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China Property

The Paradox: Earnings Pressure from Completed Home Sales vs Policy Support & a 2027 Home Price Rebound in Core Cities

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CITI'S TAKE

The paradox of an improving market but deteriorating profit & ROE: Sector share prices have rebounded on market expectations of new policy support (State Council Executive Meeting, mortgage interest subsidies), alongside stabilizing home price in SH/BJ and sales pickup in Sep. We see 2027 as a pivotal year for home price recovery in core cities, supported by lower new supply and inventory. That said, we remain cautious on the sector heading into 4Q26 given risk to developers' sales & profit after the completed-home sales policy, incl. a smaller new home market & earnings/ ROE pressure from longer cash conversion cycles, despite mitigating measures from local govts in BJ/SH. Rents and secondary prices are picking up in SH/SZ/BJ. However, we await more signals before making a conviction call on a broader recovery in core-city home prices. Top picks: COLI, CRL, Beike, Jinmao.

Better expectation on home prices & policy support— After the State Council Executive Meeting's proposal on 28 Sep to study policy measures to stabilize property market & promote employment & income growth, we believe the market has already priced in the expected 100bps mortgage interest subsidies (i.e. Rmb10-13bn) for new first-home buyers, to be announced on 30 Sep (new mortgage drawn: Rmb1.29trn in '25; Rmb0.51trn in 1H26). We reckon the policy support is more meaningful in improving household expectation for home prices, than in materially enhancing purchasing power given our estimate of 13% reduction in monthly mortgage repayment for new first-home buyers.

New home inventory improved: 20 months is not high under completed home sales — We regard T1-cities' new home inventory of 20 months as relatively low under completed home sales system, given a 24-month construction lead time. As such, we believe comparisons with historical average levels are no longer relevant.

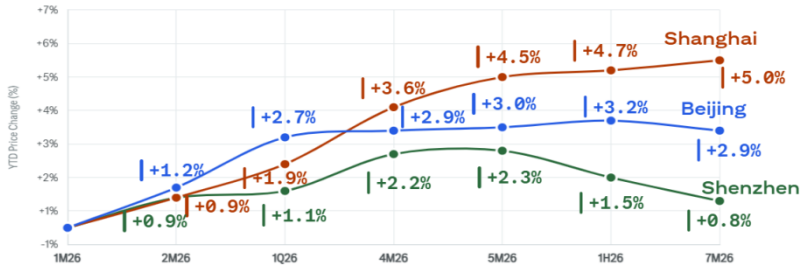
Secondary prices & rents stabilizing in SH/SZ/BJ — We see 2027 as a pivotal year for a home price recovery in core cities. Secondary home prices in Shanghai (+5% YTD), Beijing (+3%), Shenzhen (+1%) recorded modest YTD gains while rents +2.3%/ 2.2% YTD in SH/SZ, per Centaline data. Secondary listings in T1 cities continue to be on a downtrend but for T2 cities, these have rebounded. We await more signals to confirm the trend, while a broad-based home price recovery across T2 cities will likely take longer.

Asset turnover & ROE pressure lingers at developer level — Market has reacted positively to the details of completed home sales in BJ/SH, including the postponement to Dec-26. That said, we view the deposit of 1%/3% at pre-sales in BJ/SH as minimal while the bulk of cash proceeds would only be received upon full completion, extending the cash collection cycle to c.2 years. Hence, the cash flow, earnings and ROE pressures are likely to persist unless home prices rise by 7% or more. We believe the reform should ultimately benefit leaders via accelerated oligopoly formation and faster supply-demand rebalancing at core cities that could facilitate home price recovery in '27E. We therefore view any sector pullback in 4Q as a potential buying opportunity into '27E, with our investment thesis on a recovery in key cities remaining intact for '27E.

See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations.

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Figure 1. SH, BJ & SZ: slight positive secondary home price growth YTD



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Source: Centaline, Citi Research

Figure 2. Centaline Secondary Home Price Index

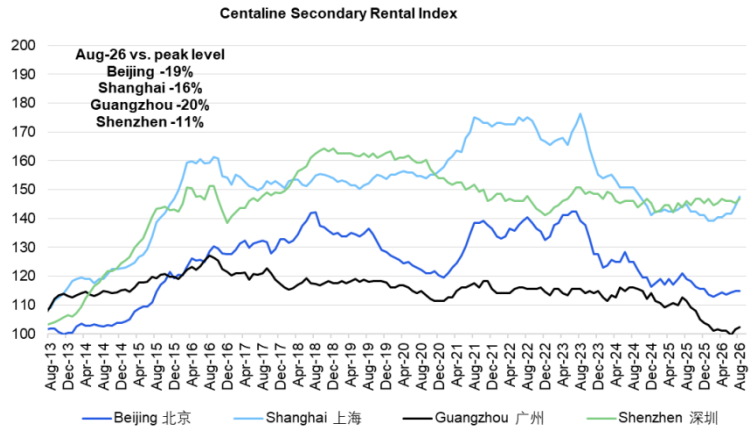
Secondary Home Prices Index	Beijing 北京	Shanghai 上海	Guangzhou 广州	Shenzhen 深圳
Aug-26				
MoM	-1.0%	0.0%	-0.2%	-0.9%
YoY	-6.3%	-4.1%	-8.1%	-6.0%
2026 YTD Change	**2.4%**	**4.5%**	**-1.8%**	**-0.5%**

	Beijing 北京	Shanghai 上海	Guangzhou 广州	Shenzhen 深圳
Current	132	152	152	218
Peak	210	240	257	391
Aug-26 vs. peak	**-37%**	**-37%**	**-41%**	**-44%**
ASP peak month	**May-23**	**Jun-22**	**Jun-22**	**May-21**

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Source: Centaline; Citi Research estimates

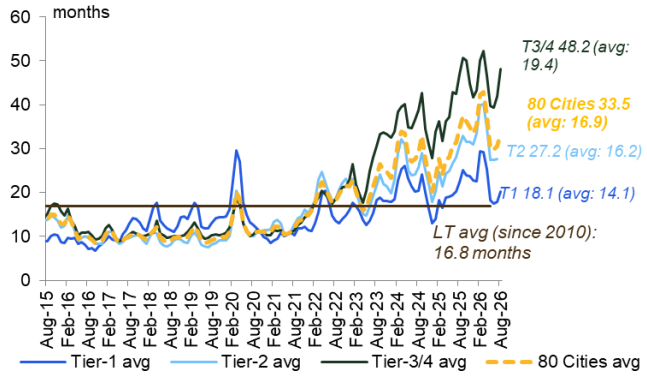
Figure 3. Centaline Secondary Rental Index



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Source: Centaline, Citi Research

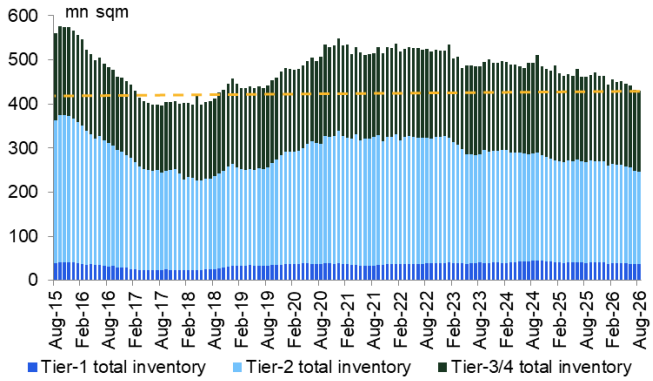
Figure 4. 80-City Inventory Months (based on 3-months moving avg sales)



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Source: CRIC, Citi Research estimates

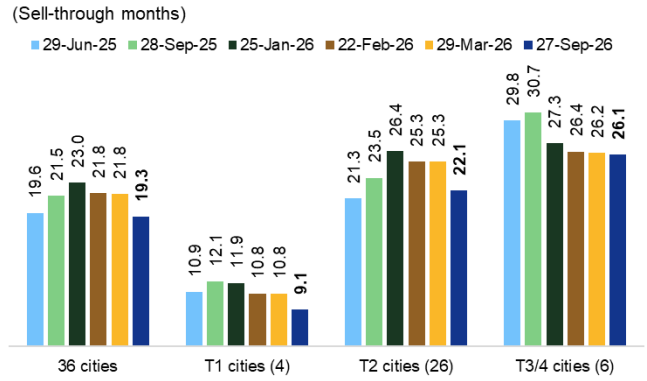
Figure 5. 80-City Inventory GFA Trends Down: decline in broad base inventory



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Source: NBS, Citi Research estimates

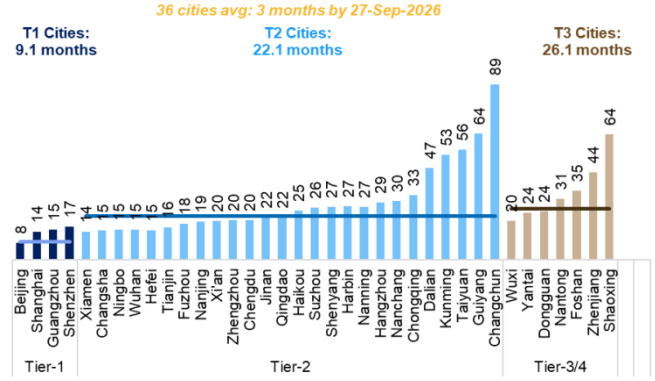
Figure 6. Secondary Listing Sell-thru: avg 19 months



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Source: CRIC, Citi Research estimates

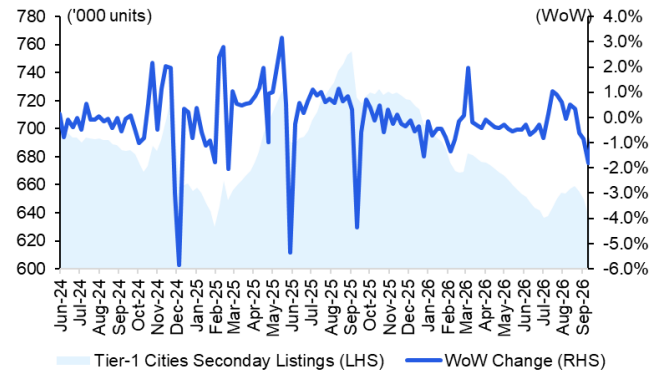
Figure 7. Secondary Listing Sell-through by City (Sep-26)



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Source: NBS, Citi Research estimates

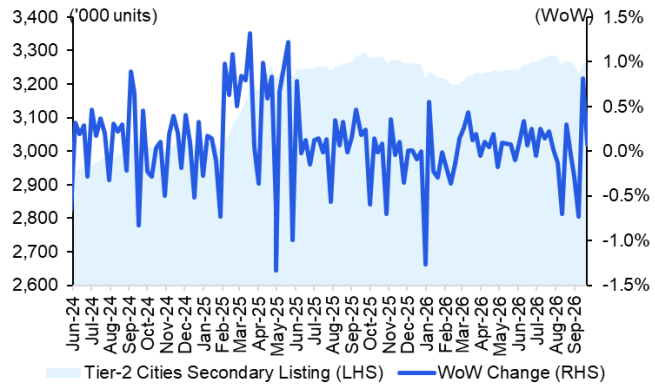
Figure 8. Secondary Listing in T1 Cities



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Source: KE.com, Citi Research estimates

Figure 9. Secondary Listing in T2 Cities



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Source: KE.com, Citi Research estimates

Key Cities' Primary & Secondary Volume (WIND & CREIS)

Figure 10. Weekly Primary Transaction in 34 Cities (by # units registered)

Average Weekly Primary Transaction Volumn (by registration of units sold 网签新房销售套数)												
	Weekly Transaction (units)				YoY Change (%)				Sequential Change (%)			
	34 cities	Tier-1	Tier-2	Tier-3/4	34 cities	Tier-1	Tier-2	Tier-3/4	34 cities	Tier-1	Tier-2	Tier-3/4
Single Week					YoY Change				WoW Change			
9/13/2026	**18,671**	**5,347**	**10,839**	**2,485**	**13.7%**	**31.6%**	**4.7%**	**24.0%**	**-13.0%**	**-5.1%**	**-17.7%**	**-6.0%**
9/6/2026	21,458	5,637	13,177	2,643	38.7%	65.7%	49.5%	-18.7%	0.4%	16.6%	-3.2%	-9.7%
8/30/2026	21,381	4,834	13,619	2,928	9.8%	4.9%	16.1%	-6.6%	15.5%	0.2%	26.2%	1.3%
8/23/2026	18,509	4,824	10,795	2,890	5.0%	28.8%	-10.1%	53.5%	-0.9%	17.1%	-5.2%	-8.8%
8/16/2026	18,677	4,121	11,389	3,167	28.3%	15.4%	31.1%	37.8%	20.1%	-18.8%	39.2%	38.0%
8/9/2026	15,557	5,078	8,183	2,296	2.8%	31.2%	-5.6%	-11.5%	-22.1%	13.8%	-33.6%	-27.9%
Single Month					YoY Change				MoM Change			
Sep-26	**20,064**	**5,492**	**12,008**	**2,564**	**25.9%**	**47.2%**	**25.3%**	**-2.4%**	**6.6%**	**17.8%**	**6.6%**	**-11.4%**
Aug-26	18,819	4,664	11,262	2,893	10.8%	15.6%	8.8%	11.5%	-6.5%	-1.0%	-7.9%	-9.2%
Jul-26	20,128	4,709	12,233	3,185	7.8%	4.2%	10.2%	4.8%	-4.9%	-8.1%	-4.6%	-0.7%
Jun-26	21,161	5,125	12,828	3,208	-10.0%	-11.3%	-6.3%	-20.5%	-5.3%	-13.5%	1.4%	-14.7%
May-26	22,334	5,922	12,651	3,761	2.3%	12.4%	-1.4%	1.0%	3.0%	2.8%	3.1%	2.9%
Apr-26	21,684	5,759	12,270	3,655	7.7%	17.9%	5.4%	1.6%	-4.2%	8.2%	-6.0%	-14.2%
Mar-26	22,635	5,325	13,052	4,259	-11.2%	-7.1%	-13.9%	-7.5%	99.6%	137.3%	104.4%	57.1%
Feb-26	11,339	2,244	6,384	2,711	-37.1%	-39.5%	-38.6%	-30.6%	-28.4%	-43.5%	-29.4%	-3.9%
Jan-26	15,831	3,969	9,043	2,819	-16.1%	-14.8%	-19.5%	-5.4%	-15.2%	-20.0%	-16.1%	-3.4%
Dec-25	18,661	4,962	10,781	2,919	-44.0%	-39.9%	-46.9%	-38.3%	0.1%	0.9%	-2.2%	8.5%
Nov-25	18,634	4,918	11,024	2,692	-44.6%	-41.3%	-47.0%	-39.8%	-10.9%	1.2%	-11.4%	-25.3%
Oct-25	20,902	4,859	12,439	3,604	-33.7%	-41.7%	-29.2%	-35.7%	20.6%	20.2%	18.0%	31.4%
Sep-25	17,327	4,043	10,540	2,744	-7.2%	4.6%	-7.3%	-19.8%	2.1%	0.2%	1.8%	5.7%
Aug-25	16,979	4,034	10,349	2,596	-20.0%	-23.1%	-17.4%	-24.4%	-9.0%	-10.7%	-6.8%	-14.6%
YTD2026 Avg	**19,266**	**4,768**	**11,240**	**3,259**	**-4.6%**	**-0.1%**	**-5.7%**	**-7.2%**				
FY2025	**20,301**	**4,867**	**12,082**	**3,352**	**-18.9%**	**-10.9%**	**-21.9%**	**-18.4%**				

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Source: CREIS, Citi Research

Note: *34 cities include: 4 Tier-1 cities: Beijing, Shanghai, Shenzhen, Guangzhou; 15 Tier-2 cities: Chongqing, Hangzhou, Nanjing, Wuhan, Chengdu, Suzhou, Dalian, Xi'an, Changsha, Fuzhou, Shenyang, Qingdao, Jinan, Changchun, Nanning; 15 Tier-3/4 cities: Wenzhou, Dongguan, Zhenjiang, Yangzhou, Shantou, Shaoguan, Zhoushan, Taian, Jiangyin, Huaian, Wuhu, Shaoxing, Zhaoqing, Suzhou (Anhui), Haimen.

Figure 11. Weekly Secondary Transactions in 18 Cities (by # units registered)

Average Weekly Secondary Transaction Volume (by registration of units sold 网签二手房交易套数)												
	Weekly Transaction (units)				YoY Change (%)				Sequential Change (%)			
	18 cities	Tier-1	Tier-2	Tier-3/4	18 cities	Tier-1	Tier-2	Tier-3/4	18 cities	Tier-1	Tier-2	Tier-3/4
Single Week					YoY Change				WoW Change			
9/13/2026	**24,826**	**10,958**	**11,327**	**2,541**	**10.8%**	**13.2%**	**6.1%**	**24.7%**	**8.4%**	**8.5%**	**8.2%**	**9.1%**
9/6/2026	22,896	10,100	10,466	2,330	14.8%	20.6%	8.4%	21.7%	-4.8%	-4.1%	-5.0%	-6.9%
8/30/2026	24,052	10,527	11,022	2,503	3.1%	5.7%	-1.9%	17.5%	-1.1%	4.2%	-5.3%	-2.9%
8/23/2026	24,311	10,098	11,636	2,577	18.0%	31.7%	5.9%	32.8%	3.3%	7.1%	0.3%	2.8%
8/16/2026	23,538	9,432	11,599	2,507	9.3%	7.2%	10.2%	13.3%	8.7%	3.3%	13.5%	8.9%
8/9/2026	21,649	9,128	10,219	2,302	1.9%	10.7%	-5.7%	6.4%	-9.7%	-9.0%	-8.8%	-16.0%
Single Month					YoY Change				MoM Change			
Sep-26	**23,861**	**10,529**	**10,897**	**2,436**	**12.7%**	**16.6%**	**7.2%**	**23.2%**	**1.5%**	**7.0%**	**-2.2%**	**-3.6%**
Aug-26	23,507	9,844	11,137	2,526	8.1%	13.7%	1.9%	17.1%	-5.9%	-2.5%	-8.3%	-7.0%
Jul-26	24,968	10,101	12,151	2,716	8.6%	14.1%	3.4%	13.8%	-7.3%	-9.3%	-7.1%	-0.2%
Jun-26	26,941	11,133	13,086	2,722	7.3%	12.4%	2.6%	11.5%	-7.5%	-7.1%	-8.3%	-5.0%
May-26	29,117	11,988	14,265	2,865	23.1%	30.3%	16.7%	27.8%	-8.3%	-6.3%	-11.0%	-1.9%
Apr-26	31,741	12,791	16,031	2,919	9.5%	15.6%	6.4%	1.9%	9.0%	-1.4%	18.1%	12.8%
Mar-26	29,132	12,972	13,572	2,588	-8.7%	1.3%	-15.8%	-13.5%	95.9%	126.8%	78.1%	69.2%
Feb-26	14,869	5,721	7,619	1,529	-30.4%	-36.1%	-27.3%	-20.5%	-38.9%	-45.1%	-32.1%	-43.0%
Jan-26	24,327	10,424	11,218	2,685	16.4%	25.6%	5.7%	34.5%	-0.7%	1.0%	-2.2%	-0.7%
Dec-25	24,500	10,324	11,471	2,705	-29.8%	-26.1%	-35.4%	-14.3%	-0.6%	-1.4%	-1.0%	3.8%
Nov-25	24,660	10,474	11,581	2,606	-21.1%	-20.3%	-24.7%	-4.7%	13.2%	15.8%	9.4%	20.6%
Oct-25	21,790	9,043	10,587	2,160	-27.1%	-30.2%	-25.8%	-19.3%	-3.9%	-4.1%	-6.0%	9.4%
Sep-25	22,669	9,427	11,268	1,975	7.5%	19.7%	1.7%	-7.2%	4.3%	7.9%	3.1%	-8.5%
Jan-23	12,532	4,126	7,029	1,378	-0.9%	12.3%	-6.2%	-7.0%				
2026 YTD Avg	**25,489**	**10,627**	**12,290**	**2,571**	**5.3%**	**10.7%**	**0.2%**	**10.2%**				
FY2025 Avg	**23,818**	**9,688**	**11,971**	**2,346**	**-1.0%**	**3.5%**	**-3.5%**	**2.1%**				

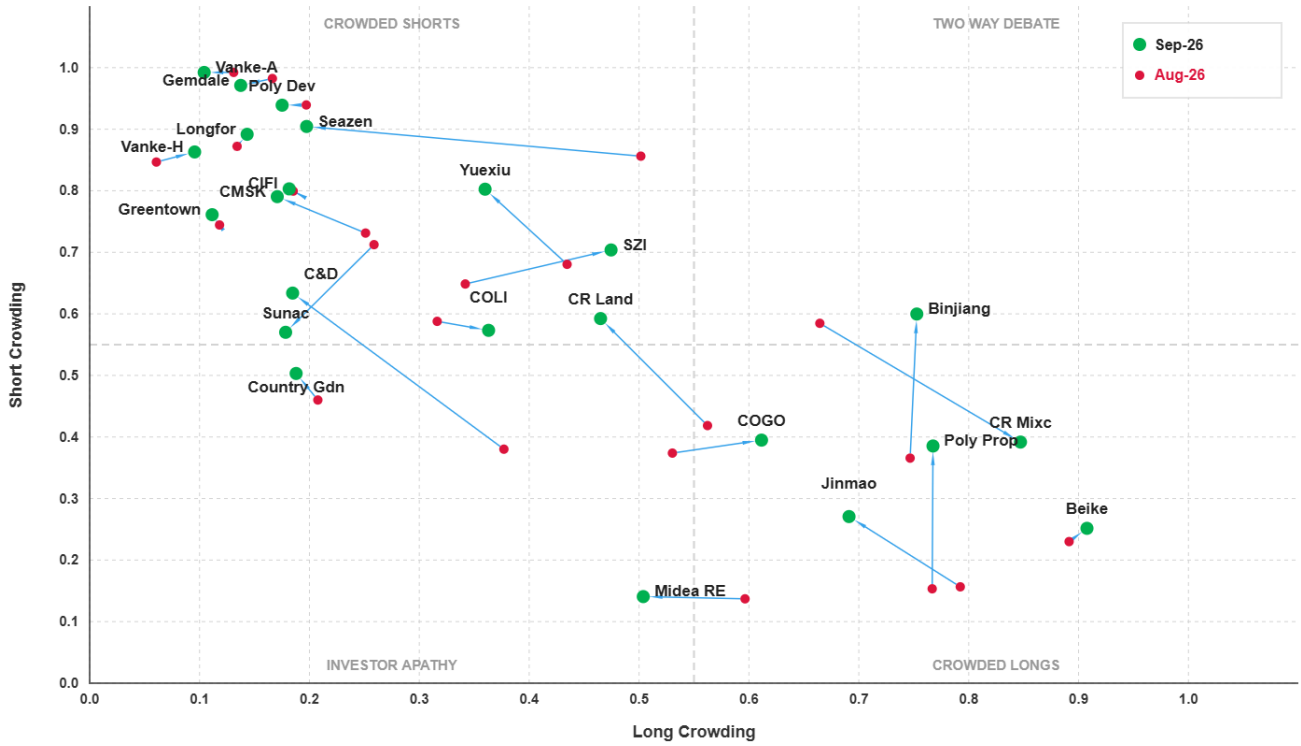
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Source: WIND, Citi Research

Note 1: We only included 18 cities for high-frequency weekly analysis due to data availability.
18 cities include 3 Tier-1 cities: Beijing, Shanghai, Shenzhen; 9 Tier-2 cities: Chengdu, Dalian, Hangzhou, Nanjing, Nanning, Qingdao, Suzhou, Wuxi, Xiamen; 6 Tier-3/4 cities: Dongguan, Foshan, Jiangmen, Jinhua, Quzhou, Yangzhou; Note 2: *excl. May Holiday week when calculating May monthly avg.

Quant View

Figure 12. China Property Sector — Quant Screen on Investor Position (1-month change by 11-Sep-2026)



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Note: month on month change, latest month in green dots, previous month in red dots

Source: Citi Research Estimates

Sector Valuations

Figure 13. China Property Sector — Valuations (28-Sep-2026 close) Citi Rating: 1 – Buy; 2 – Neutral; 3 – Sell; H – High Risk

Stock	RIC	28-Sep-26 Price	Mkt Cap (USDm)	Citi Rating	Est. NAV	NAV Disc	Target Price	P/E FY26E	P/E FY27E	P/E FY28E	P/B FY26E	P/B FY27E	P/B FY28E	Yield FY26E	Yield FY27E	Yield FY28E
China Property Names (H-share)																
C&D int'l	1908.HK	12.77	3,770	1	23.13	-45%	19.00	6.7	6.5	6.2	0.5	0.5	0.5	7.8%	8.0%	8.4%
CIFI	0884.HK	0.03	79	3H	0.31	-90%	0.03	N/A	N/A	N/A	0.0	0.0	0.0	-	-	-
COGO	0081.HK	2.89	1,311	1	8.10	-64%	3.10	10.1	9.6	8.9	0.3	0.3	0.2	3.4%	3.6%	3.9%
COLI	0688.HK	12.89	17,985	1	35.67	-64%	18.30	9.4	9.5	9.3	0.3	0.3	0.3	3.7%	3.6%	3.7%
Country Garden	2007.HK	0.18	1,061	3H	0.82	-78%	0.16	N/A	N/A	N/A	-0.3	-0.2	-0.1	-	-	-
CR Land	1109.HK	29.46	26,782	1	71.80	-59%	43.10	7.9	7.7	7.5	0.6	0.6	0.5	4.6%	4.7%	4.9%
Greentow n	3900.HK	6.11	1,977	1	18.35	-67%	10.80	10.2	5.1	4.6	0.4	0.3	0.3	4.6%	6.8%	7.4%
Jinmao Group	0817.HK	1.28	2,196	1	4.61	-72%	2.30	10.7	10.2	9.6	0.2	0.2	0.2	2.5%	2.5%	2.5%
Longfor	0960.HK	5.45	4,931	1	22.00	-75%	8.80	NM	9.8	8.2	0.2	0.2	0.2	-	-	-
Midea Real Estate	3990.HK	2.28	417	1	3.51	-35%	4.30	4.3	4.2	4.0	0.6	0.5	0.5	15.3%	15.4%	15.9%
Poly Prop	0119.HK	1.29	628	1	10.14	-87%	2.80	10.4	3.0	2.5	0.1	0.1	0.1	3.8%	13.3%	15.9%
Seazen	1030.HK	1.48	1,370	1	8.66	-83%	2.60	10.5	7.6	5.8	0.2	0.2	0.2	-	-	-
Shenzhen Inv	0604.HK	0.61	692	1	3.00	-80%	0.90	9.1	8.1	12.0	0.2	0.1	0.1	4.4%	5.0%	5.6%
Sunac	1918.HK	0.64	1,616	2H	4.00	-84%	0.60	N/A	N/A	N/A	0.2	0.2	0.2	-	-	-
Vanke	2202.HK	2.53	6,084	3	18.02	-86%	1.55	N/A	N/A	N/A	0.3	0.3	0.4	-	-	-
Yuexiu	0123.HK	3.31	1,699	1	15.34	-78%	4.60	140.8	84.2	16.5	0.2	0.2	0.2	0.3%	0.5%	2.7%
Average for H-share						**-63%**		**11.5**	**9.6**	**7.5**	**0.5**	**0.4**	**0.4**	**3.9%**	**4.1%**	**4.4%**
China Property Names (A-share)																
CMSK	001979.SZ	7.19	9,656	1	18.29	-61%	11.00	27.6	28.2	28.6	0.7	0.6	0.6	1.4%	1.4%	1.4%
Gemdale	600383.SS	2.40	1,614	3H	8.68	-72%	1.74	N/A	N/A	38.2	0.2	0.3	0.3	-	-	-
Hangzhou Binjiang	002244.SZ	8.60	3,986	1	NA	NA	11.00	14.1	14.4	14.1	0.9	0.8	0.8	0.7%	0.7%	0.7%
Poly Dev & Hldgs	600048.SS	5.61	10,003	1	13.06	-57%	7.00	93.7	17.6	9.6	0.3	0.3	0.3	0.4%	2.3%	4.2%
Vanke	000002.SZ	3.71	6,084	3	6.67	-44%	2.00	N/A	N/A	N/A	0.5	0.6	0.6	-	-	-
Average for A-share						**-49%**		**53.3**	**21.4**	**10.9**	**0.5**	**0.5**	**0.5**	**0.7%**	**1.3%**	**1.9%**
Overall Avg. for China Property Names						**-58%**		**20.9**	**11.7**	**7.9**	**0.5**	**0.5**	**0.5**	**2.9%**	**3.2%**	**3.6%**
Brokerage platform																
Beike	BEKE.N	16.33	18,714	1	NA	NA	26.60	14.7	13.3	12.8	1.8	1.7	1.6	3.1%	3.4%	3.5%
Beike	2423.HK	43.90	19,228	1	NA	NA	75.40	15.1	13.7	13.2	1.8	1.7	1.7	3.0%	3.3%	3.4%
Property Management																
CR Mixc	1209.HK	38.08	11,081	1	NA	NA	53.30	17.0	15.3	13.9	13.6	12.7	11.9	5.9%	6.5%	7.2%

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Source: DataCentral, Citi Research Estimates