CHINA PROPERTY

2027 Outlook: Four Key Pivot Points Driving a New Equilibrium Towards 2035

Yi Wang, CFA
+86(21)2401-8936 |
yi.wang@goldmansachs.cn
Goldman Sachs (China) Securities Company Limited

Shi Xu
+86(21)2401-8929
shi.xu@goldmansachs.cn
Goldman Sachs (China) Securities Company Limited

Zihan Wang
+86(21)2401-8691
zihan.wang.e@goldmansachs.cn
Goldman Sachs (China) Securities Company Limited

We expect four pivot points for China's housing market along the path to 2035E, as a result of the new sales model (here and here) introduced by the Chinese government on Aug 28, our new findings on the development progress of the inventory pipeline during this downturn, and our refreshed structural demand analysis. These four pivot points present a complex supply and demand outlook for the industry, and we draw the following key conclusions: **(1)** we expect a supply contraction ahead of the structural demand contraction (Pivot points 1 & 4) to support China housing price stabilization in 2029E. Especially for tier-1 cities, we now raise our two-year ASP growth forecast for Shanghai and Shenzhen to 20%, up from 15% previously; **(2)** persistent land sales and property FAI weakness could pose challenges to government fiscal revenue and macro demand, suggesting that the price recovery strength might remain weak. But we expect new starts and property FAI to turn around (Pivot points 2 & 3) in 2032E, supporting a 3% p.a. ASP increase in 2031E, after being flattish yoy for 2029E and 2030E; **(3)** we estimate the sales model reforms in the primary market will benefit secondary market transactions at margin. We expect secondary market transaction volume to stay at above GFA700mn sqm (residential only) for 2026E-2028E but trend down to GFA600mn sqm level to align with our long-term demand forecast. However, we estimate secondary market as a share of the total market to reach c.75% by 2035E vs. 53% in 2026E.

The four pivot points (three on the supply side and one on the demand side):

1: Primary market projects available for sale to see a sharp decline in 2028E, and likely to continue material decline in years ahead: In the past, we have discussed China's housing market inventory concerns (here, here and here) highlighting almost a decade-long inventory overhang for the industry. However, after six years of the ongoing property downturn, we highlight the visibility for many of these inventory becoming saleable has further deteriorated. In this note, we present a detailed bottom-up inventory analysis for a sample 18 cities as of 1H26, which suggests almost half of the projects have not yet seen construction commencing as planned, and raw land bought before 2024 that have yet to start construction account for over 1/3 of total (referred further in the report as "stuck" inventory). This trend will likely be compounded by the introduction of the new sales model, based on our simulation on the development progress of the current inventory. As a result, we estimate saleable projects in the primary market to see a sharp decline in 2028E as

Goldman Sachs does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. For Reg AC certification and other important disclosures, see the Disclosure Appendix, or go to www.gs.com/research/hedge.html. Analysts employed by non-US affiliates are not registered/qualified as research analysts with FINRA in the U.S.

the impact from the transition to the new sales model (completed property sales) materializes (see detailed analysis inside). Without deploying the "stuck" inventory, we expect projects available for sale to be at Rmb2.9bn out of the total Rmb18bn inventory (in terms of sales value) by end-2035E. In addition, we estimate a sharper contraction in supply in tier-1 cities will likely take place one year ahead of the country (i.e. 2027E).

2: Land sales decline to accelerate beginning 2031E: We believe land sales will be on a downward trend, driven by both price decline and volume decrease in the coming two years but will see a slump during 2030E-2031E when the new sales model's impact on capital available for new investment would decline materially. We estimate land sales for China 300 cities to reach Rmb40bn by 2035E, from ~Rmb1.7tn in 2026E.

3: New starts and property FAI to turnaround in 2032E: We expect new starts and property FAI trend will converge with the falling land sales and become about half of 2026E level by 2031E. However, we expect them to diverge when demolition needs start to accelerate, leading to a turnaround in new starts and property FAI in 2032E.

4: Structural demand to decline faster in 2030E and onwards: We expect the decline in structural housing demand (necessary + upgrading) to accelerate by 2030E when urbanization and hukou household homeownership becomes saturated (crossing the high level of c.70%/95%). On the other hand, demolition needs are likely to accelerate by 2032E, helping stabilize overall demand at 0.8bn sqm after 2032E. However, we believe demolition needs might not help digest market inventory if it's merely rebuilding of existing aged units. Our new forecast for overall demand for 2027-35E is c.16% lower than our previous estimate.

Key risks to our view: (+) tighter financing conditions or execution of the new sales model that trigger larger than expected supply gap; (-) large-scale funding injection in the industry or execution challenges in the new sales model which could increase saleable supply meaningfully; weaker than expected job market and/or prolonged deflationary pressure.

Implications to our coverage universe: (1) We expect sales model reforms to slow the ROE recovery across the housing sector. Our analysis of inventory, city exposure, and balance sheet across the coverage suggests that companies with higher saleable resources, longer duration of land reserves, larger exposure to higher-tier cities, and lower leverage/debt repayment pressures, notably Buy-rated COLI and CRL, are best positioned to adapt, while Sell-rated Seazen and Vanke face higher risks; **(2)** we believe ASP trends are now the key driver for ROE and reinvestment scale under deleveraging constraints. A move to a 20% project net margin (vs. our assumed 10%) could meaningfully boost recovery; however, this would require a ~20% rise in property prices or a 25% fall in land prices—scenarios we view as remote due to weak housing demand and competitive land bidding for attractive land parcels; **(3)** potential supply gaps may allow new tailored products to command higher prices, but this may be offset by forced liquidation of vintage inventory to meet high bond repayment pressures in 2027E-2029E, especially among POE developers; **(4)** we upgrade CMSK to Buy from Neutral; and downgrade Greentown to Neutral from Buy. We retain our Buy ratings on COLI, CRL and Jinmao; and Sell ratings on Seazen and Vanke A/H. ***For details, please refer to our companion report***.

Related research

China Property: Inventory structure and balance sheet depth differentiate ROE recovery path; ASP key to upside; Buy COLI, CRL, Jinmao, upgrade CMSK to Buy

China Real Estate: Quantify the impacts from a completed property sales model

China Property: Transition to a new sales model: limited near-term impact, but healthier industry development over the longer term

China Property: Positioning ahead (No.2): Share rally - what's priced in

China Property: Positioning ahead of Tier-1 cities turnaround

China Property: 2026 Outlook: New uncertainties from continued weak housing market

China Property: What would it take to clear China's housing inventory (No. 3): Forming a positive feedback loop is the key

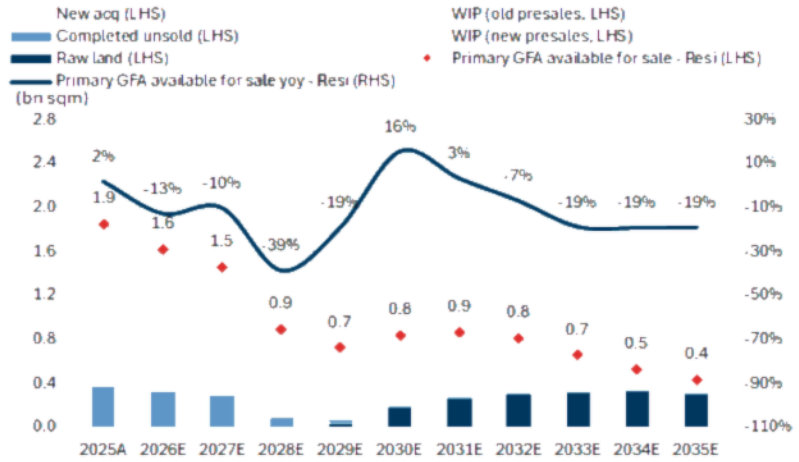
China Property: What would it take to clear China's housing inventory (No. 2)

China Real Estate: What would it take to clear China's housing inventory?

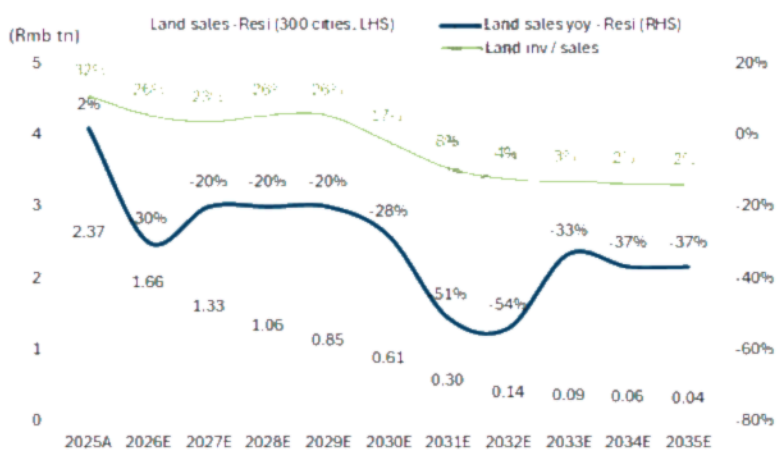
Key charts in thesis

Exhibit 1: We expect four pivot points for the industry along the path to 2035E

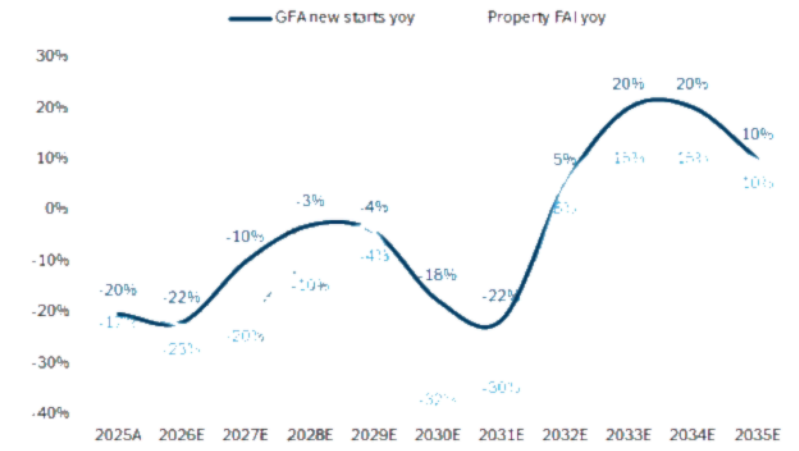
1. Saleable projects to decline sharply in 2028E



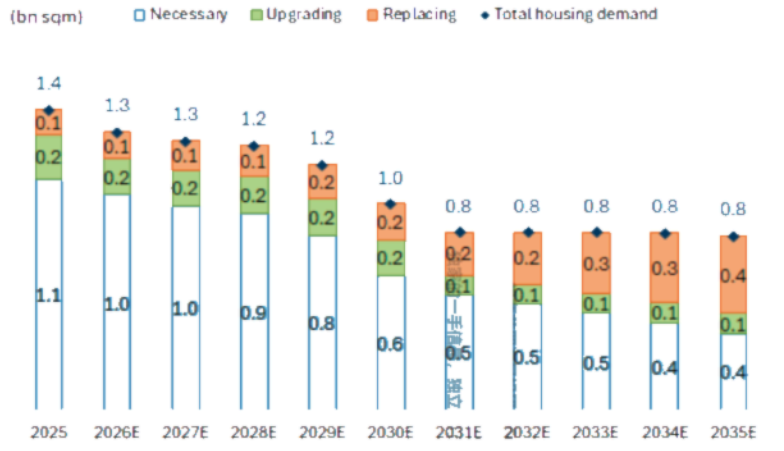
2. Land sales decline to accelerate beginning 2031E



3. New starts and property FAI to turnaround in 2032E

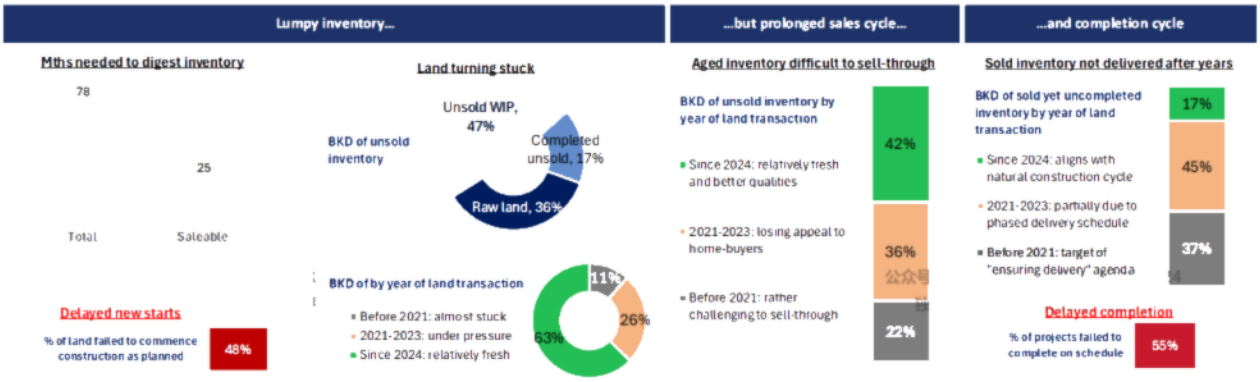


4. Structural demand (necessary + upgrading) to decline faster in 2030E and onwards



Source: Goldman Sachs Global Investment Research, NBS, CREIS

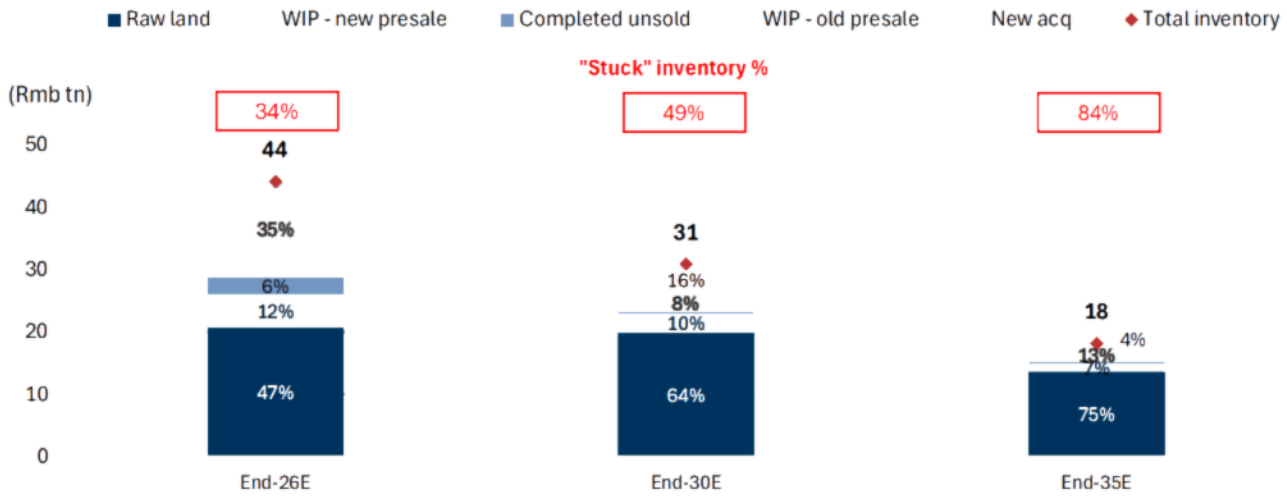
Exhibit 2: Our bottom-up city-level analysis suggests that although inventory is high due to persistent industry liquidity challenges, the development cycle has been very slow where many raw land and construction-in-progress haven't achieved "saleable" status per their initial plan schedule ("stuck" inventory)



Source: Local Municipal Bureau of Planning and Natural Resources, CREIS, Wind, NBS, Data compiled by Goldman Sachs Global Investment Research

Exhibit 3: Without deploying "stuck" inventory, we estimate the industry will likely deplete majority of saleable projects by 2035E

Summary of nationwide unsold residential inventory by status as of end-26E/30E/35E



Source: NBS, Goldman Sachs Global Investment Research

Exhibit 4: Summary of industry forecasts 2025A-2035E

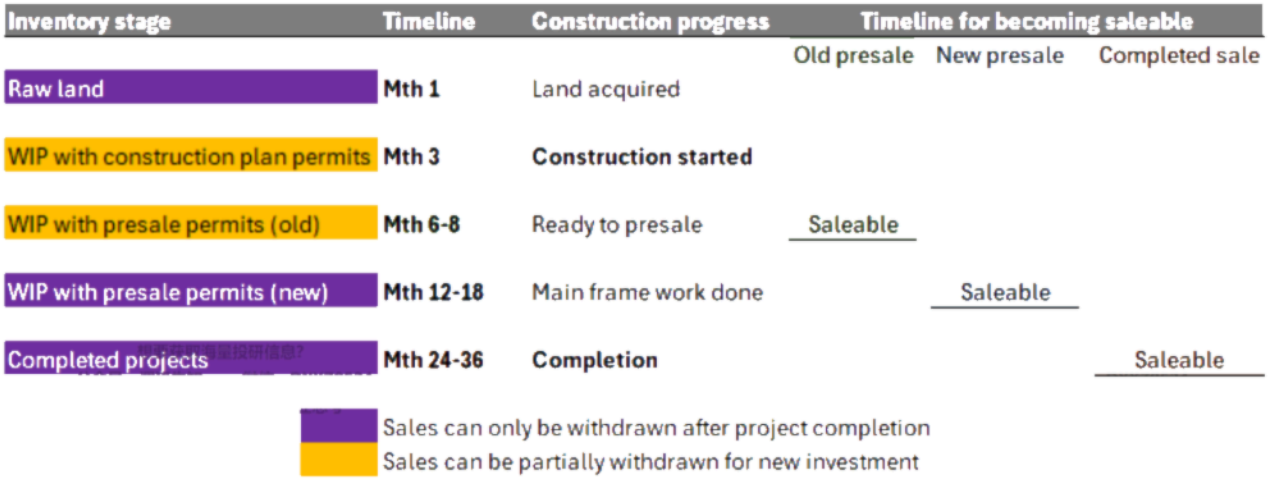
													Old	
Primary market		**2025A**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**	**2031E**	**2032E**	**2033E**	**2034E**	**2035E**	**2026E**	**2027E**
Land sales (300 cities)	(mn sqm)	652	457	402	354	283	204	99	45	30	19	12		
		2%	-30%	-12%	-12%	-20%	-28%	-51%	-54%	-33%	-37%	-37%		
Land sales (300 cities)	(Rmb tn)	2.37	1.66	1.33	1.06	0.85	0.61	0.30	0.14	0.09	0.06	0.04		
		2%	-30%	-20%	-20%	-20%	-28%	-51%	-54%	-33%	-37%	-37%		
GFA available for sale	(mn sqm)	2,318	2,026	1,824	1,121	911	1,055	1,090	1,016	827	670	543		
		2%	-13%	-10%	-39%	-19%	16%	3%	-7%	-19%	-19%	-19%		
GFA sold	(mn sqm)	881	811	729	547	438	481	506	480	408	327	261	811	794
	YoY (%)	-9%	-8%	-10%	-25%	-20%	10%	5%	-5%	-15%	-20%	-20%	-8%	-2%
	vs. prior GSe		*0%*	*-8%*										
Property sales	(Rmb tn)	8.4	7.4	6.5	4.8	3.8	4.2	4.5	4.4	3.9	3.2	2.6	7.4	7.1
	YoY (%)	-13%	-12%	-12%	-27%	-20%	10%	8%	-2%	-12%	-18%	-18%	-12%	-4%
	vs. prior GSe		*0%*	*-8%*										
ASP	(Rmb/sqm)	9,527	9,146	8,918	8,695	8,695	8,695	8,956	9,224	9,501	9,786	10,080	9,146	8,918
	YoY (%)	-4%	-4%	-3%	-3%	0%	0%	3%	3%	3%	3%	3%	-4%	-3%
	vs. prior GSe		*0%*	*0%*										
GFA new starts	(mn sqm)	588	458	413	400	383	315	247	259	311	373	410	458	435
	YoY (%)	-20%	-22%	-10%	-3%	-4%	-18%	-22%	5%	20%	20%	10%	-22%	-5%
	vs. prior GSe		*0%*	*-5%*										
GFA completions	(mn sqm)	603	483	435	435	435	421	403	331	260	273	327	513	462
	YoY	-18%	-20%	-10%	0%	0%	-3%	-4%	-18%	-22%	5%	20%	-15%	-10%
	vs. prior GSe		*-6%*	*-6%*										
Property FAI	(Rmb tn)	8.3	6.4	5.1	4.6	4.4	3.0	2.1	2.2	2.5	2.9	3.2	7.0	6.1
	YoY (%)	-17%	-23%	-20%	-10%	-4%	-32%	-30%	5%	15%	15%	10%	-15%	-14%
	vs. prior GSe		*-9%*	*-15%*										
Secondary market		**2025A**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**	**2031E**	**2032E**	**2033E**	**2034E**	**2035E**	**2026E**	**2027E**
GFA sold	(mn sqm)	692	727	727	727	727	691	587	599	611	623	635	592	593
	YoY (%)	3%	5%	0%	0%	0%	-5%	-15%	2%	2%	2%	2%	-5%	0%
	vs. prior GSe		*23%*	*23%*										
Sales	(Rmb tn)	6.6	7.2	6.7	6.4	6.0	5.7	4.9	5.1	5.4	5.7	5.9	5.8	5.4
	YoY (%)	-6%	10%	-7%	-5%	-5%	-5%	-15%	5%	5%	5%	5%	-12%	-7%
	vs. prior GSe		*24%*	*24%*										
ASP	(Rmb/sqm)	10,639	9,894	9,202	8,742	8,304	8,304	8,304	8,554	8,810	9,074	9,347	9,817	9,130
	YoY (%)	-8%	-7%	-7%	-5%	-5%	0%	0%	3%	3%	3%	3%	-7%	-7%

Land sales in 300 cities: residential only.

Source: NBS, Goldman Sachs Global Investment Research

Derivation of our industry forecasts - key changes to our underlying methodology

Exhibit 5: Illustration of inventory stages and timeline for project sales and funding available for new investment



Source: Goldman Sachs Global Investment Research

Factoring in the 828 policy (here and here) and the following city-level execution details (Beijing, Shanghai, Guangzhou, Wuhan, Tianjin, etc.), we split nationwide developers' end-26E unsold inventory (incl. 47% raw land, 47% construction in progress and 6% completed unsold properties by property value) into 2 groups.

- **Group 1:** Inventory that have no sales model changes (**c.40%** of total as of end-26E), including **(1)** WIP

projects with construction project plan permits (including those with and without presales permits) which will remain eligible for old presales model, and **(2)** completed unsold projects. This group will **1)** continue to constitute saleable resources in the upcoming years, for which we assume 40%-80% sell-through rates, considering historical trends, inventory qualities, the likelihood of supply gap and developers' intensified sales efforts. Meanwhile, **2)** the old model allows developers to launch presales upon the completion of the foundation (mostly month 6-8) and partially withdraw presales deposits for land reinvestment.

- **Group 2:** Projects adopting new sales model (**c.60%** of total as of end-26E), including WIP projects without construction project plan permits, undeveloped raw land, and newly acquired land next year onward. For this group, developers could adopt the new presales model (for a transitional period), upon which presales could only initiate when main frame construction work is done (often month 12-18) with presales fund only accessible for developers after completion, or the completed property sales model (government's final goal). Two implications: **1)** delayed timing for this group's construction in progress to become available for sale (approx. 2 years later, given around 2~3 year of construction cycle) and we assume a range of 50%-70% sell-through rates; **2)** under such cash flow turnover schedule, we expect developers' land investment intensity to completely overhaul from historically ~30% of contract sales value (which we still assume intact for **Group 1**) to the net profit actually generated from the project, to which we assume only break-even for vintage inventories under **Group 2** by end-26E and a HSD % net margin for new acquisitions since 2027E.
- **In addition, reflecting the "stuck" ratio**: A new factor we introduced in this piece, after taking reference of our novel project-level inventory analysis in sample cities by examining their detailed construction and sell-through status with regard to their land transaction years (details in the above section). We believe this has been **under-discussed** by the broader market. Baking in our 10%-55% stuck ratio assumptions for different stage of end-26E unsold inventories (Exhibit 8), we believe the "genuine" inventory year nationwide could be below market expectations, reaffirming our view on a potential supply & demand balance in the upcoming years.

Based on **1)** this new framework, and **2)** cross-checking our refreshed demand projection which more granularly captures the demolition needs (and the corresponding implications on construction activities which were not captured in our land and property sales estimates), we arrive at our updated and extended industry **2026E-2035E** forecasts for nationwide property sales, land sales, new starts, completion and FAI, which appear to be bumpy but with clearer longer-run paths. We also adopt a similar framework for our coverage developers' analysis in our companion report.

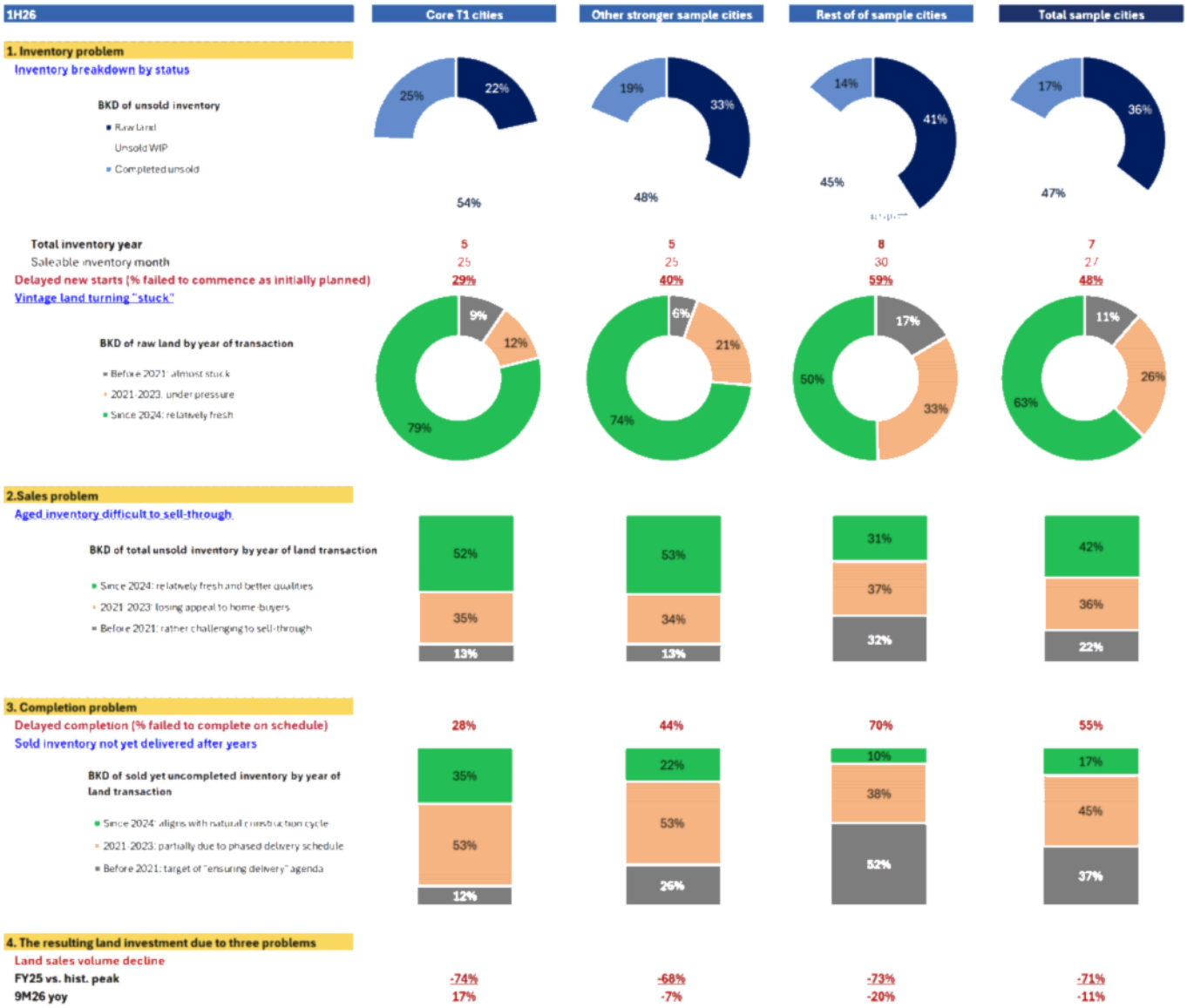
Lumpy inventory uptake with slowing development and selling progress - the "stuck" inventory

We examine residential inventory status in 18 sample cities across different city tiers and on detailed project-by-project basis, and highlight three key findings:

1. **Lumpy inventory**: Sample cities on average have a total inventory of 7 years (as of 1H26) and saleable inventory of 27 months (as of Aug-26), vs. mid-cycle level of c.5 years and mid-teen months. Further, breaking down their unsold inventory by project status: **1)** average 36% is raw land, among which over 10% were transacted before 2021, which we view as mostly "stuck", over 1/4 were transacted during 2021-2023 with high land prices and are under pressure; **2)** echoing that, we find nearly half of the residential projects failed to commence new starts as initially planned; **3)** evidently, **core Tie-1 cities with more resilient local property market performances displayed healthier inventory profile**, with raw land accounting for only c.20% of total unsold inventory, among which nearly 80% are fresh (transacted in recent 3 years) and less than 30% of projects had delayed new starts.
2. **Prolonged sales cycle**: **1)** We expect aged inventory to face sell-through challenges, especially for projects where land transactions occurred prior to 2021, which account for an average 22% of sample cities' unsold inventory as of 1H26; meanwhile, **2)** for projects where land transactions took place during 2021-2023 (36% for sample cities average), we see they could face less demand from home-buyers, especially when compared to potentially better-quality offerings under the new regulations (e.g. 4th generation homes) from land supply mostly post 2023; **3)** backed by their healthier raw land structures, **core-T1 and other stronger sample cities also have relatively fresher unsold inventory profiles** with over 50% of the inventory with transaction year post 2024.
3. **Strenuous completion progress**: **1)** We calculate that over half of the residential projects failed to be completed promptly as initially planned in average sample cities, and this ratio is particularly elevated at 70% in rest of the sample cities; **2)** an average 37% of sold yet uncompleted projects are before 2021 among sample cities, which we view as the key targets of the "ensuring delivery" agenda, requiring ongoing funding support (e.g. whitelist loan, with Rmb7.0tn approval amount as of Sep-2025, per the latest available disclosure).
4. **Resulting investment decline,** with lumpy and increasingly stuck inventory, prolonged sales cycle and delayed completion progress, and corresponding liquidity challenges. We note an average of over 70% land transaction decline in these samples cities in 2025 vs. historical peak, followed by another teen % yoy decline in 9M26.

Exhibit 6: Our analysis on sample cities suggests lumpy inventory with stuck land plot, prolonged sales cycle and strenuous completion progress

Summary of three key problems - inventory, sales and completion, and the resulting land investment decline



Core T1 cities (2): Beijing and Shanghai; other stronger sample cities (7): Guangzhou, Suzhou, Nanjing, Ningbo, Hangzhou, Chengdu and Xiamen; rest of sample cities (9): Fuzhou, Chongqing, Changsha, Zhengzhou, Changchun, Nanchang, Dongguan, Zibo and Lianyungang.

Source: Local Municipal Bureau of Planning and Natural Resources, CREIS, Wind, NBS, Data compiled by Goldman Sachs Global Investment Research

Three pivot points on supply: 2028E (saleable), 2031E (land sales) and 2032E (new starts/property FAI)

The three supply-side pivot points towards 2035E...
1: Primary market projects available for sale to see a sharp decline in 2028E, and likely to continue material decline in years ahead (Exhibit 7 to Exhibit 10):

- *Current inventory status*: We estimate an overall GFA6.5bn sqm of unsold residential inventory nationwide as of end-26E, carrying approximately Rmb44tn saleable property value, with a split of roughly 50% raw land and over 40% WIP property construction in construction and MSD % completed unsold properties. Within this, we assume roughly **34%** could be "stuck" inventory (i.e. low likelihood of being fully developed and become saleable due to challenging sell-through outlook, liquidity restraints, etc.), and ~3/4 of which could be contributed by raw land; by 2030E/35E, we estimate inventory value to decline to Rmb31tn/18tn, with the "stuck" inventory rising to 49%/84% of total share.
- *Saleable projects*: Coupled with our land sales estimate (see below point), we expect primary GFA available for sales to register steep decline in 2028E-29E due to the depletion of saleable inventory that could be presold, recover for 2-3 years since 2030E on the back of completions of raw land and WIP without CPPP (~60% of end-26E total unsold inventory) which could start sales thereafter, and decline at twenties % level p.a. in 2033E onward, aligning with our projections of land sales and new start paces.

2: Land sales decline to accelerate beginning 2031E (Exhibit 11): We expect land sales volume to continue declining to MSD% against 2026E level by 2035E, including **1)** N-T narrower yoy contraction pace in 2027E-29E on the back of re-investment of presales deposits collection; **2)** steeper dropping paces in 2030E-32E once saleable resources that could be presold mostly turn depleted; **3)** average over 30% decline p.a. in 2033E onward after developers fully complete transitions to completed property sales and normalize investment budgeting net profits of their DP projects. In revenue terms, we expect land sales will further slump by 50% each year for 2031E and 2032E and reach Rmb40bn in 2035E, from Rmb1.7tn in 2026E;

3: New starts and property FAI to turnaround in 2032E (Exhibit 12 to Exhibit 14): We expect the sharp contraction in land sales will lead to *new starts* to drop to half of the level in 2026E by 2031E. We expect a similar trend for property FAI (average Rmb4.7tn during 2027E-2029E, equivalent to 1/3 of peak level). However, we expect both to pick up again by 2032E, driven mainly by accelerating demolition needs as discussed in the next section.

...driving our forecast for property sales and ASP

- **Property sales (Exhibit 15 to Exhibit 17)**:
  - *Primary*: Under the current 34% "stuck" inventory % assumption (base-case), we project primary property sales volume and value to **1)** decline at 10%/25%/20% yoy and 12%/27%/20% in 2027E/28E/29E, respectively, with ~40% sell-through rates in 27E and ~50% in 28E-29E (mainly driven by the

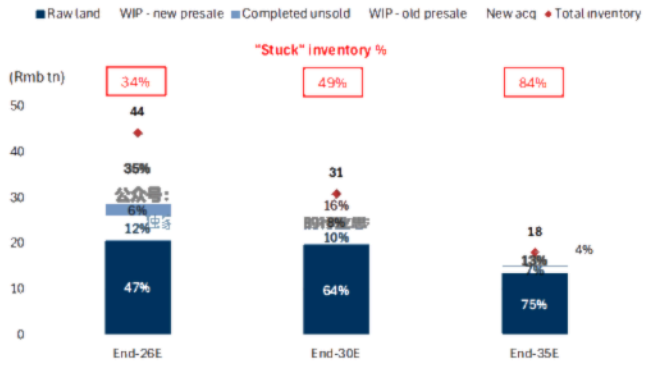
supply disruption amid the transition to completed property sales model), followed by **2)** a sequential recovery in 2030E-32E on the back of GFA available for sale pick-up, and **3)** teen-level % to twenties % p.a. decline 2033E onward with largely stable sell-through rates and shrinking saleable resources. Our sensitivity analysis suggests 2035E primary property sales to be +48%/-9% higher/lower compared to our base case, under bull/bear case scenario assuming 10%/43% "stuck" inventory share;

- *Secondary*: On the other hand, we expect **1)** secondary home sales volume to stay largely flattish yoy and value to decline at 7%/5%/5% yoy in 2027E-29E, with **2)** a L-T stable level of ~GFA600mn sqm p.a., and **3)** implying overall LSD% turnover rate against total urban commodity housing stock. As such, our base-case forecasts suggest 45%/55% split of primary/secondary home transactions in 2027E, around 37%/63% in 2030E and 25%/75% in 2035E.
- Our current sales forecasts do not capture demand generated from demolition, which might primarily encourage original-site demolition and reconstruction rather than monetized resettlement (popular practice for shantytown redevelopment), per the Opinions of the CPC Central Committee and the State Council on Promoting High-Quality Urban Development (Aug-2025). In contrast, for new starts, completion and property FAI projects we have considered demolition related construction needs.

- **ASP (Exhibit 18)**: We expect China property prices to stabilize around 2029E-2030E, with **1)** primary prices to continue to weaken by -3% p.a. in 2027E-28E, and revert to flattish yoy with supply contraction in 2029E-30E and mildly increase at 3% p.a. 2030E onwards; **2)** for secondary prices, we expect wider-than-primary yoy decline pace in the next two years and a one-year-lag in terms of price inflection due to supply competition and less attractive products (especially compared 4th generation new home projects); in addition, **3)** we expect ASPs in Shanghai and Shenzhen to gain an aggregate 20% by end-28E (vs. prior 15%).

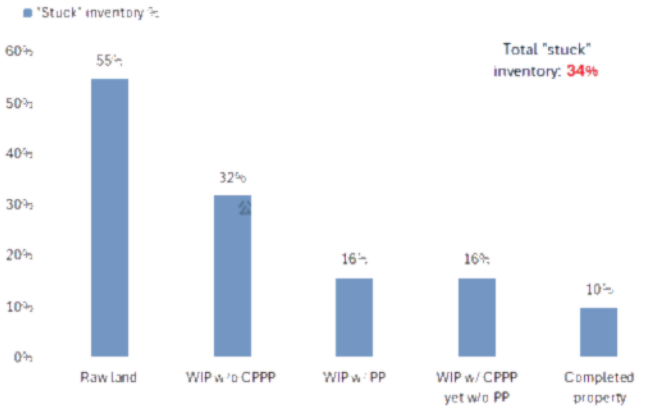
Exhibit 7: Without deploying "stuck" inventory, we estimate the industry will likely deplete majority of saleable projects by 2035E

Summary of nationwide unsold residential inventory by status as of end-26E/30E/35E



Source: NBS, Goldman Sachs Global Investment Research

Exhibit 8: The breakdown of our estimated stuck inventory by stages in construction cycle as of end-2026E

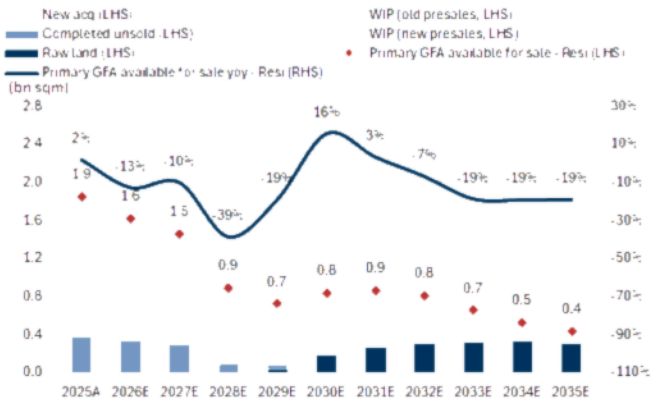


CPPP: Construction Project Planning Permit (建设工程规划许可证); PP: Presales Permit (预售证).

Source: NBS, Goldman Sachs Global Investment Research

Exhibit 9: We expect residential primary GFA available for sales to register steep declines in 2028E-29E, recover for 2-3 years starting 2030E, and decline at twenties % level p.a. in 2033E onward

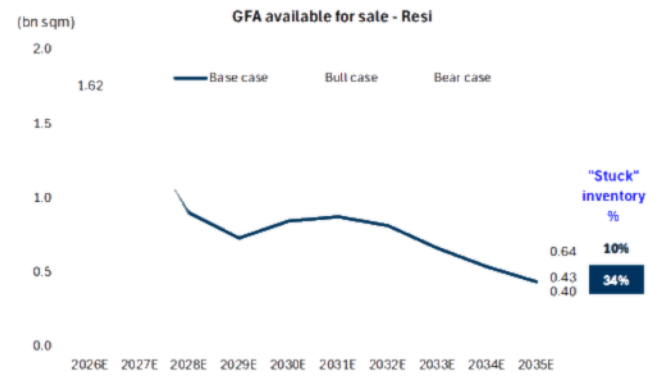
Residential primary GFA available for sales (breakdown by inventory stage) and yoy, 2025A-2035E



Source: Goldman Sachs Global Investment Research

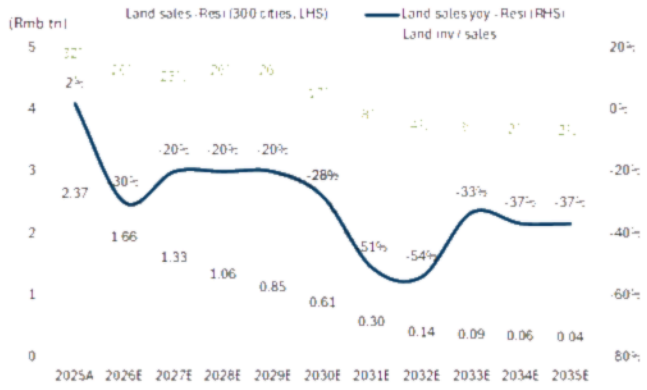
Exhibit 10: We estimate residential GFA available for sale to decline to GFA0.64/0.40bn sqm in 2035E under bull/bear case (10%/43% stuck inventory %), +48%/-9% compared to GFA0.43bn sqm in our base case (34% stuck inventory %).

Residential GFA available for sale under different "stuck" inventory % assumptions



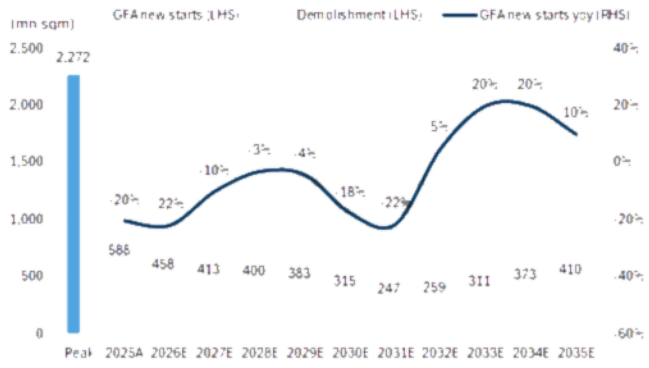
Source: Goldman Sachs Global Investment Research

Exhibit 11: We expect land sales to fall significantly in the coming years, driven by 10% p.a. land price decline in the next two years and capital constrains for new investment in the longer run
Land sales and yoy, 2025A-2035E



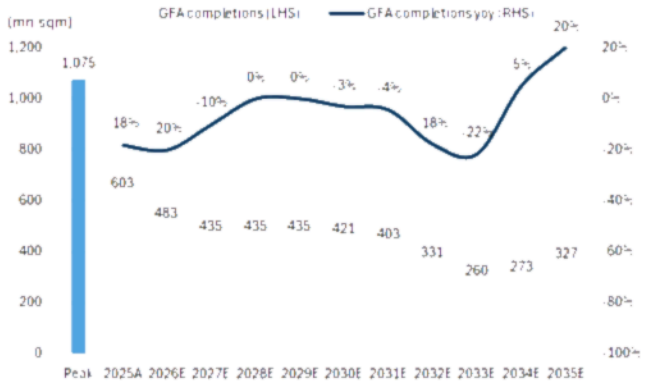
Source: CREIS, Goldman Sachs Global Investment Research

Exhibit 12: We overall see a GFA300-400mn sqm p.a. new starts level in the longer-run, mostly driven by demolition needs
Property new starts and yoy, and demolition, 2025A-2035E



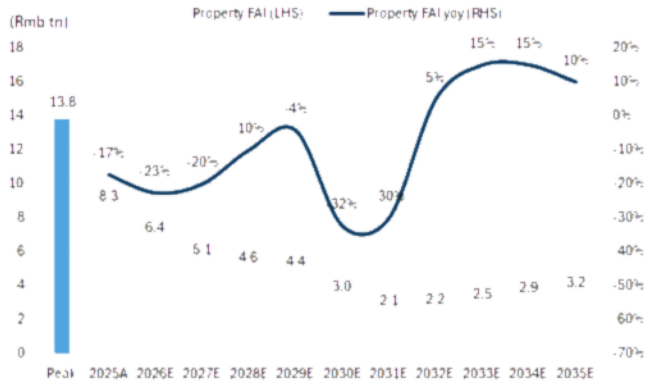
Source: NBS, Goldman Sachs Global Investment Research

Exhibit 13: We estimate -10% yoy property completion in 2027E, largely flattish yoy in 2028E-31E, a decline in 2032E-33E followed by recovery in 2034E onward
GFA completion and yoy, 2025E-2035E



Source: NBS, Goldman Sachs Global Investment Research

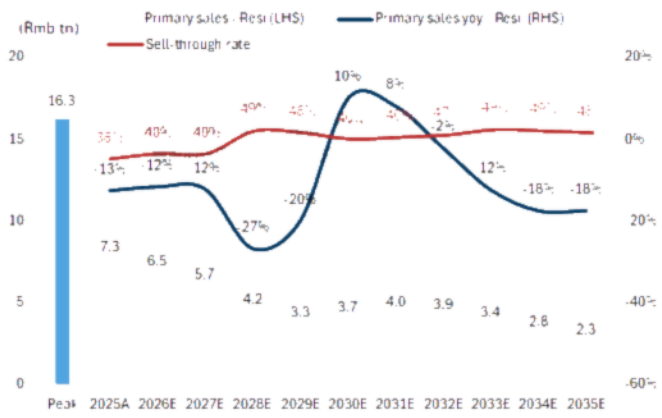
Exhibit 14: We overall expect property FAI of -20%/-10%/-4% yoy in 2027E-29E
Property FAI and yoy, 2025E-2035E



Source: NBS, Goldman Sachs Global Investment Research

Exhibit 15: We project residential primary property sales volume and value to 1) decline at 10%/25%/20% yoy and 12%/27%/20% in 2027E/28E/29E, followed by 2) a sequential recovery in 2030E-32E, and 3) teen-level % to twenties % p.a. decline 2033E onwards

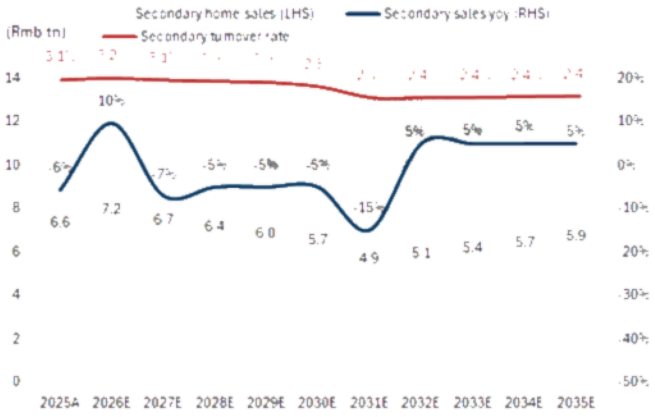
New home sales value and yoy, and implied sell-through against our estimated GFA available for sale



Source: NBS, Goldman Sachs Global Investment Research

Exhibit 16: We expect 1) secondary home sales volume to stay largely flattish yoy and value to decline at 7%/5%/5% yoy in 2027E-29E, with 2) a L-T stable level of ~GFA600mn sqm p.a., and 3) implying overall LSD% turnover rate against total urban commodity housing stock

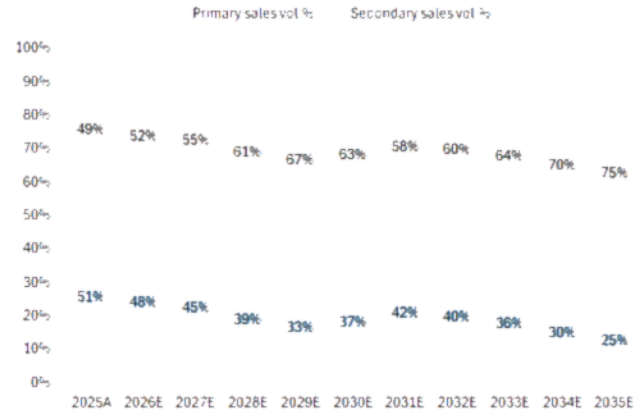
Secondary home sales value, yoy and turnover rate against total urban commodity housing stock



Source: NBS, Beike, Anjuke, CREIS, Goldman Sachs Global Investment Research

Exhibit 17: Property sales: our forecasts suggest 45%/55% split of primary/secondary home transactions in 2027E, around 37%/63% in 2030E and 25%/75% in 2035E

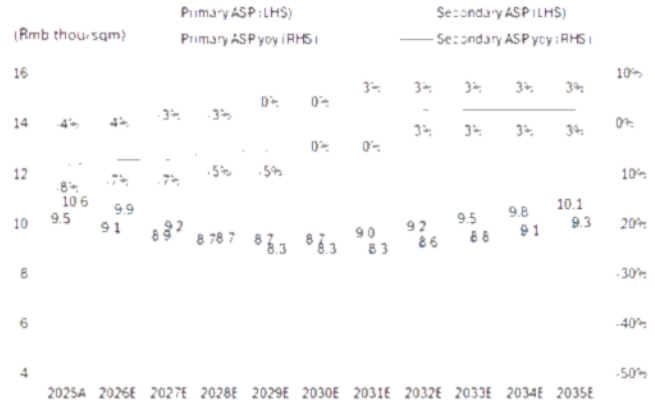
Breakdown of primary and secondary home sales, by volume, 2025A-2035E



Source: Goldman Sachs Global Investment Research

Exhibit 18: ASP: We expect China property prices to stabilize around 2029E-2030E

Primary and secondary average selling prices and yoy, 2025A-2035E



Source: NBS, Goldman Sachs Global Investment Research

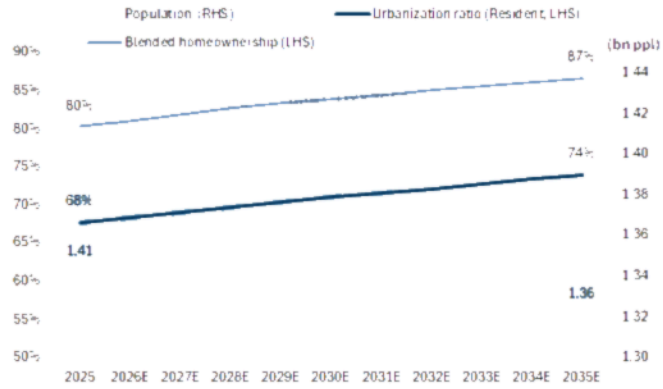
The demand-led pivot point: Faster upgrade demand contraction partly offset by accelerating demolition needs

Pivot point on demand by 2030E: We expect the decline in structural housing demand (necessary + upgrading) to accelerate by 2030E with urbanization and hukou household homeownership increase saturating (crossing the high level of c.70%/95%). On the other hand, demolition need is likely to accelerate in 2032E, and help stabilize overall demand at 0.8bn sqm after 2032E. That said, we do not assume demolition will help digest market inventory (we assume limited monetary compensation for resettlement, rather more of rebuilding of existing old units). Our new forecast for 2027-35E is c.16% lower than our previous estimate.

Lower upgrade demand forecast

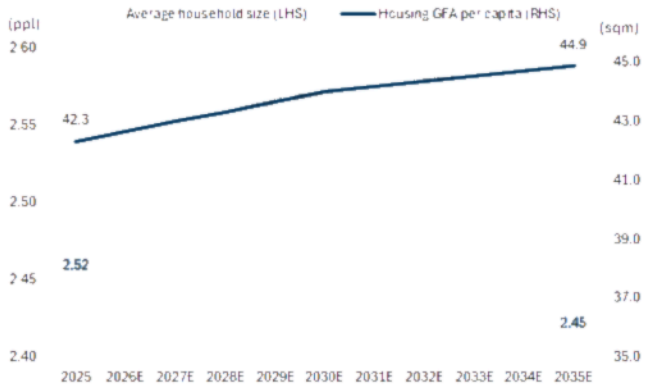
- **We maintain our necessary demand forecast largely unchanged** at GFA0.36bn sqm by 2035E, c.70% below GFA1.09bn sqm in 2025, collectively driven by **1)** declining population (down 3% to 1.36bn ppl in 2035E from 1.41bn ppl in 2025) according to UN data, **2)** slower pace of urbanization (+6pp to 74% through 2025-35E vs. +10pp through 2015-25) due to high saturation, partly offset by **3)** continued homeownership increase (up 7pp to 87% through 2025-35E vs. +5pp through 2015-25) mainly due to non-hukou household homeownership improvement from a relatively low base (c.50% in 2035E vs. nearly 100% for hukou household).
- **Our new forecast on upgrade demand is more conservative** at GFA0.1bn sqm by 2035E, c.70% below prior estimate of GFA0.3bn sqm in 2035E and c.50% below GFA0.2bn sqm in 2025, assuming **1)** smaller average household size (down to 2.45ppl per household in 2035E from 2.52ppl in 2025), and **2)** slower increase in housing GFA per capital (+3sqm to 45sqm per capital through 2025-35E vs. +7sqm through 2015-25), both in line with the latest trend.

Exhibit 19: "Necessity" demand is driven by population and urbanization and we keep our forecast largely unchanged
Population, urbanization ratio and blended homeownership, 2025A-2035E



Source: UN, NBS, Goldman Sachs Global Investment Research

Exhibit 20: We lower our "upgrade" demand projection by assuming slower increase of living space per capita and family size shrinkage
Average household size and housing GFA per capital, 2025A-2035E



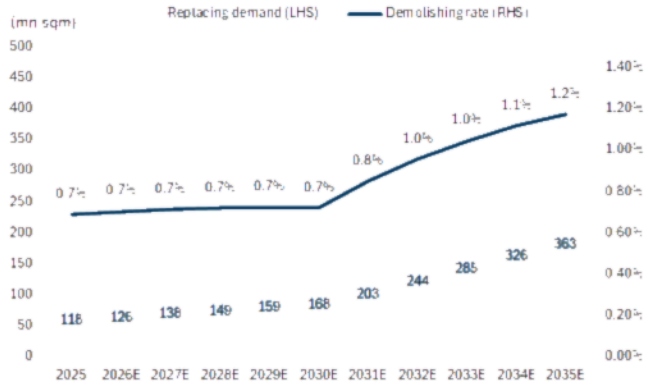
Source: NBS, Goldman Sachs Global Investment Research

Raising our demolition needs forecast

Despite weaker demographics and upgrade profile, **we raise our replacement demand forecast** to GFA0.36bn sqm by 2035E, up 20% from prior estimate of GFA0.30bn sqm and tripling from GFA0.12bn sqm in 2025, as we expect the demolition rate to pick up significantly after 2030E with pre-2000 housing cohort aging and surpassing 40-year threshold, at which point in time we assume demolition needs to accelerate. We expect the replacement demand contribution % to total housing demand to surge to over 40% in 2035E from less than 10% in 2025, effectively underpinning the long-term housing demand stability.

Exhibit 21: We raise our replacement demand forecast by 20% to GFA0.36bn sqm in 2035E, based on a higher demolishing rate (accelerating from c.0.7% in 2030E to 1.2% in 2035E)...

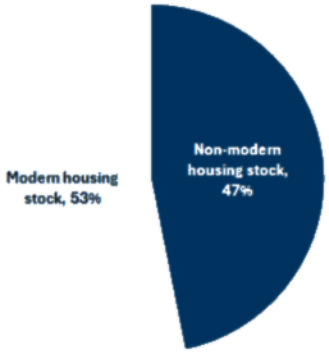
Replacing demand and demolishing rate, 2025A-2035E



Source: Goldman Sachs Global Investment Research

Exhibit 22: ...multiplied by modern housing stock (c.50% of total housing stock).

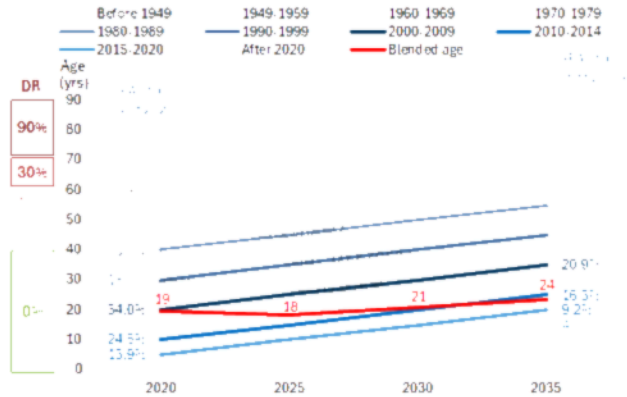
Total housing stock breakdown in 2025



Source: CEIC, NBS, Goldman Sachs Global Investment Research

Exhibit 23: We expect the demolishing rate to pick up after 2030E with pre-2000 housing cohorts aging and surpassing 40-year threshold, at which point we assume demolition needs to accelerate.

Housing age, GFA mix and demolition rate assumptions by vintage, 2020A-2035E

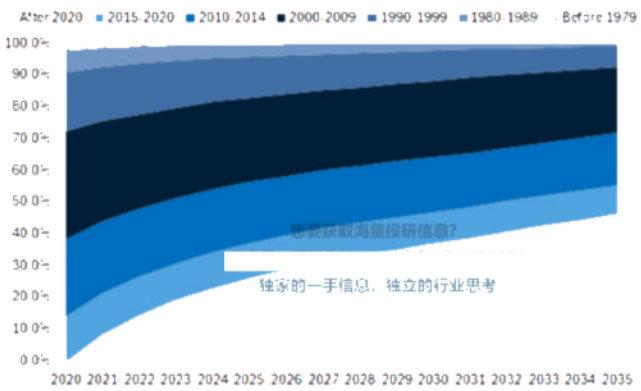


DR refers to demolishing rate of each cohort.

Source: NBS , Goldman Sachs Global Investment Research

Exhibit 24: We expect the "old" cohorts exceeding 40-year threshold to account for c.7% in 2035E (after considering gradual demolition) compared to c.2% in 2020.

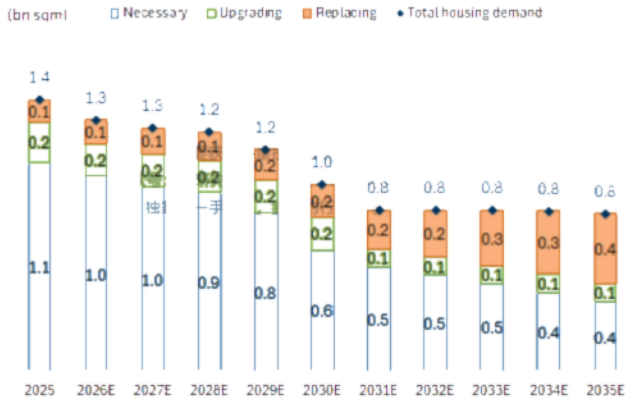
Urban residential GFA mix by vintage, 2020A-2035E



Source: NBS, Goldman Sachs Global Investment Resear

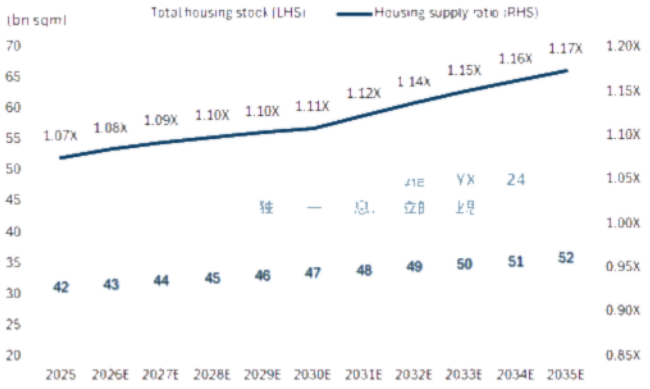
人在草木间

Exhibit 25: We expect the replacement demand contribution to total housing demand to surge to over 40% in 2035E from less than 10% in 2025, effectively underpinning the long-term housing demand stability
Total housing demand breakdown, 2025A-2035E



Source: UN, NBS, Goldman Sachs Global Investment Research

Exhibit 26: We also expect the housing supply ratio to increase to 1.17X by 2035E from 1.07X in 2025, exceeding the typical DM level of 1.1X, echoing our conclusion on lower LT demand and shifting focus to replacing needs
Total housing stock and implied housing supply ratio, 2025A-2035E



Source: CEIC, NBS, Goldman Sachs Global Investment Research