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China Property

2027 Physical Market – Turning Point for Home Price in Key Cities

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CITI'S TAKE

2027: home-price inflection emerging in key cities — Property market demand & supply is moving towards a more sustainable equilibrium in key cities. We expect total new & secondary home transactions to remain resilient at c.1.3bn sqm in '27E, with the structural downsizing in new-home sales offset by secondary transactions. Secondary price recovery will likely be led by a handful of cities (SH, SZ, BJ etc) with larger working population, better transaction liquidity, and healthier demand-supply.

Secondary homes become the market anchor — We expect secondary homes sales +3%yoy to Rmb7.7trn, at 58% of total residential sales in 2027E. Increasing favor for secondary homes is given market-driven pricing, immediate availability & product certainty. Secondary prices have already resumed growth in Shanghai (+0.8%yoy by Sep'26) and shown signs of stabilization in Beijing & Shenzhen.

Sufficient turnover, improved volume liquidity, fewer listings and recovering rents point to a price inflection — The high turnover in certain cities (e.g., BJ 220%, HZ 151%, SH 134%, SZ 123%) has enabled legacy stocks bought in the previous upcycle to change hands and reset ownership costs, thus reducing the incentive to sell into any price recovery. In fact, listings across the 39 cities we track show -3% in YTD26, with estimated sell-through shortened to 19 months (T1 cities: only 9 months). Meanwhile, rents rose 4.5%/1% in SH/SZ in YTD26, supported by resilient living and upgrade demand. Together with household savings reaching a new high of Rmb175trn (+7%yoy), the combination of robust volume, less listings, reset ownership costs, & rent recovery should support a secondary-home price inflection in selected cities in '27E.

New home structural supply contraction is deepening — Supply is falling faster under the new development model, which is shifting the industry towards demand-based land supply, project-based financing & completed-home sales. We est. resi. new starts -20.5%yoy & completion -22%yoy in 2027E, both at c.0.25bn sqm GFA or around 2000-02 levels. Land GFA could decline another 33%yoy to ~2005 level, due to constraint from longer cash-conversion cycle & lower IRR. This contraction is already driving physical destocking: new-home inventory area fell 6%yoy by Sep'26, while T1-city inventory of 22 months is increasingly manageable relative to the c.24-month construction lead time. We forecast national sales -11%yoy to Rmb6.4trn (residential: Rmb5.6trn/ 561msm GFA) in 2027E. Blended ASP declines could narrow as sales concentrate further in T1/2 cities (19%/28%), core locations and high-end products, while like-for-like prices are likely to edge up only in selected core cities.

Policy: providing downside support & helping rebuild expectations — Property's contribution to GDP is expected at 8% in '27E (peak: 32% in 2014), land sales fall to 16% of local govt revenue (peak: 44% in 2020), and RE loan declined by Rmb1.2trn to 18% of total Rmb loans (a 20-year low ratio). Weaker REI ('27E: -24%yoy with capex -18% on 15-year-low area under construction, land -35% under the new model) and local fiscal income could remain a drag on growth. However, the sector's reduced systemic importance should allow policy to focus on downside protection (e.g., mortgage subsidy, local execution flexibility) and expectation repair, rather than another broad-based stimulus.

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

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