead price recovery

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On September 7, we hosted the founder of Iceberg Index, Mr. Li Yanguo (李彦国), as the second speaker for our China Property Expert Call series in 2026 (first one here). Iceberg Index, established in 2017, is a digital analysis system built on secondary housing transaction prices/volumes across approx. 70/40 cities, to timely reflect latest and forecast future real estate market volume-price trends through leading indicators. ***Key takeaways***:

According to Iceberg Index, entering Aug, secondary prices in most cities witnessed a sequentially widened decline, which had narrowed in early 2026, whereas volumes rose notably in the 1st week of Sep, signaling a positive start for the traditional strong sales season of "Golden September, Silver October". ***Looking ahead to 4Q26E***, Mr. Li continues to have a constructive view on volume, yet expects prices could weaken at margin alongside rising new listing supply. ***For 2027E***, Mr. Li expects Shanghai to potentially form broad-based price recovery from spring, likely followed by Shenzhen, and expects most core cities to stabilize towards the year-end. This echoes with our prior views here and here. ***For 828 policy***: Mr. Li has not seen a prominent near-term impact from 828 policies that mandated a transition to the completed-property-sales model, but expects it to support the market in 2027-28E by reducing future new supply.

- **Shanghai continues to lead, followed by Shenzhen, and encouraging signs in lower-tier cities are currently overlooked:** Mr. Li expects Shanghai to continue leading the recovery, remaining broadly stable in the near term (despite the likelihood of a modest technical pullback post the recent rebound), and potentially forming a more broad-based recovery and sending prices up by 6%-12% towards end-27E, if transactions continue to exceed new listings into the spring sales season next year. Mr. Li expects the more sentiment and investment-driven Shenzhen market to follow Shanghai closely. Besides, Mr. Li **1)** identified Suzhou and Hefei as two other cities that showed signs of stabilization; **2)** highlighted sequentially positive price trends of select lower-tier cities located in central and western China, given that their prices had already dropped to a trough level, and **3)** noted meaningfully improved volume trends in cities such as Xuzhou.

We will also hold a property expert call with on September 17 (registration link here).

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Key takeaways

1. Latest market trends

Prices: recent weakening signs while rents and listing-sale price discounts are bright spots

- **Already deeply corrected:** secondary prices across 40 major cities have fallen ~40% from their 2021 peak, returning to March 2016 levels and standing just HSD% above the starting point of the massive shantytown redevelopment initiative with monetized re-settlement in 2015.
- **Some recent weakening signs:** from early 2026 through July, the market displayed narrowing decline, with monthly price falls contained within 0.5% level. However, the decline widened from late August through the first week of September, interrupting the earlier stabilization trajectory. Tier-2 cities (incl. the core one) were the main drags, below Mr. Li's expectation.
- **Rents and listing-sale price discounts stabilized:** nationwide rents have moved out of the persistent downtrend seen since 2021 and remained broadly stable over the past six months. Listing-sale price spread has also been stabilizing, suggesting some improvement in market sentiment; amongst this, Shanghai saw meaningful improvement since the end of last year.

Volumes: A solid start to "Golden September"

- **Real-time transactions rebounded:** real-time transactions, measured by deposits, rose 10% wow in the first week of September, with yoy growth accelerating to 25% from c.10% during June-August. Mr. Li also noted visitation traffic increased 12% wow.
- **Seasonal pick-up in new listings:** new listings edged higher in September, consistent with the traditional peak season pattern when both supply and demand strengthen. Overall listings have remained more stable this year, without the sharp increase seen during last year's spring sales season. Among the three T1 cities, Mr. Li noted divergent city performance patterns, with details in Exhibit 1.

Other trends

- **Shifting homebuyers' funding sources:** despite weak new commercial mortgage lending, Mr. Li noted that the unit transaction price index captured by Iceberg had been stable YTD. He attributed this difference to higher down-payment contributions and stronger Housing Provident Fund mortgage lending, which could have offset part of the funding gap and supported unit transaction prices in mainstream price segments.

2. Key outlook

4Q26E: Resilient volumes, but prices could need more time

- **Secondary volume could remain solid:** Mr. Li expects 4Q transaction volumes to be above last year's level, supported by recent improvements leading indicators

(visitation traffic and real-time transactions).

- **Price recovery not yet:** Mr. Li noted the marginal deterioration in August and September could point to slightly greater price pressure in 4Q, and sees risks concentrated in higher-end segments in Tier-2 cities, where earlier price corrections were relatively limited and catch-up declines may follow.

2027E outlook: Shanghai to lead, followed by confidence spillover

- **Shanghai could be the first to see broad-based price gains:** if transactions continue to exceed new listings into the spring sales reason next year, Mr. Li expect Shanghai to see broad-based price gain across all segments, in an aggregate of up 6%-12% towards end-27E (i.e. 0.5%-1% monthly), vs. YTD 2026 whereby lower-priced Lao Po Xiao units outperformed the most.
- **Potential path to stabilization in core cities:** If Shanghai establishes a clear upward trend, Mr. Li expects the improvement in market confidence could first spill over to the more sentiment-sensitive Shenzhen market, before supporting stabilization in other core cities during 2027E—around one year behind Shanghai.

3. Divergent city performance pattern

Exhibit 1: Summary of divergent city performance pattern

City/type	Market status	Key features and drivers
Shanghai	Stabilization to recovery	**Positive reversal of supply-demand dynamic:** secondary listings have fallen over 30% since Apr-25, with the key driver shifting from listing withdrawals last year to strong secondary transactions YTD **Healthy transmission:** lower-ticket homes, particularly those Lao Po Xiao priced below Rmb2mn, were the first to rebound and turn positive yoy, with replacement demand supporting stabilization in mid-to-higher-ticket segments; rental growth also turned positive for months **Policy traction:** local easing policies in late Aug provided targeted support to lower-ticket end-user demand; though modest near-term corrections cannot be ruled out, Mr. Li expect Shanghai to remain broadly healthy and lead other cities in recovery
Beijing	Higher volumes but falling prices	**No meaningful supply-demand improvement:** YTD listing balance largely stable with new listings continue to exceed transactions, while offset by natural withdrawals **Limited policy impact:** Mr. Li did not see meaningful lift to lower-ticket end-user segment, despite the early Aug policy easing. Mr. Li attributed this to the late timing of the policy and Hukou-related restrictions on inflows of new demand, hence also preventing stabilization at the lower end and transmission to higher price segments
Shenzhen	Not yet stabilizing	**Data disruption:** Mr. Li believes the lower secondary listing balance was mainly due to property agents removing inactive listings rather than genuine supply-demand improvement **Investment-driven market:** unlike Shanghai's end-user-led recovery, Mr. Li noted Shenzhen's higher-ticket homes (above Rmb7mn) briefly led the improvement earlier but have since weakened. Meanwhile, lower-ticket segment also remained weak, partly due to their collective ownership nature or suburb location
Suzhou	Approaching stabilization	Mr. identified similar pattern in Suzhou as Shanghai, with price stabilization gradually transmitting from lower-ticket to mid- and higher-ticket segments. Although the rebound is weaker than in Shanghai, he viewed Suzhou as one of the cities most likely to stabilize first outside Shanghai
Tier-3/4 cities	An overlooked bottomed segment	Home prices in lower-tier central and western cities are already low in absolute terms (Rmb4,000-6,000/sqm), and Mr. Li viewed them largely bottomed, and likely approaching stabilization. Meanwhile, in some lower tier cities such as Xuzhou, volume had grown substantilly and exceeded that of core cities.

Source: Iceberg Index, compiled by Goldman Sachs Global Investment Research



China Property coverage valuation comparison

Exhibit 2: China developers' valuation comparisons

Company	Ticker	Mkt Cap (US$ bn)	Daily liquidity (US$ mn) 1 mth trailing	Type	Rating	Price as of 7/Sep/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) 25	26E	27E	28E	P/B (x) (excl. revaluation gain) 25	26E	27E	28E	Dividend yield (%) 25	26E	27E	28E
Developers																							
Stronger SOE developers																							
CMSK	001979.SZ	9.3	120	Central SOE	Neutral	6.9 (Rmb)	**8.70**	26	-15%	**10.25**	(33)	n.m.	56.8	19.9	16.8	0.6	0.6	0.6	0.6	0.7	0.8	2.3	2.7
COLI	0688.HK	18.0	61	Central SOE	Buy	12.9 (HK$)	**16.80**	30	-10%	**18.64**	(31)	10.0	9.7	9.3	8.1	0.4	0.4	0.4	0.4	3.8	4.1	4.4	5.0
CR Land	1109.HK	27.2	108	Central SOE	Buy	29.9 (HK$)	**38.80**	30	-10%	**43.16**	(31)	8.7	9.7	9.0	8.7	0.9	0.9	0.8	0.8	4.2	4.0	4.4	4.6
Greentown	3900.HK	1.9	14	Mixed ownership	Buy	5.9 (HK$)	**9.50**	60	-15%	**11.12**	(47)	2.8	3.3	3.5	3.1	0.4	0.4	0.4	0.4	-	1.0	5.8	9.4
Jinmao	0817.HK	2.3	18	Central SOE	Buy	1.3 (HK$)	**1.85**	40	-10%	**2.06**	(36)	33.6	22.3	10.2	6.3	0.6	0.6	0.5	0.5	2.2	2.3	4.2	6.8
Poly	600048.SS	9.3	142	Central SOE	Neutral	5.21 (Rmb)	**6.10**	17	-10%	**6.74**	(23)	60.3	n.m.	n.m.	n.m.	0.3	0.3	0.3	0.3	0.7	-	-	-
Average								**34**	**-12%**		**(33)**	**10.0**	**9.7**	**9.3**	**8.1**	**0.5**	**0.5**	**0.5**	**0.5**	**1.9**	**2.0**	**3.5**	**4.7**
Other developers																							
Longfor	0960.HK	5.4	17	POE	Neutral	6.0 (HK$)	**7.50**	25	-25%	**9.94**	(40)	n.m.	n.m.	33.5	16.1	0.3	0.3	0.3	0.3	1.3	-	1.0	2.0
Seazen	1030.HK	1.3	5	POE	Sell	1.4 (HK$)	**1.55**	7	-50%	**3.11**	(54)	24.5	39.7	17.3	10.7	0.3	0.3	0.3	0.3	-	-	-	-
Vanke (A)	000002.SZ	4.6	68	Mixed ownership	Sell	3.19 (Rmb)	**3.20**	0	-10%	**3.50**	(9)	n.m.	n.m.	n.m.	n.m.	0.3	0.4	0.4	0.5	-	-	-	-
Vanke (H)	2202.HK	0.7	7	Mixed ownership	Sell	2.39 (HK$)	**2.50**	5	-35%	**3.82**	(37)	n.m.	n.m.	n.m.	n.m.	0.2	0.3	0.3	0.3	-	-	-	-
Average								**9**	**-30%**		**(35)**	**n.m.**	**n.m.**	**n.m.**	**n.m.**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**-**	**0.2**	**0.5**
Coverage average								**24**			**(34)**	**23.3**	**23.6**	**14.7**	**10.0**	**0.4**	**0.4**	**0.4**	**0.4**	**1.3**	**1.2**	**2.2**	**3.0**
H-share average								**28**			**(39)**	**15.9**	**16.9**	**13.8**	**8.8**	**0.4**	**0.4**	**0.4**	**0.4**	**1.7**	**1.6**	**2.8**	**4.0**
A-share average								**15**			**(21)**	**60.3**	**56.8**	**19.9**	**16.8**	**0.4**	**0.4**	**0.5**	**0.5**	**0.5**	**0.3**	**0.8**	**0.9**

Source: Datastream, Goldman Sachs Global Investment Research