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China Property | Asia Pacific

Completed Sales: Quantifying the Industry Downshift

Completed sales could accelerate the property downshift, driving further declines in sales and investment through 2028. Even with mitigants, we see >20% CAGR sales declines in 2027-28, with a deeper upfront macro drag that tapers faster later.

Key Takeaways

- We cut 2026 forecasts and expect >20% CAGR primary sales declines in 2027-28, as completed sales structurally slow capital recycling.
- Better land-payment terms, funding support and home prices could cushion new starts and REI, but are unlikely to prevent further contraction.
- Watch upcoming land auctions (especially in Beijing/Shanghai) for land prices/ payment terms; financing and home prices will determine the scenario path.
- Macro drag is deeper upfront (2026-27) but could taper faster later; avoiding a renewed deflation loop will require stronger demand and job support elsewhere.

Lowering our 2026 forecasts: We now forecast primary sales volume/value will decline 11.5%/13.2% y-y, with new starts/REI falling over 22%/19%, respectively. While the new model should have limited immediate impact on saleable resources, developers could turn more cautious on project launches and land acquisitions while awaiting policy details, weighing on construction activity and investment.

>20% CAGR sales declines in 2027-28: Our 3-case scenario analysis suggests primary sales volume could decline at a 23-24% CAGR, even with mitigating measures. Better land-payment terms and leverage could support landbanking, but have limited impact on near-term saleable resources under completed sales. We see a relatively high probability of Scenario 3, which also assumes LSD annual home-price increases, becoming our base case.

Mitigating measures matter more for investment: While sales outcomes are similar across scenarios, new starts and REI vary more materially. Under a stricter scenario with limited funding support and unchanged land-payment terms, we forecast new starts/REI to decline 28%/18% CAGR in 2027-28. Under the more supportive Scenario 3, declines moderate to 22%/14%.

Macro implications: The completed-sales transition should bring forward the drag from housing investment, but faster supply clearing could shorten the tail of the downturn. We now estimate property-related demand subtracts 2.5/1.5pp from nominal GDP in 2026/27, versus 1.6/1.2pp estimated earlier. This raises the need for support for domestic demand in the near term. In the longer run, the job market - currently facing continued construction job losses while job creation remains skill-biased in tech sectors - is key to a more durable macro-housing recovery.

Stephen Cheung, CFA
Equity Analyst
Stephen.Cheung@morganstanley.com +852 3963-0385

Zhipeng Cai
Economist
Zhipeng.Cai@morganstanley.com +852 2239-7820

Cara Zhu
Equity Analyst
Cara.Zhu@morganstanley.com +852 2848-7117

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We Forecast Double-digit CAGR Declines on Property Sales, New Starts and Real Estate Investment over 2025-28

China is transitioning its housing sales model from pre-sales toward completed-home sales, with completed sales prioritized for newly auctioned land and projects that have yet to obtain construction planning permits. Existing projects with such permits can continue under the previous pre-sales framework, suggesting the transition should be gradual rather than immediate.

Under completed sales, developers would need to fund land acquisition and most of the construction period before monetizing projects, materially lengthening the cash-conversion cycle from ~2 years under pre-sales to 3-4 years. Slower capital recycling would constrain subsequent land replenishment and future saleable resources, creating a cumulative drag on developers' sales capacity over time. In turn, a structurally smaller new-home sales market and reduced land replenishment would weigh on new starts and real estate investment over the medium to long term.

We Lower Our Near-term Forecasts for 2026

We expect limited immediate impact from the completed-sales model on developers' existing landbanks and saleable resources, as projects with construction planning permits can continue under the previous pre-sales framework. However, with developers now facing visible sales declines in 2027-28 as the new model takes effect, potentially alongside higher home prices, we believe they could become more selective in launching existing projects to preserve saleable resources and capture potentially better pricing later.

Developers are also likely to become more disciplined on land acquisitions (or even temporarily pause landbanking) while awaiting greater clarity on local implementation details, land-payment terms and project financing. This could further weaken land transactions in the coming months and translate into lower new starts and real estate investment, even before the full impact of completed sales is reflected in property sales. The transition could therefore weigh on near-term construction activity through developers' behavioral response, despite having a relatively limited direct impact on 2026 saleable resources.

We lower our 2026 forecasts across all five major property indicators, reflecting weaker-than-expected industry trends and developers' likely more cautious investment and project-launch behavior.

- **Primary sales volume:** We cut our forecast by 1.9% to 780mn sqm, implying an 11.5% y-y decline versus 9.8% previously.
- **Primary sales value:** We lower our forecast by 1.3% to Rmb7.3trn, implying a 13.2% y-y decline versus 12.0% previously.
- **New starts:** We cut our forecast by 3.2% to 458mn sqm, implying a 22% y-y decline versus 19.5% previously, the largest downward revision among the five indicators.
- **Completions:** We lower our forecast by 2.1% to 480mn sqm, implying a 20% y-y

decline versus 18.7% previously.

- **Real estate investment:** We cut our forecast by 2.7% to Rmb6.69trn, implying a 19.1% y-y decline versus 16.9% previously.

This would leave China's property market substantially smaller than at its 2021 peak even before the completed-sales model exerts its full impact. By end-2026, we estimate primary sales volume/value would have fallen 57%/60% from their 2021 peaks, while new starts would be down 77%, the largest contraction among the major indicators. Completions and real estate investment would be 53%/55% below 2021 levels, respectively. Despite this significant adjustment to date, our scenario analysis suggests the completed-sales transition could drive a further structural contraction in sales, new starts and investment in 2027-28.

Exhibit 1: Quarterly forecasts of major national property matrices

	Sales Volume		Sales Value		New Starts		Completion		REI	
	Quarterly (mn sqm)	Y-Y (%)	Quarterly (Rmb bn)	Y-Y (%)	Quarterly (mn sqm)	Y-Y (%)	Quarterly (mn sqm)	Y-Y (%)	Quarterly (Rmb bn)	Y-Y (%)
1Q24	227	-19.4%	2,135	-27.6%	173	-27.8%	153	-20.7%	2,208	-9.5%
2Q24	252	-18.6%	2,578	-22.7%	207	-19.9%	113	-23.2%	3,045	-10.5%
3Q24	224	-12.7%	2,175	-17.2%	180	-18.8%	103	-30.4%	2,615	-10.1%
4Q24	271	0.6%	2,787	1.2%	178	-23.3%	369	-27.8%	2,160	-8.6%
1Q25	219	-3.0%	2,080	-2.1%	130	-24.4%	131	-14.3%	1,990	-9.9%
2Q25	240	-4.0%	2,344	-8.3%	174	-16.4%	95	-15.5%	2,675	-12.1%
3Q25	200	-9.8%	1,880	-13.1%	150	-16.6%	86	-16.6%	2,105	-19.3%
4Q25	223	-17.8%	2,090	-25.0%	134	-25.1%	292	-20.9%	1,508	-30.2%
1Q26	195	-10.4%	1,726	-16.7%	104	-20.3%	98	-25.0%	1,772	-11.2%
2Q26	206	-12.7%	2,068	-10.8%	129	-25.7%	74	-21.9%	2,035	-23.1%
3Q26E	178	-11.0%	1,636	-13.0%	116	-23.0%	68	-20.0%	1,701	-19.2%
4Q26E	200	-10.0%	1,860	-11.0%	110	-18.0%	240	-18.0%	1,185	-21.4%

Exhibit 2: YTD forecasts of major national property matrices

	Sales Volume		Sales Value		New Starts		Completion		REI	
	YTD (mn sqm)	Y-Y (%)	YTD (Rmb bn)	Y-Y (%)	YTD (mn sqm)	Y-Y (%)	YTD (mn sqm)	Y-Y (%)	YTD (Rmb bn)	Y-Y (%)
3M24	227	-19.4%	2,135	-27.6%	173	-27.8%	153	-20.7%	2,208	-9.5%
6M24	479	-19.0%	4,713	-25.0%	380	-23.7%	265	-21.8%	5,253	-10.1%
9M24	703	-17.1%	6,888	-22.7%	561	-22.2%	368	-24.4%	7,868	-10.1%
2024A	**974**	**-12.8%**	**9,675**	**-17.1%**	**739**	**-22.5%**	**737**	**-26.1%**	**10,028**	**-9.8%**
3M25	219	-3.0%	2,080	-2.1%	130	-24.4%	131	-14.3%	1,990	-9.9%
6M25	459	-3.5%	4,424	-5.5%	304	-20.0%	226	-14.8%	4,666	-11.2%
9M25	658	-5.5%	6,304	-7.9%	454	-18.9%	311	-15.3%	6,771	-13.9%
2025A	**881**	**-8.7%**	**8,394**	**-12.6%**	**588**	**-20.4%**	**603**	**-18.1%**	**8,279**	**-17.2%**
3M26	195	-10.4%	1,726	-16.7%	104	-20.3%	98	-25.0%	1,772	-11.2%
6M26	401	-11.6%	3,794	-13.6%	232	-23.4%	172	-23.7%	3,807	-18.0%
9M26E	579	-12.0%	5,430	-13.9%	348	-23.3%	241	-22.7%	5,509	-18.6%
2026E	**780**	**-11.5%**	**7,290**	**-13.2%**	**458**	**-22.1%**	**480**	**-20.4%**	**6,694**	**-19.1%**

Exhibit 3: Summary of changes of our 2026 forecasts

	2026 Forecasts			2026 YoY			Peak in	Cumulative
	New	Previous	Variance	New	Previous	Variance	2021	decline
Primary sales volume (mn sqm)	780	795	-1.9%	-11.5%	-9.8%	-1.7%	1,794	-57%
Primary sales value (Rmb bn)	7,290	7,388	-1.3%	-13.2%	-12.0%	-1.2%	18,193	-60%
New starts (mn sqm)	458	473	-3.2%	-22.1%	-19.5%	-2.6%	1,989	-77%
Completion (mn sqm)	480	491	-2.1%	-20.4%	-18.7%	-1.7%	1,014	-53%
Real estate investment (Rmb bn)	6,694	6,877	-2.7%	-19.1%	-16.9%	-2.2%	14,760	-55%

We Forecast >20% CAGR Sales Declines in 2027-28 Even With Mitigating Measures

The central government has so far provided only the broad policy framework, while detailed implementation, including land-payment arrangements, project financing and the pace/scope of local adoption, has yet to be finalized. Given the remaining uncertainty around implementation details, we use three scenarios to assess the potential impact on our 2027-28 industry forecasts.

- **Scenario 1:** We assume 10-20% lower land prices, while land-payment terms remain unchanged, with the majority of the land premium settled within one month of land acquisition. Developer leverage remains stable and home prices stay flat.
- **Scenario 2:** We retain the 10-20% land-price decline, but assume more favorable land-payment terms, with 50% of the land premium paid within one month, 25% in Year 1 and the remaining 25% in Year 2. We also assume measurably higher developer leverage, while home prices remain flat.
- **Scenario 3:** We retain the assumptions in Scenario 2, but further assume annual low-single-digit home-price increases.

We believe Scenario 3 has a relatively high probability of becoming our base case, as local governments and financial institutions are being encouraged to introduce supporting measures to facilitate the transition, while reduced future new-home supply could gradually improve demand-supply dynamics and support home prices through destocking.

Exhibit 4: Scenario analysis of major national property matrices

	Scenario 1	Scenario 2	Scenario 3
Land price	10-20% lower	10-20% lower	10-20% lower
Land payment terms	Unchanged	50% / 25% / 25%	50% / 25% / 25%
Developer leverage	Stable	Measurably higher	Measurably higher
Home prices (y-y)	Flat	Flat	LSD % increase
Property sales volume			
- 2026E	-11.5%	-11.0%	-11.7%
- 2027E	-17.5%	-17.5%	-18.0%
- 2028E	-28.7%	-28.7%	-29.1%
- 2026-28 CAGR	-23.3%	-23.3%	-23.8%
Property sales value			
- 2026E	-13.2%	-13.2%	-13.2%
- 2027E	-16.9%	-16.9%	-16.4%
- 2028E	-26.4%	-26.4%	-26.3%
- 2026-28 CAGR	-21.8%	-21.8%	-21.5%
New starts			
- 2026E	-22.1%	-21.9%	-21.4%
- 2027E	-26.4%	-23.9%	-20.2%
- 2028E	-30.3%	-26.3%	-22.7%
- 2026-28 CAGR	-28.3%	-25.1%	-21.5%
Completion			
- 2026E	-20.4%	-19.9%	-19.4%
- 2027E	-19.0%	-17.4%	-15.6%
- 2028E	-21.5%	-17.0%	-15.3%
- 2026-28 CAGR	-20.2%	-17.2%	-15.4%
Real estate investment			
- 2026E	-19.1%	-19.1%	-18.9%
- 2027E	-18.7%	-17.5%	-15.4%
- 2028E	-16.5%	-15.1%	-13.2%
- 2026-28 CAGR	-17.6%	-16.3%	-14.3%

Property sales could nevertheless decline by >20% CAGR in 2027-28 across all three scenarios.

- **Scenario 1:** Primary sales volume declines 17.5%/28.7% y-y in 2027/28, implying a 23.3% CAGR decline over the two years. In value terms, primary sales decline 16.9%/26.4% y-y in 2027/28, implying a 21.8% CAGR decline.
- **Scenario 2:** Essentially the same sales trajectory as in Scenario 1, with primary sales volume declining 17.5%/28.7% y-y in 2027/28, implying a 23.3% CAGR decline. More favorable land-payment terms and higher leverage could support developers' funding capacity and land acquisitions, but would have limited impact on saleable resources over the next two years, as newly acquired projects under the completed-sales model would not become saleable until construction is completed. In value terms, primary sales decline 16.9%/26.4% y-y in 2027/28, implying a 21.8% CAGR decline.
- **Scenario 3:** Primary sales volume declines 18.0%/29.1% y-y in 2027/28, implying a 23.8% CAGR decline, slightly steeper than in Scenarios 1 and 2. With the potential for higher home prices, developers could become more selective in project launches, preserving saleable resources for later launches to capture better pricing and margins. This would result in a somewhat deeper sales-volume decline, but higher selling prices would partly offset the volume impact on sales value. Primary sales value declines 16.4%/26.3% y-y in 2027/28, implying a 21.5% CAGR decline, modestly better than the 21.8% CAGR decline under Scenarios 1 and 2.

Mitigating Measures Could Meaningfully Cushion New Starts and Real Estate Investment

Unlike property sales, our forecasts for new starts and real estate investment vary more meaningfully across the three scenarios, reflecting their greater sensitivity to the mitigating assumptions.

Scenario 1

New starts decline 26.4%/30.3% y-y in 2027/28, implying a 28.3% CAGR decline over the two years. With unchanged land-payment terms and limited incremental funding support, we would expect developers to materially reduce land replenishment as operating cash flows tighten, particularly as pre-sales proceeds from existing projects remain locked in supervised escrow accounts.

While developers could have greater incentives to accelerate construction and project delivery to release escrowed funds earlier, tighter liquidity would constrain their ability to meaningfully increase construction spending, leaving the overall construction pace broadly similar to current levels. With completions continuing to outpace new starts, the overall scale of projects under construction would continue to shrink, creating a further drag on construction activity and investment. Real estate investment declines 18.7%/16.5% y-y in 2027/28, implying a 17.6% CAGR decline.

Scenario 2

New starts decline 23.9%/26.3% y-y in 2027/28, implying a 25.1% CAGR decline, milder than the 28.3% CAGR decline under Scenario 1. More favorable land-payment terms and

greater funding support modestly improve asset turnover and project IRRs, strengthening developers' willingness to reinvest and their financial capacity to replenish land. This supports more land acquisitions and new starts than under Scenario 1, although activity would still be materially weaker than under the previous pre-sales model given the structurally longer cash-conversion cycle under completed sales.

Meanwhile, developers accelerate construction and completion of existing projects to recoup capital and release pre-sales proceeds from supervised escrow accounts earlier, resulting in shorter construction timelines. The release of escrowed funds in turn strengthens developers' liquidity and capacity for subsequent land acquisitions and reinvestment. Together with the milder decline in new starts, real estate investment declines 17.5%/15.1% y-y in 2027/28, implying a 16.3% CAGR decline, compared with 17.6% under Scenario 1.

Scenario 3

New starts decline 20.2%/22.7% y-y in 2027/28, implying a 21.5% CAGR decline, further moderating from the 25.1% decline under Scenario 2. Higher home prices improve project economics and strengthen developers' incentives to reinvest, while potentially encouraging them to take on more leverage to fund land acquisitions given better expected project returns. Higher home prices also translate to stronger profits and cash generation from existing projects upon completion, providing additional funding for subsequent land replenishment and reinvestment.

The prospect of stronger profits and cash recovery from existing projects give developers greater incentives to accelerate construction and completions, further shortening the capital-recycling cycle. Faster completion and release of escrowed proceeds, together with stronger internally generated cash flow, reinforce developers' capacity to replenish land and invest in new projects. Real estate investment declines 15.4%/13.2% y-y in 2027/28, implying a 14.3% CAGR decline, materially milder than the 17.6%/16.3% CAGR declines under Scenarios 1 and 2..

What to Watch Next?

We expect greater clarity on the key parameters of the completed-sales model over the coming months, as local governments finalize detailed implementation rules and developers begin bidding for land under the new framework. In the near term, we would focus on land prices and payment terms in upcoming land auctions, particularly in Beijing and Shanghai, where initial implementation could set important precedents for other cities. We would also closely monitor the availability and terms of incremental project financing for developers. Together, these should provide the earliest indications of whether implementation is tracking closer to Scenario 1 or the more supportive Scenarios 2 and 3.

Over the following quarters, developers' land acquisition, constructi
behavior should provide evidence of how they respond to the new f
practice. Home-price trends will likely take longer to become eviden
home supply gradually feeds through to inventory and demand-supp
summarize the key signposts and their implications for our scenarios



Exhibit 5: Summary of key signposts and their implications for our scenarios

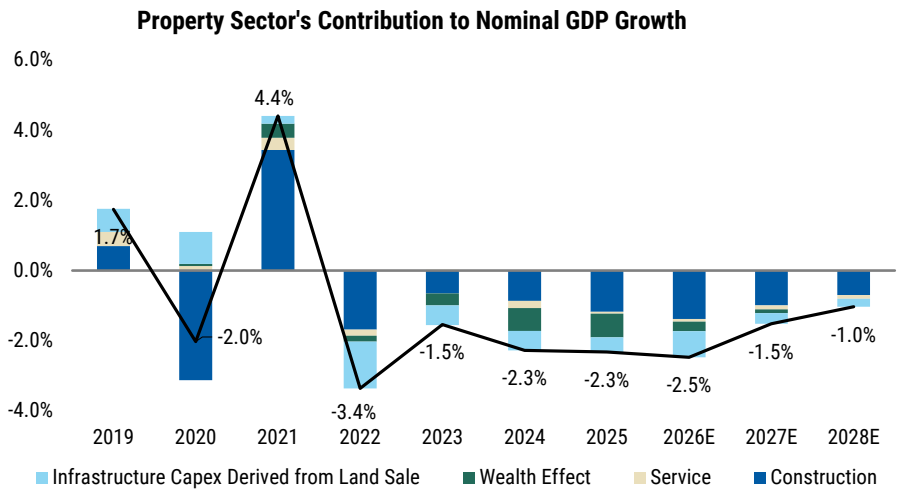
Key signpost	What to watch	Expected timing	Implications for our scenarios
Local implementation	Scope and pace of completed-sales adoption; treatment of existing/new projects; escrow requirements	Coming months	Determines the timing and severity of the transition and whether our assumed implementation path needs to change
Land prices	Pricing of newly auctioned land versus comparable historical transactions; whether developers can achieve the assumed 10-20% reduction	Coming land auctions in next few months	Lower land prices improve project economics and developers' willingness to replenish land; less adjustment would imply downside risk to new starts/REI
Land-payment terms	Upfront land-premium requirement and availability of installment payments, particularly whether terms move toward 50%/25%/25%	Coming land auctions in next few months	**Key S1 → S2 signpost:** more flexible payment terms reduce upfront capital requirements and improve developers' capacity to replenish land
Developer financing / leverage	Incremental bank/project financing, borrowing terms and developers' willingness to increase leverage for new land acquisitions	Coming months / quarters	**Key S1 → S2 signpost:** stronger funding support should improve land replenishment, new starts and REI, although with limited near-term impact on saleable resources
Land acquisitions & new starts	Developers' landbanking intensity and whether new starts stabilize as policy details become clearer	4Q26 into 2027	Provides the clearest real-time evidence of developers' willingness and capacity to reinvest under completed sales
Construction & completions	Whether developers accelerate construction/delivery to release escrowed pre-sales proceeds and recycle capital	Late-2026 into 2027	Faster completions would support cash recycling and subsequent reinvestment, pointing toward S2/S3 rather than S1
Home prices	New- and existing-home price trends, particularly in higher-tier cities as future supply contracts	Over the next several quarters / 2027	**Key S2 → S3 signpost:** sustained LSD home-price increases would improve project economics and strengthen developers' incentives/capacity to reinvest

Macro implications

We think China's post-housing adjustment is accelerating, with policymakers willing to tolerate some near-term growth drag to further deflate the housing bubble and make a cleaner transition to new growth drivers. Macro-wise, the new property regulations bring forward the drag from property investment and related domestic demand, while potentially shortening the tail of the housing downturn by speeding up supply adjustment and price stabilization.

A larger near-term growth drag, but less wealth-effect drag later. The main impact is through supply. Tighter escrow rules and slower cash conversion should push developers to cut land purchases and new starts faster. In our updated estimate, property-related demand now subtracts 2.5pp from nominal GDP growth in 2026 (vs.1.6pp estimated at the start of the year), and 1.5ppt in 2027 (vs.1.2pp estimated earlier). Most of the revision comes from weaker construction and investment. The partial offset is that a faster supply correction should help inventory clear and prices stabilize sooner, reducing the negative wealth effect at the margin. Net-net, the adjustment is "deeper upfront, faster tapering later".

Exhibit 6: Growth drag to remain elevated in 2026-27 before tapering, as property share in GDP shrinks and housing price stabilizes



A faster supply-side clearing also raises the urgency for supplementary structural reforms. If property developers, households and local governments are all deleveraging at the same time, some other balance sheet needs to lever up or nominal demand will weaken further. That means more central-government support, but with a different mix: less construction-heavy capex, more support on services, and higher transfers and social spending that lift household demand. Fiscal reform also matters more as local land revenue shrinks further: more stable local tax bases, stronger central transfers, and a more institutionalized approach to tighten tax collection and social security contributions. Without sufficient structural reforms, faster housing and local government deleveraging could raise the risk of another deflation-deleveraging loop - similar conditions arose in 2024, which prompted the policy pivot late 3Q24.

The job market is the key to a durable and broader macro-housing recovery. Construction is labor-intensive; China's current growth engines—tech and manufacturing upgrading—are not. They lift sector-wise productivity and exports but won't re-employ displaced construction workers at scale. A faster housing deleveraging will likely further deepen the K-shaped economy. Furthermore, housing and the broader economy are increasingly co-determined. Unlike in 2020-22, when housing deleveraging was primarily a drag on growth, the feedback now runs both ways: weak jobs and income expectations weigh on consumption and also hold back a sustainable recovery in housing demand. Therefore, stronger job creation is needed not only to offset the property drag, but also to help the housing market find a durable floor.