J.P.Morgan

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China: Housing stays weak as time-inconsistency lingers

Mortgage subsidies offer limited lift

Emerging Markets Asia, Economic and Policy Research

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- *JPM's housing activity index remained subdued, with elevated contraction across major indicators.*
- *Tier-1 city home prices continued to outperform, led by Shanghai and Shenzhen, while Beijing's secondary home price also improved.*
- *Beijing/Shanghai broadly followed the Aug 28 framework, with only modest transition relief. Tighter financing rules are weighing on land appetite.*
- *Late-Sept mortgage subsidies provide 100bps relief for five years, benefiting mainly lower-priced homes and lower-tier cities, with a mild policy impact.*

JPM's housing activity index remained subdued though the policy index relaxed a bit further. Contraction in major housing indicators remained elevated, including residential floor space starts (-26.1%oya), sales (-21.3%), and developers' funding sources (-25.8%). The decline in NBS 70-city home prices narrowed marginally, -0.14%m/m nsa for new homes, and -0.26% for secondary homes. Tier-1 city home prices continued to outperform, led by Shanghai and Shenzhen. Beijing's new home sales continued to lag (-0.2%m/m) while secondary home sales also turned into a mild gain (+0.1%). New-home prices are now down 14.3% from their 2021 peak, while secondary home prices have fallen 23.5%. Centaline's secondary home asking price index and sales manager confidence index both ticked lower.

Beijing and Shanghai's implementation guidelines broadly follow the nationwide August 28 framework, confirming the shift away from the high-turnover pre-sales model toward completed-home sales, tighter escrow supervision and mortgage disbursement only after building completion. Both offer some transitional relief, including staged land-premium payments and grandfathering for certain existing projects, but without materially diluting the core tightening. Shanghai is somewhat more flexible, allowing deposits of up to 3% versus Beijing's 1%, with clearer transition arrangements and explicit support for equity, bond, ABS and REIT financing. Overall, local implementation so far suggests limited flexibility to cushion near-term developer cash-flow and land-acquisition pressures, while reinforcing the broader transition toward a smaller, less leveraged property sector, likely prolonging the drag on new starts and real estate investment in the near term as the time-inconsistency issues linger. Land auctions since the August 28 reform do point to cautious developer appetite for completed-home sales.

The first nationwide demand-side housing support since September 2024 came in late last month, but the impact is limited. The government authorities announced a 100bps mortgage-rate subsidy for five years for eligible first-home purchases below 1.5mn yuan and 120 sqm, capped at 50k yuan per buyer. This complements the August 28 supply-side adjustment. Estimated fiscal cost is ~30bn per year, milder than expected. The policy provided a near-term relief, particularly to lower-priced secondary homes and lower-tier cities, but the impact looks modest. The post-Golden Week slowdown suggests the subsidy mainly brought forward existing demand rather than generating substantial new demand. Overall, we think this is a positive policy signal, but not a game changer, and the sustainability of the sales boost and broader home-price stabilization remains in doubt.

See page 3 for analyst certification and important disclosures.

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Housing policy and housing market activity

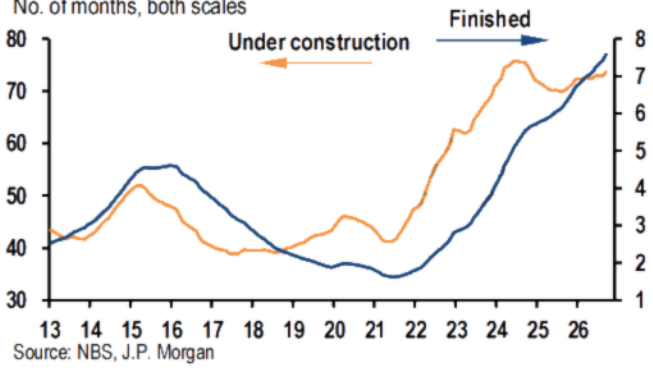
Index, in reverse order



Source: NBS; J.P. Morgan; Note: Preliminary estimates for Sep'26 housing market activity index with tentative assumptions for land sales growth.

China housing inventory months

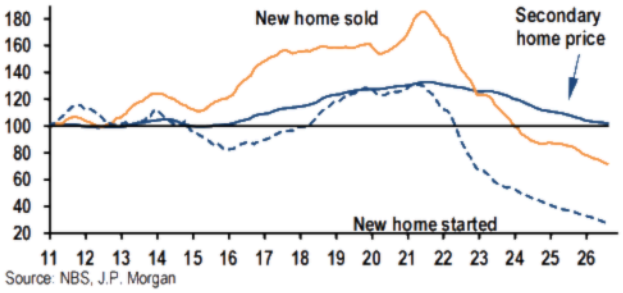
No. of months, both scales



Source: NBS, J.P. Morgan

China housing activity indicators

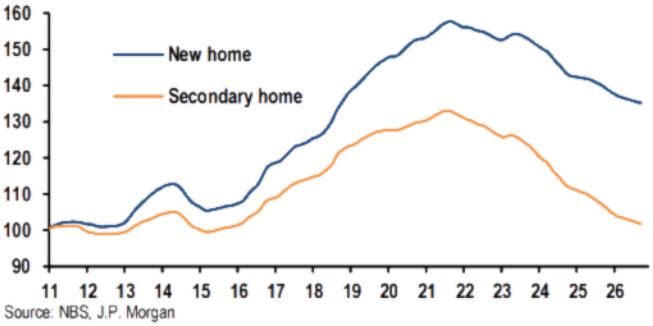
Dec 2010=100



Source: NBS, J.P. Morgan

China 70-city housing prices

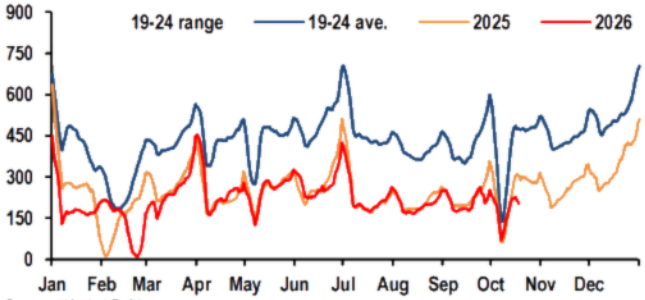
2010 Dec=100



Source: NBS, J.P. Morgan

Housing transactions by sqm in 30 major cities

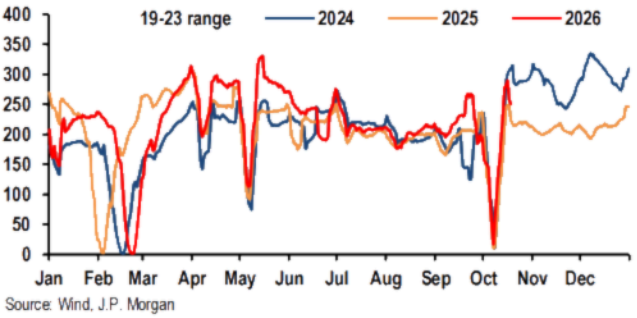
Thousand sqm, 7dma



Source: Wind, J.P. Morgan

Major cities' secondary housing transactions

Avg unit, 7dma



Source: Wind, J.P. Morgan