CHINA PROPERTY

Expert call: medium-term supply gap, local execution in line, long-term outlook & property tax

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On September 17, we hosted Dr. Ding Zuyu (丁祖昱) as the third speaker for our China Property Expert Call series in 2026 (see the first/second). Dr. Ding is the Founder and Chairman of Shanghai Purui Digital Intelligence Technology Co., Ltd. (a cutting-edge property technology and data intelligence enterprise) and Dean of the Shanghai E-House Real Estate Research Institute.

Key takeaways:

For the property market, Dr. Ding expects **1)** market supply to remain balanced in the near term as developers rush for construction/presale permits before Aug 28, but a significant 12–18 month supply shortage is projected from Mar 2027 as a result of sales model reform, before potentially stabilizing two years later; **2)** demand to sustain momentum throughout the coming 4Q sales season, leading to a yoy rebound in primary sales and heightened secondary market activity, despite a wait-and-see stance among some buyers for now; furthermore, upon entering next year's anticipated supply vacuum, secondary market supply will likely partially offset primary shortfalls; **3)** longer term, he anticipates 2030 as the year for market stabilization on both price and volume, which might also be a better timing for the government to roll out property tax, in his view.

For developers, **1)** business models need to be adjusted to realign with prolonged cash flow cycles and forward selling price uncertainties, including shifting focus from the presale stage to completions - with timelines for buildings under 18/11 floors being shortened to c.18/12 months - while front-loading market study over marketing strategies; **2)** large-scale developers and financially strained POE developers that are still relatively active in the land market during the past two years will face the most pressure in the near-term, forcing the former to downsize operational scales (potentially lower their 15th five-year sales target by 20-30%) and the latter to either partner with SOEs or exit the sector due to state-biased bank financing; and **3)** mid-tier SOE and strong local developers will emerge as beneficiaries, with mid-tier SOEs gaining a relative advantage amid reduced competition from large SOEs and local players likely establishing dominance with over 20% market share in lower-tier cities, according to the expert.

For local governments, Dr. Ding projects **1)** short-term land sales will contract sharply, particularly in lower-tier cities, before stabilizing around March 2027. **2)**

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Local policy countermeasures will remain relatively limited due to strict execution from banks so far. He cited Wuhan's execution details might serve as a good example for rest of the other cities, which includes land premium installments, unit-by-unit completion inspections, or defining housing "completion" at rough-house stage instead of after being fully furnished, so that developers' cash conversion cycle can be shortened. Furthermore, **3)** the divergence between top-tier and lower-tier cities will widen as the former will easily regain attraction if land price moderates by 10-20%; while lower-tier cities are likely to face heightened fiscal pressure as LGFV land purchase is unlikely to be sustained.

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Key takeaways

According to Dr. Ding, the 828 New Policy represents a systemic institutional reform, deliberated for approximately three years, which signifies a fundamental shift to new real estate development models from the old paradigm, with the Evergrande verdict on August 21 effectively marking the conclusion of the latter. Dr. Ding summarized the major impacts as three aspects:

1. Impact on Property Market

On supply side: **1) In the short term** (current to pre-2027 Chinese New Year), Dr. Ding does not expect a sharp decline in market supply. On the contrary, a temporary, slight increase may occur as developers rushed to secure pre-sale permits before August 28, leading to a largely balanced supply-demand environment. **2) In the mid term** (Mar 2027 to Sep 2028), Dr. Ding projects a notable supply shortage, lasting 12-18 months, primarily due to new land projects now requiring topping-out to pre-sale or being sold as completed homes. Furthermore, developers are no longer incentivized to expedite construction solely for pre-sale permits as presale funds will be locked in escrow account and mortgages will not be disbursed until completion, which will create a significant gap in new salable inventory. **3) In the long run** (beyond two years), Dr. Ding expects supply to gradually adapt to the new rhythm and stabilize.

On demand side: **1) Entering 4Q26**, Dr. Ding expects a stable primary market (despite a more active secondary market), demonstrating a significant year-on-year increase, with the traditional "Golden September, Silver October" sales season still evident. Nevertheless, there may also be some prospective buyers adopting a wait-and-see stance, as completed homes could reduce delivery risk and offer benefits of deferred repayments. **2) In the mid term**, during the anticipated new home supply vacuum, Dr. Ding expects secondary transactions to pick up, partially offsetting primary declines, while whether it could fully compensate the shortfall remains uncertain.

For property tax: Dr. Ding regards the introduction of property tax before 2030 as **largely unlikely** based on the current context, because such measure can only be considered once the property market stabilizes and recovers to a healthy stage, such as property FAI growth (below -20% currently) and primary sales growth (below -10% currently) returning to c.0% yoy, as well as a stable secondary market and ASP trajectory.

2. Impact on Developers

Development model restructuring: **1)** With cash flow cycles inevitably prolonged, Dr. Ding projects developers to revise down their investment and sales targets during the 15th Five-Year Plans period by 20-30%. **2)** Dr. Ding also expects developers' focus to shift from rushing for presale to rushing for completion, with completion of buildings of 18/11 floors and below could be compressed to c.18/12 months. **3)** Besides, the marketing function will be de-emphasized and post-positioned in the development process, while the importance of market study and product development will be significantly elevated and front-loaded.

Players under most pressure would be **1) large-scale developers**, as they will experience the most significant cash flow pressure, necessitating a further reduction in their

operational scale to a more sustainable level, and **2) POE developers with financing difficulties**, as the lead bank mechanism continues to favor SOEs over POE players, making it hard to secure loans solely through project-based management, thus they may exit the sector if they fail to establish partnerships with SOE players to secure developer loans, according to Dr. Ding.

Beneficiaries would be **1) mid-tier SOE developers**, characterized by their moderate scale and state-owned backing, which historically did not prioritize aggressive expansion, are now poised to gain a relative advantage. This is particularly true in a competitive environment where large SOEs are moderating land acquisitions and weak POE developers are exiting the market; **2) strong local developers:** in lower-tier cities, local developers demonstrating robust development capabilities are likely to establish regional dominance, potentially achieving market shares exceeding 20%, per Dr. Ding.

Resolution of existing legacy inventory: Dr. Ding regards non-market-based approaches such as government buybacks as unfeasible due to fiscal constraints. Consequently, the resolution of existing legacy inventory can only proceed slowly over a period of 5-20 years.

3. Impact on Local Governments and the Land Market

For the land market: Dr. Ding expects land sales to contract sharply in the short term, especially for lower-tier cities, before stabilizing around Mar 2027.

Limited scope for local policy countermeasures: As bank execution has been strict so far, including closed-loop fund management and disbursement upon project completion, Dr. Ding sees limited scope for local policy countermeasures. He cited Wuhan's execution details might serve as a good example for the rest of the other cities, which includes land premium installments, unit-by-unit completion inspections, or defining housing "completion" at rough-house stage instead of after being fully furnished, so that developers' cash conversion cycle can be shortened.

Widening divergence between top-tier and lower-tier cities: Dr. Ding expects **1) top-tier cities** to easily regain attraction if land price moderates by 10-20% (from 20%+ for BJ/SH currently), while **2) lower-tier cities** may face more fiscal pressure as LGFV land purchase is unlikely to be sustainable.

China Property coverage valuation comparison

Exhibit 1: China developers' valuation comparisons

Company	Ticker	Mkt Cap (US$ bn)	Daily liquidity (US$ mn) 1 mth trailing	Type	Rating	Price as of 17/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	9.0	102	Central SOE	Neutral	6.67 (Rmb)	8.70	30	-15%	10.25	(35)	n.m.	55.0	19.3	16.2	0.6	0.6	0.6	0.6	0.8	0.8	2.3	2.8
COLI	0688.HK	16.7	61	Central SOE	Buy	11.96 (HK$)	16.80	40	-10%	18.64	(36)	9.2	9.0	8.6	7.5	0.4	0.4	0.4	0.3	4.1	4.4	4.7	5.4
CR Land	1109.HK	25.9	115	Central SOE	Buy	28.50 (HK$)	38.80	36	-10%	43.16	(34)	8.3	9.3	8.6	8.3	0.9	0.8	0.8	0.7	4.4	4.2	4.6	4.8
Greentown	3900.HK	1.8	13	Mixed ownership	Buy	5.66 (HK$)	9.50	68	-15%	11.12	(49)	2.6	3.1	3.3	3.0	0.4	0.4	0.4	0.3	-	1.1	6.1	9.9
Jinmao	0817.HK	2.0	15	Central SOE	Buy	1.19 (HK$)	1.85	55	-10%	2.06	(42)	30.3	20.1	9.2	5.7	0.5	0.5	0.5	0.5	2.5	2.5	4.7	7.5
Poly	600048.SS	9.0	131	Central SOE	Neutral	5.04 (Rmb)	6.10	21	-10%	6.74	(25)	58.3	n.m.	n.m.	n.m.	0.3	0.3	0.3	0.3	0.7	-	-	-
Average								**42**	**-12%**		**(37)**	**9.2**	**9.3**	**8.6**	**7.5**	**0.5**	**0.5**	**0.5**	**0.5**	**2.1**	**2.2**	**3.7**	**5.1**
Other developers																							
Longfor	0960.HK	4.9	18	POE	Neutral	5.47 (HK$)	7.50	37	-25%	9.94	(45)	n.m.	n.m.	30.4	14.6	0.3	0.3	0.3	0.3	1.4	-	1.1	2.2
Seazen	1030.HK	1.3	4	POE	Sell	1.41 (HK$)	1.55	10	-50%	3.11	(55)	24.0	38.7	16.9	10.4	0.3	0.3	0.3	0.3	-	-	-	-
Vanke (A)	000002.SZ	4.4	62	Mixed ownership	Sell	3.02 (Rmb)	3.20	6	-10%	3.50	(14)	n.m.	n.m.	n.m.	n.m.	0.3	0.4	0.5	0.6	-	-	-	-
Vanke (H)	2202.HK	0.6	7	Mixed ownership	Sell	2.20 (HK$)	2.50	14	-35%	3.82	(42)	n.m.	n.m.	n.m.	n.m.	0.2	0.3	0.3	0.4	-	-	-	-
Average								**17**	**-30%**		**(39)**	**n.m.**	**n.m.**	**n.m.**	**n.m.**	**0.3**	**0.3**	**0.4**	**0.4**	**0.4**	**-**	**0.3**	**0.6**
Coverage average								**32**			**(38)**	**22.1**	**22.5**	**13.8**	**9.4**	**0.4**	**0.4**	**0.4**	**0.4**	**1.4**	**1.3**	**2.4**	**3.3**
H-share average								**37**			**(43)**	**14.9**	**16.0**	**12.8**	**8.3**	**0.4**	**0.4**	**0.4**	**0.4**	**1.8**	**1.7**	**3.0**	**4.3**
A-share average								**19**			**(25)**	**58.3**	**55.0**	**19.3**	**16.2**	**0.4**	**0.5**	**0.5**	**0.5**	**0.5**	**0.3**	**0.8**	**0.9**

Source: Datastream, Goldman Sachs Global Investment Research