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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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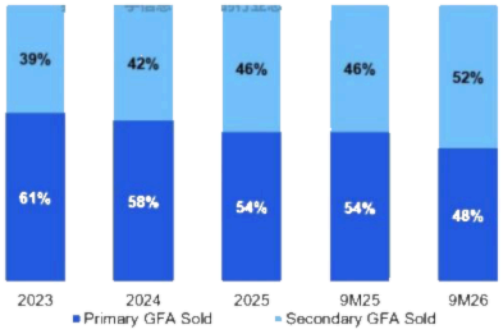
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I. Total Resi Housing Demand Stays at c.1.3bn sqm p.a.

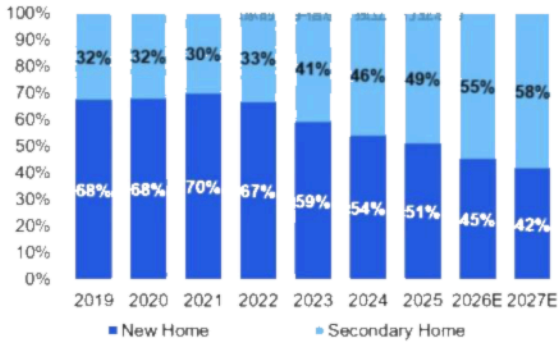
We distinguish **NBS-reported commodity housing**, which includes residential and non-residential properties, from **homes**, which refer to residential properties only.

Figure 1. Commodity Housing Transaction GFA: Secondary Taking 52% Share in 9M26 (Residential + Non-residential)



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Source: NBS, Citi Research

Figure 2. Residential Home Transaction GFA: Secondary Taking 55% Share in 2026E (Residential only)



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Source: MOHURD, Beike Research Institute, Citi Research estimates

Total commodity housing transactions, including primary and secondary, were broadly stable in 9M26 to 1.2bn sqm(only -2%yoy), per NBS. NBS started disclosing monthly secondary registration area from Aug-2026. In our view, including secondary data in the official monthly release marks a meaningful shift in policy focus, from a traditionally new-home-centric framework that primarily captures new development and investment activity, towards a more balanced assessment of both primary and secondary markets under the new development model. Secondary transactions already accounted for 52% of total commodity housing transactions in 9M26 (including residential & non-residential).

Figure 3. National Commodity Housing Transaction - New and Secondary Home (Residential + Non-residential)

(mn sqm GFA)	2021	2022	2023	2024	2025	9M25	9M26
Overall Commodity Housing Transaction Area	**N/A**	**N/A**	**1,826**	**1,692**	**1,618**	**1,208**	**1,182**
- Primary	1,794	1,221	1,117	974	881	651	565
- Secondary	N/A	N/A	709	718	737	557	617
YoY				***-7%***	***-4%***		***-2%***
- Primary	*2%*	*-32%*	*-9%*	*-13%*	*-9%*		*-13%*
- Secondary	*N/A*	*N/A*	*N/A*	*1%*	*3%*		*11%*
Mix							
- Primary	*N/A*	*N/A*	*61%*	*58%*	*54%*	*54%*	*48%*
- Secondary	*N/A*	*N/A*	*39%*	*42%*	*46%*	*46%*	*52%*

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Source: NBS; Citi Research

The NBS secondary-registration data cover both residential and non-residential properties. We estimate residential properties account for **around 90%** of total secondary transaction area, based on information from Beike.

We expect China's overall residential housing demand to remain resilient at c.1.3bn sqm p.a. The headline stability is backed by a significant structural shift, with secondary homes expected to reach 55% of transaction area and 58% of transaction value by 2027E. This suggests that underlying housing needs remain substantial, but demand is increasingly being fulfilled through existing homes.

Continued urbanization, household formation, housing upgrades, renewals, and cross-city population mobility could provide a recurring demand base, while a larger and more liquid secondary market facilitates price discovery and lowers transaction barriers.

We expect China's housing market to normalize at a lower but more sustainable level, with less dependence on new construction and a more balanced contribution from primary and secondary transactions.

Figure 4. National New and Secondary Home Annual Transactions (Residential-only)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E
Housing Transaction Area (msm GFA)	**1,861**	**1,876**	**1,891**	**1,945**	**1,925**	**1,428**	**1,518**	**1,388**	**1,333**	**1,290**	**1,257**
- New Home	1,448	1.479	1,501	1.549	1,565	1.033	948	807	733	630	564
- Secondary Home	413	397	390	396	360	396	570	581	600	660	693
YoY		***1%***	***1%***	***3%***	***-1%***	***-26%***	***6%***	***-9%***	***-4%***	***-3%***	***-3%***
- New Home		*2%*	*1%*	*3%*	*1%*	*-34%*	*-8%*	*-15%*	*-9%*	*-14%*	*-11%*
- Secondary Home		*-4%*	*-2%*	*2%*	*-9%*	*10%*	*44%*	*2%*	*3%*	*10%*	*5%*
Mix											
- New Home	78%	79%	79%	80%	81%	72%	62%	58%	55%	49%	45%
- Secondary Home	22%	21%	21%	20%	19%	28%	38%	42%	45%	51%	55%
Housing Transaction Value (Rmb trn)	**17.0**	**19.1**	**20.6**	**22.8**	**23.3**	**16.4**	**17.4**	**15.6**	**14.5**	**13.7**	**13.3**
- New Home	11.0	12.6	13.9	15.5	16.3	11.0	10.3	8.4	7.3	6.2	5.5
- Secondary Home	6.0	6.5	6.7	7.3	7.0	5.5	7.1	7.2	7.1	7.5	7.7
YoY		***12%***	***8%***	***10%***	***2%***	***-29%***	***6%***	***-10%***	***-7%***	***-5%***	***-3%***
- New Home		*15%*	*10%*	*11%*	*5%*	*-33%*	*-6%*	*-18%*	*-13%*	*-15%*	*-11%*
- Secondary Home		*8%*	*3%*	*9%*	*-4%*	*-22%*	*30%*	*1%*	*-1%*	*5%*	*3%*
Mix											
- New Home	65%	66%	68%	68%	70%	67%	59%	54%	51%	45%	42%
- Secondary Home	35%	34%	32%	32%	30%	33%	41%	46%	49%	55%	58%

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Source: MOHURD, Beike, NBS, Citi Research Estimates

Across 36 major cities, the secondary share already reached 68% in 8M26, including 71% in T1 cities. Secondary transactions units also grew 3%yoy (vs. new home units sold -10%), as the existing-home market increasingly supports home circulation, upgrade demand and price discovery under the new model.

Figure 5. Secondary Home Volume in 36 Cities: 68% of Total Residential Transaction Volume in 8M26

Date 日期	New Home 新房年初至今成交套数同比变化				Existing Home 二手年初至今成交套数同比变化				New Home + Existing Home 新房+二手房年初至今成交套数同比变化				Existing Home 二手房年初至今成交套数占比			
YTD YoY	*Tier-1*	*Tier-2*	*Tier-3/4*	*Total 36 cities*	*Tier-1*	*Tier-2*	*Tier-3/4*	*Total 36 cities*	*Tier-1*	*Tier-2*	*Tier-3/4*	*Total 36 cities*	*Tier-1*	*Tier-2*	*Tier-3/4*	*Total 36 cities*
FY2021	23%	6%	-14%	**6%**	-6%	2%	4%	**0%**	5%	5%	-9%	**4%**	56%	37%	34%	40%
FY2022	-29%	-37%	-36%	**-36%**	-32%	-13%	-10%	**-18%**	-31%	-29%	-27%	**-29%**	55%	45%	43%	46%
FY2023	2%	-4%	-7%	**-3%**	19%	41%	21%	**34%**	11%	16%	5%	**14%**	59%	54%	49%	54%
FY2024	-10%	-12%	-21%	-13%	20%	0%	-5%	4%	8%	-6%	-13%	-4%	65%	57%	54%	59%
FY2025	-16%	-22%	-21%	-21%	1%	-1%	-6%	-1%	-4%	-10%	-13%	-9%	69%	63%	58%	64%
Jan-26	-21%	-19%	-3%	**-18%**	13%	6%	18%	**8%**	2%	-3%	10%	**-1%**	75%	71%	67%	71%
2M26	-26%	-30%	-19%	**-29%**	-7%	-9%	-2%	**-8%**	-13%	-16%	-8%	**-15%**	74%	71%	68%	71%
1Q26	-16%	**-25%**	**-18%**	**-23%**	-4%	-7%	1%	**-6%**	-8%	-14%	-6%	**-12%**	72%	69%	65%	69%
4M26	-9%	**-19%**	**-21%**	**-18%**	-1%	-3%	8%	**-2%**	-3%	-8%	-4%	**-7%**	72%	69%	66%	70%
5M26	-4%	-16%	-17%	**-13%**	3%	1%	12%	**2%**	1%	-5%	0%	**-3%**	71%	69%	65%	69%
1H26	-4%	-15%	-13%	**-13%**	5%	1%	16%	**3%**	2%	-4%	3%	**-3%**	71%	68%	64%	68%
7M26	-2%	-13%	-13%	**-11%**	5%	1%	17%	**3%**	3%	-4%	5%	**-2%**	71%	68%	65%	68%
8M26	0%	-12%	-16%	-10%	6%	1%	18%	3%	4%	-3%	3%	-1%	71%	68%	65%	68%

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Source: CREIS, Citi Research

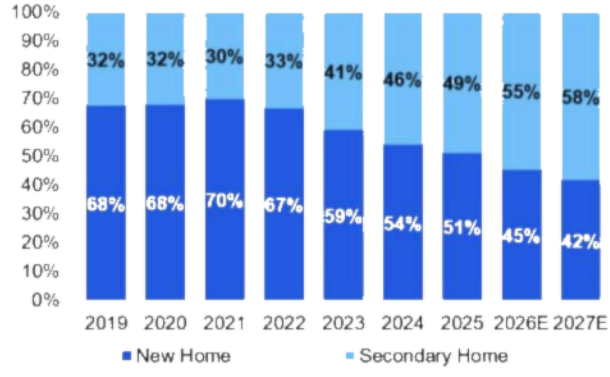
II. 2027 Secondary Market: Price Inflection Emerging

(1) Secondary market is equally important as primary market under the new model

Secondary home sales reaching 58% of the residential market

China's residential market is shifting from being new-home dominated towards a more balanced primary-secondary structure. Secondary homes are estimated to exceed half of national transactions in 2026E, rising from only 32% in 2019.

Figure 6. Increasing Mix from Secondary Home Sales (Residential Only)



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Source: MOHURD, Beike Research Institute, Citi Research estimates

Secondary-home transactions across 36 cities returned to growth in May-26 and remained 3% higher yoy in 8M26, improving from declines of 8% in 2M26 and 6% in 1Q26. Sustained volume growth highlights resilient underlying demand and continued buyer preference for the secondary market.

Figure 7. Secondary Volume Sustained Growth Since May-2026 (at 36 Cities)



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Source: CREIS, Citi Research.

(2) Expect secondary volume +5% as demand shifts from new home

Market skew towards secondary sales on free-pricing and product certainty

Housing demand is increasingly shifting towards secondary homes, where prices are freely negotiated and buyers have greater certainty over product quality, location and delivery. Pricing flexibility has enabled the secondary market to stay more active than the primary market.

We expect secondary-home volume to rise 5% to 693mn sqm in 2027E, with transaction value increasing 3%yoy to Rmb7.7trn. Turnover should remain at c.2.2%, reinforcing the secondary market's growing role in meeting housing demand and facilitating price discovery.

Figure 8. Secondary Home Market: Rmb7.7trn in 2027E

		2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E
National existing home sales											
GTV	(Rmb trn)	6.5	6.7	7.3	7.0	5.5	7.1	7.2	7.1	7.5	7.7
yoy		*8%*	*3%*	*9%*	*-4%*	*-22%*	*30%*	*1%*	*-1%*	*5%*	*3%*
Units	(mn units)	4.3	4.3	4.3	3.9	4.3	6.0	6.4	6.6	7.2	7.5
yoy		*0%*	*-1%*	*1%*	*-9%*	*10%*	*38%*	*7%*	*3%*	*10%*	*4%*
GFA	(mn sqm)	397	390	396	360	396	570	581	600	660	693
yoy		*-4%*	*-2%*	*2%*	*-9%*	*10%*	*44%*	*2%*	*3%*	*10%*	*5%*
ASP	(Rmb/sqm)	16,373	17,179	18,434	19,444	13,798	12,456	12,392	11,900	11,359	11,143
yoy		*13%*	*5%*	*7%*	*5%*	*-29%*	*-10%*	*-1%*	*-4%*	*-5%*	*-2%*
Implied GFA per unit	(sqm)	92.3	91.5	91.7	91.6	91.7	91.7	91.1	91.3	91.3	92.2
		-4%	*-1%*	*0%*	*0%*	*0%*	*0%*	*-1%*	*0%*	*0%*	*1%*
Turnover rate (換手率)		**1.3%**	**1.3%**	**1.3%**	**1.2%**	**1.3%**	**1.8%**	**1.9%**	**2.0%**	**2.2%**	**2.2%**

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Source: MOHURD, Beike, NBS; Citi Research estimate

(3) Secondary price already stabilized in three T1 cities in 2026

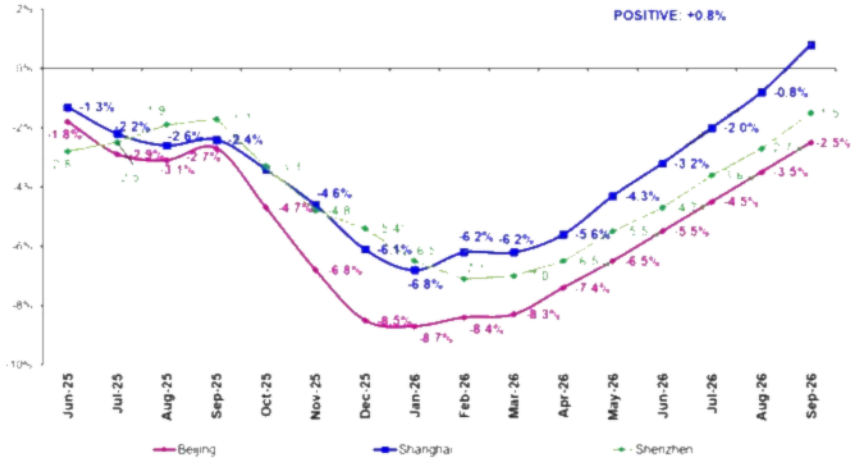
Market-oriented and demand-supply driven secondary price is more relevant

Secondary prices have staged a sustained stabilization trend across Shanghai, Beijing and Shenzhen since early 2026, supported by a broad improvement in transaction activity. T1-city secondary transactions remained above last year's level throughout Mar-Sep, including +30%yoy in May and +10%yoy in Sep. Against this improving liquidity backdrop, Shanghai secondary prices turned positive at +0.8%yoy in Sep, while declines narrowed to -2.5% in Beijing and -1.5% in Shenzhen. We see secondary pricing offers a cleaner reflection of genuine demand-supply dynamics and household price expectations.

The recovery remains uneven, however, and should be viewed as an early-stage stabilization rather than a broad-based price upcycle. Secondary prices in major T1 cities remain 37-44% below their previous peaks, while the NBS 70-city secondary price index was still down 5.1%yoy in Aug-26. Nevertheless, the pace of decline has continued to narrow across city tiers, led by T1 cities. This divergence suggests that stabilization is beginning in higher-tier cities, where stronger transaction liquidity, population inflows and more responsive price adjustments have helped the market clear earlier. Sustained transaction volumes should gradually absorb excess

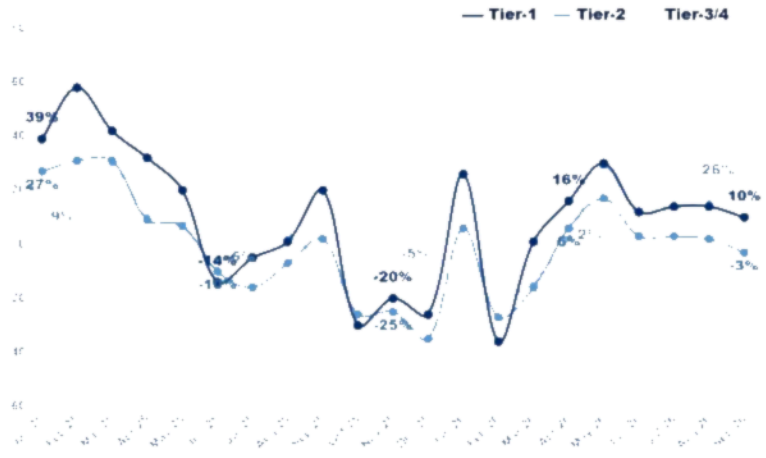
listings, reduce sellers' pricing pressure and allow price stabilization to broaden to a handful of outperforming cities into 2027E.

Figure 9. Tier-1 Cities Secondary Price YoY: SH turned to YoY growth in Sep 2026; consecutive improvements visible at BJ & SZ



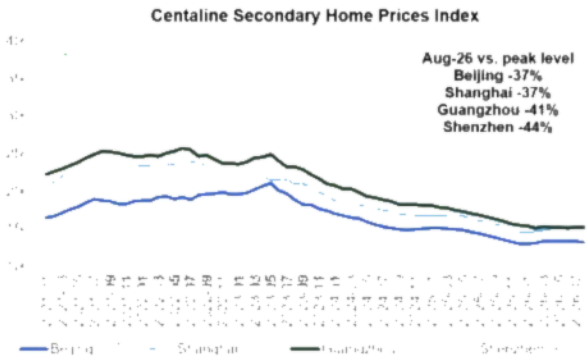
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Source: Centaline, Citi Research

Figure 10. Tier-1/Tier-2/Tier-3 Secondary Sales Volume YoY Change (18 Cities)



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Source: WIND, Citi Research.

Figure 11. Centaline *Secondary* Price Index for Tier-1 Cities



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Source: Centaline, Citi Research

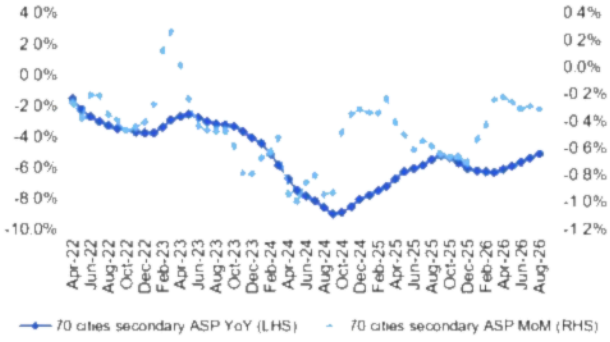
Figure 12. Centaline *Secondary* Price Index for Tier-1 Cities

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

Figure 13. *Secondary* Price Index of NBS 70 Cities



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Source: NBS, Citi Research

Figure 14. *Secondary* Price Index by Tier of NBS 70 Cities

Secondary Market NBS 70 Cities ASP - YoY	70 Cities	Tier-1	Tier-2	Tier-3/4
Aug-26	**-5.1%**	**-2.7%**	**-4.9%**	**-5.6%**
Jul-26	-5.4%	-3.7%	-5.1%	-5.8%
Jun-26	-5.6%	-4.9%	-5.4%	-6.0%
May-26	-5.9%	-5.8%	-5.7%	-6.2%
Apr-26	-6.2%	-6.8%	-6.0%	-6.3%
Mar-26	-6.3%	-7.4%	-6.2%	-6.4%
Aug-26 vs. Aug-25	**-5.7%**	**-2.6%**	**-4.9%**	**-5.7%**

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Source: NBS, Citi Research

(4) 2027 secondary home price turning in five key cities

(a) Sufficient turnover has reduced legacy high-cost stock and resale pressure

Strong secondary-market turnover has helped a few cities digest much of the investment-driven housing stock accumulated during the previous upcycle. Across the 36 cities tracked, estimated secondary transaction volume during 2021-24 was equivalent to 74% of homes purchased for investment in 2017-24. Ten cities recorded turnover above 100%, suggesting that cumulative secondary transactions have already exceeded the estimated legacy investment stock. The ratio was particularly high in Beijing at 220%, followed by Hangzhou at 151%, Shanghai at 134% and Shenzhen at 123%.

The high turnover has allowed more homes purchased at elevated prices to change hands with real end-users and reset their cost bases closer to prevailing market levels. This reduces the pool of legacy owners waiting to exit once prices recover and should limit the risk of a sudden surge in resale listings during an initial market rebound. Existing listings are also relatively manageable in Shanghai, Shenzhen and Beijing, at 26%, 25% and 24% of estimated investment purchases.

respectively. Guangzhou is the main exception among T1 cities, with a lower turnover ratio of 87% and potentially greater resale pressure.

The pressure has not been fully relieved, as additional investment units could still enter the secondary market. Across the 36 cities, the potential secondary supply yet to be listed is estimated at 2.21mn units, equivalent to about 49% of existing listings. However, the pressure is likely to be uneven: cities with deep transaction liquidity and high historical turnover should be better positioned to absorb incremental supply, while lower-turnover cities may require further price adjustment. Overall, sufficient turnover in leading cities has materially cleaned up legacy high-cost stock, lowered sellers' reservation prices and created a healthier foundation for secondary-price stabilization, in our view.

Figure 15. Est. 22% of Homes Purchased in 2017-24 Are Being Listed for Sell; Est. Turnover Rate at 74% (36 Cities)

(in units) City (EN)	City (CN)	Existing Secondary Listing 目前二手房挂牌量 a	Total Primary Sales Volume (2017-2024) 新房成交套数 b	Existing listing as % of total volume sold a/b
Hangzhou	杭州	160,444	306,354	52%
Shaoxing	绍兴	46,622	95,043	49%
Dalian	大连	114,955	241,471	48%
Harbin	哈尔滨	117,880	300,193	39%
Nantong	南通	71,362	200,887	36%
Suzhou	苏州	150,547	426,085	35%
Chengdu	成都	388,178	1,112,234	35%
Shenyang	沈阳	263,820	921,945	29%
Nanjing	南京	136,213	492,222	28%
Nanchang	南昌	78,710	292,147	27%
Shanghai	上海	291,223	1,116,266	26%
Shenzhen	深圳	78,697	302,613	26%
Xi'an	西安	171,562	686,907	25%
Chongqing	重庆	293,473	1,218,413	24%
Beijing	北京	118,859	498,272	24%
Dongguan	东莞	77,600	327,662	24%
Tianjin	天津	187,076	821,080	23%
Foshan	佛山	173,718	767,855	23%
Xiamen	厦门	29,266	141,895	21%
Hefei	合肥	99,329	489,010	20%
Guangzhou	广州	140,548	722,497	19%
Changchun	长春	92,697	538,043	17%
Jinan	济南	91,288	534,800	17%
Yantai	烟台	48,743	286,244	17%
Kunming	昆明	64,425	396,205	16%
Zhengzhou	郑州	122,052	753,037	16%
Guiyang	贵阳	66,891	422,599	16%
Ningbo	宁波	91,972	637,407	14%
Haikou	海口	36,065	263,979	14%
Fuzhou	福州	54,205	433,400	13%
Changsha	长沙	85,917	704,683	12%
Zhenjiang	镇江	48,357	404,723	12%
Wuhan	武汉	152,222	1,286,436	12%
Qingdao	青岛	112,589	956,779	12%
Taiyuan	太原	56,428	546,374	10%
Nanning	南宁	36,010	548,176	7%
Combined (36 cities)		**4,349,943**	**20,193,936**	**22%**

(in units) City (EN)	City (CN)	Total Primary Sales Volume (2017-2024) 新房成交套数 a	Total Secondary Sales Volume (2021-2026 YTD) 二手房成交套数 b	Turnover Rate (%) 二手房换手率 c=b/a
Beijing	北京	498,272	1,096,315	220%
Hangzhou	杭州	306,354	462,988	151%
Shanghai	上海	1,116,266	1,490,664	134%
Dalian	大连	241,471	305,493	127%
Nanjing	南京	492,222	607,456	123%
Shenzhen	深圳	302,613	371,972	123%
Xiamen	厦门	141,895	169,876	120%
Harbin	哈尔滨	300,193	356,976	119%
Tianjin	天津	821,080	876,467	107%
Chengdu	成都	1,112,234	1,165,516	105%
Shaoxing	绍兴	95,043	92,888	98%
Suzhou	苏州	426,085	414,386	97%
Hefei	合肥	489,010	431,720	88%
Guangzhou	广州	722,497	627,909	87%
Xi'an	西安	686,907	521,725	76%
Shenyang	沈阳	921,945	636,668	69%
Nantong	南通	200,887	136,749	68%
Chongqing	重庆	1,218,413	826,163	68%
Ningbo	宁波	637,407	390,507	61%
Jinan	济南	534,800	307,952	58%
Changchun	长春	538,043	278,594	52%
Zhengzhou	郑州	753,037	371,423	49%
Haikou	海口	263,979	129,696	49%
Wuhan	武汉	1,286,436	625,983	49%
Foshan	佛山	767,855	371,376	48%
Nanchang	南昌	292,147	137,588	47%
Dongguan	东莞	327,662	150,023	46%
Fuzhou	福州	433,400	195,557	45%
Kunming	昆明	396,205	172,221	43%
Yantai	烟台	286,244	122,288	43%
Changsha	长沙	704,683	279,412	40%
Qingdao	青岛	956,779	339,194	35%
Nanning	南宁	548,176	185,715	34%
Zhenjiang	镇江	404,723	127,140	31%
Guiyang	贵阳	422,599	88,519	21%
Taiyuan	太原	546,374	105,714	19%
Combined (36 cities)		**20,193,936**	**14,970,831**	**74%**

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Source: CREIS, Beike, Citi Research Estimates

Note: Blue highlighted are "top-10" cities. Note: Only included 36 cities for existing listing as % of total volume sold and turnover rate, due to unavailable transaction data for Wuxi/ Zhongshan/ Zhuhai

Figure 16. Downside Pressure on Secondary Price on Potentially More Existing Stocks Listing for Sell (39 Cities)

(units 套数) City	City 城市	Primary Sales Volume 2017-2021 新房销量 a	Est. % of Investment Demand 估测投资需求比例 b	Est. Investment Purchase 2017-2021 投资购买套数 c=a*b	Primary Sales Volume 2022-2024 新房销量 c	Est. % of Investment Demand 估测投资需求比例 d	Est. Investment Purchase 2022-2024 投资购买套数 e=c*d	Potential Secondary Supply 2017-2024 理论二手房供给 f=c+e	Existing Secondary Listing 目前二手房挂牌量 g	Potential Secondary Supply Yet to be Listed 理论可挂牌二手房 h=f-g
Hangzhou	杭州	168,231	40%	67,292	138,123	10%	13,812	81,105	160,444	(79,339)
Chengdu	成都	769,836	40%	307,934	342,398	10%	34,240	342,174	388,178	(46,003)
Dalian	大连	179,732	40%	71,893	61,739	10%	6,174	78,067	114,955	(36,888)
Suzhou	苏州	295,004	40%	118,002	131,081	10%	13,108	131,110	150,547	(19,437)
Shaoxing	绍兴	78,659	40%	31,464	16,384	10%	1,638	33,102	46,622	(13,520)
Harbin	哈尔滨	258,727	40%	103,491	41,466	10%	4,147	107,637	117,880	(10,243)
Nantong	南通	160,026	40%	64,010	40,861	10%	4,086	68,096	71,362	(3,266)
Shenzhen	深圳	184,984	40%	73,994	117,629	10%	11,763	85,757	78,697	7,060
Xiamen	厦门	88,200	40%	35,280	53,695	10%	5,370	40,650	29,266	11,384
Nanchang	南昌	214,880	40%	85,952	77,267	10%	7,727	93,679	78,710	14,969
Nanjing	南京	355,800	40%	142,320	136,422	10%	13,642	155,962	136,213	19,749
Zhuhai	珠海	162,562	40%	65,025	57,799	10%	5,780	70,805	47,364	23,441
Beijing	北京	315,322	40%	126,129	182,950	10%	18,295	144,424	118,859	25,565
Dongguan	东莞	249,547	40%	99,819	78,115	10%	7,812	107,630	77,600	30,030
Haikou	海口	156,573	40%	62,629	107,406	10%	10,741	73,370	36,065	37,305
Zhongshan	中山	239,735	40%	95,894	89,526	10%	8,953	104,847	67,393	37,454
Shanghai	上海	726,846	40%	290,738	389,420	10%	38,942	329,680	291,223	38,457
Yantai	烟台	234,069	40%	93,628	52,175	10%	5,218	98,845	48,743	50,102
Xi'an	西安	512,203	40%	204,881	174,704	10%	17,470	222,352	171,562	50,790
Shenyang	沈阳	760,786	40%	304,314	161,159	10%	16,116	320,430	263,820	56,610
Tianjin	天津	555,481	40%	222,192	265,599	10%	26,560	248,752	187,076	61,676
Wuxi	无锡	309,074	40%	123,630	61,597	10%	6,160	129,789	66,789	63,000
Hefei	合肥	383,538	40%	153,415	105,472	10%	10,547	163,962	99,329	64,633
Jinan	济南	343,118	40%	137,247	191,682	10%	19,168	156,415	91,288	65,127
Kunming	昆明	303,172	40%	121,269	93,033	10%	9,303	130,572	64,425	66,147
Guiyang	贵阳	309,999	40%	124,000	112,600	10%	11,260	135,260	66,891	68,369
Fuzhou	福州	266,448	40%	106,579	166,952	10%	16,695	123,274	54,205	69,069
Guangzhou	广州	497,427	40%	198,971	225,070	10%	22,507	221,478	140,548	80,930
Foshan	佛山	594,846	40%	237,938	173,009	10%	17,301	255,239	173,718	81,522
Zhenjiang	镇江	309,204	40%	123,682	95,519	10%	9,552	133,234	48,357	84,877
Changchun	长春	412,823	40%	165,129	125,220	10%	12,522	177,651	92,697	84,954
Taiyuan	太原	327,168	40%	130,867	219,206	10%	21,921	152,788	56,428	96,360
Zhengzhou	郑州	513,722	40%	205,489	239,315	10%	23,932	229,420	122,052	107,368
Ningbo	宁波	496,857	40%	198,743	140,550	10%	14,055	212,798	91,972	120,826
Nanning	南宁	420,619	40%	168,248	127,557	10%	12,756	181,003	36,010	144,993
Chongqing	重庆	1,057,197	40%	422,879	161,216	10%	16,122	439,000	293,473	145,527
Changsha	长沙	578,521	40%	231,408	126,162	10%	12,616	244,025	85,917	158,108
Qingdao	青岛	678,271	40%	271,308	278,508	10%	27,851	299,159	112,589	186,570
Wuhan	武汉	953,989	40%	381,596	332,447	10%	33,245	414,840	152,222	262,618
Combined (39 cities)		**15,423,196**	**40%**	**6,169,278**	**5,691,033**	**10%**	**569,103**	**6,738,382**	**4,531,489**	**2,206,893**

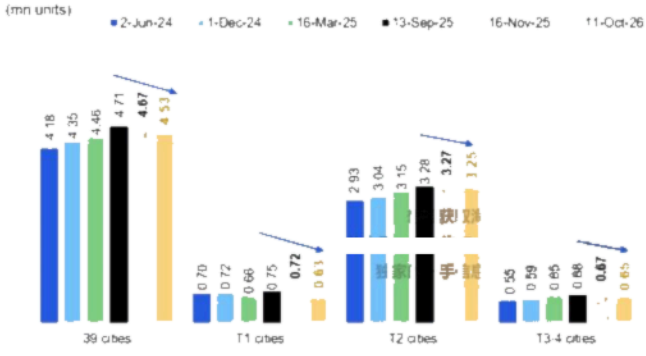
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Source: CREIS, Beike, Citi Research estimates Note: Blue highlighted are "top-10" cities

(b) Secondary listing peaked in 8 cities

Secondary listings across 39 cities have started to trend lower, declining 3% from end-2025 to 4.53mn units by Oct-26. The improvement is broad-based across city tiers, led by T1 cities, where listings fell to 0.63mn units from the Mar-25 peak of 0.75mn. T2 and T3/4 listings have also eased from recent highs, indicating that stronger transaction turnover is beginning to absorb resale supply.

The decline is more pronounced in selected cities: listings fell 25% in Xiamen, 19% in Shanghai, 18% in Suzhou, 16% in Beijing. Shenzhen listings also declined 11% from the Jun-26 peak, while Guangzhou fell 5% from Oct-25. Although pressure remains uneven and listings are still rising in some lower-tier cities, the peak and subsequent decline in major markets suggest easing resale pressure and a healthier demand-supply balance.

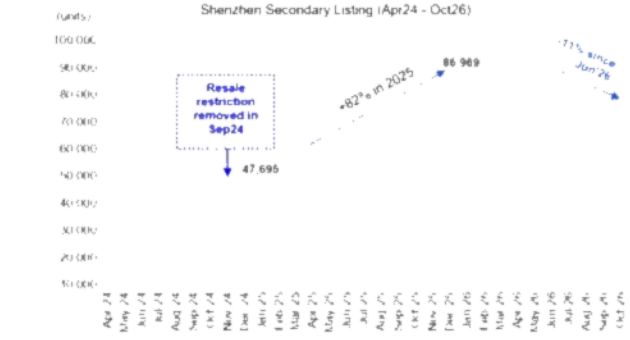
Figure 17. Secondary Listing in 39 cities: continuing to trend lower



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Source: Beike, Citi Research

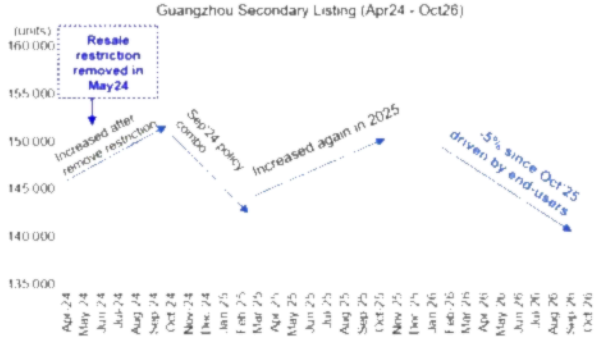
Note: 39 cities include: 4 Tier-1 cities; 26 Tier-2 cities: Changchun, Changsha, Chengdu, Chongqing, Dalian, Fuzhou, Guiyang, Haikou, Hangzhou, Harbin, Hefei, Jinan, Kunming, Nanchang, Nanjing, Nanning, Ningbo, Qingdao, Shenyang, Suzhou, Taiyuan, Tianjin, Wuhan, Xiamen, Xi'an, Zhengzhou;
9 Tier-3/4 cities: Dongguan, Foshan, Nantong, Shaoxing, Wuxi, Yantai, Zhenjiang, Zhongshan, Zhuhai

Figure 18. Shenzhen Secondary Listing -11% since Jun'26



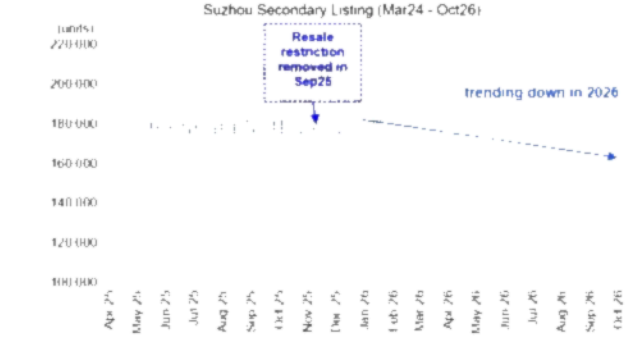
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Source: CREIS, Beike, Citi Research estimates

Figure 19. GZ Secondary Listing -5% since Oct'25



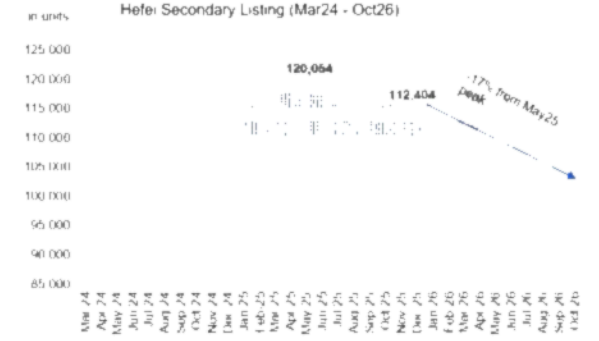
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Source: CREIS, Beike, Citi Research estimates

Figure 20. Zhengzhou Secondary Listing -18% from Sep-25 peak



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Source: CREIS, Beike, Citi Research estimates

Figure 21. Hefei Secondary Listing -17% from May-25 Peak



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Source: CREIS, Beike, Citi Research estimates

Figure 22. Secondary Listing 1-Year Change (39 Cities)

in units City (EN)	City (CN)	11-Oct-26	28-Dec-25	Chg	Chg %
Xiamen	厦门	29,266	39,213	(9,947)	-25%
Shanghai	上海	291,223	357,688	(66,465)	-19%
Suzhou	苏州	150,547	182,783	(32,236)	**-18%**
Beijing	北京	118,859	141,461	(22,602)	-16%
Hefei	合肥	99,329	115,855	(16,526)	-14%
Zhuhai	珠海	47,364	55,006	(7,642)	**-14%**
Tianjin	天津	187,076	203,277	(16,201)	-8%
Shaoxing	绍兴	46,622	50,272	(3,650)	**-7%**
Dalian	大连	114,955	123,235	(8,280)	**-7%**
Ningbo	宁波	91,972	97,847	(5,875)	**-6%**
Wuhan	武汉	152,222	161,221	(8,999)	**-6%**
Wuxi	无锡	66,789	70,620	(3,831)	**-5%**
Guangzhou	广州	140,548	147,989	(7,441)	-5%
Zhengzhou	郑州	122,052	128,389	(6,337)	**-5%**
Yantai	烟台	48,743	50,841	(2,098)	**-4%**
Zhongshan	中山	67,393	69,770	(2,377)	**-3%**
Foshan	佛山	173,718	178,919	(5,202)	**-3%**
Qingdao	青岛	112,589	115,265	(2,676)	**-2%**
Zhenjiang	镇江	48,357	49,127	(770)	**-2%**
Hangzhou	杭州	160,444	162,794	(2,350)	-1%
Nantong	南通	71,362	72,027	(665)	**-1%**
Nanjing	南京	136,213	136,979	(766)	**-1%**
Chongqing	重庆	293,473	295,124	(1,651)	**-1%**
Chengdu	成都	388,178	390,361	(2,184)	-1%
Shenzhen	深圳	78,697	78,725	(28)	0%
Xi'an	西安	171,562	170,537	1,025	1%
Dongguan	东莞	77,600	76,991	609	**1%**
Kunming	昆明	64,425	63,274	1,151	**2%**
Jinan	济南	91,288	89,344	1,944	**2%**
Nanning	南宁	36,010	34,592	1,418	**4%**
Fuzhou	福州	54,205	51,460	2,745	**5%**
Nanchang	南昌	78,710	74,131	4,579	**6%**
Harbin	哈尔滨	117,880	109,132	8,748	**8%**
Shenyang	沈阳	263,820	241,448	22,372	**9%**
Changchun	长春	92,697	83,713	8,984	**11%**
Guiyang	贵阳	66,891	60,228	6,663	**11%**
Changsha	长沙	85,917	74,771	11,146	**15%**
Taiyuan	太原	56,428	46,867	9,561	**20%**
Haikou	海口	36,065	28,823	7,242	**25%**
Total		**4,531,489**	**4,680,100**	**(148,611)**	**-3%**

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Source: CREIS, Beike, Citi Research estimates

Secondary sell-through at est. 19 months (T1 cities: 9 months)

Secondary listing sell-through improved to c.19 months in Oct-26, from 24 months at the beginning of 2026. T1 cities are the healthiest at only nine months, versus 22 months in T2 and 26 months in T3 cities, reflecting stronger liquidity and faster inventory absorption in major markets.

Figure 23. Secondary Listing Sell-thru: avg 19.2 months



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Figure 24. Secondary Listing Sell-through by City (Oct-26)



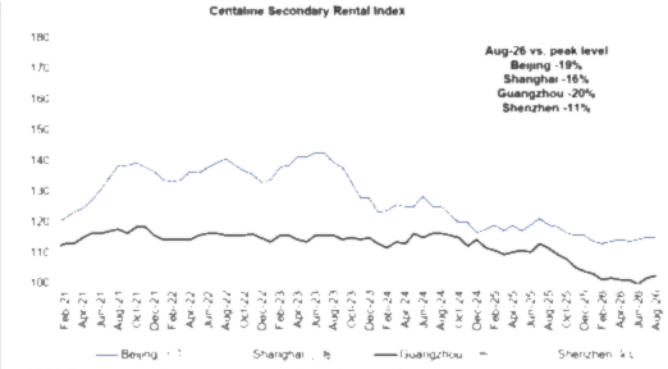
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Source: KE.com, Shanghai Housing Bureau, Citi Research Innovation Lab, Citi Research estimates
Note: (1) Citi estimate "sell through" by dividing total units of secondary home listing by trailing 3-month moving average secondary transaction units (but excluding CNY months). (2) Only included 36 cities for sell-through, due to unavailable transaction data for Wuxi/ Zhongshan/ Zhuhai

(c) Home rent started picking up in key cities in 2H26

T1-city rents began recovering in 2H26, led by Shanghai and Shenzhen, up 4.5% and 1.1% YTD by Aug-26, respectively. Despite rents remaining 11-20% below their previous peaks, the improving trend signals firmer underlying housing demand and could gradually translate into home-price stabilization.

Figure 25. T1 Cities Rental Price Index: 11-20% below peak



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Source: Centaline, Wind, Citi Research

Figure 26. T1 Cities Rental Price Index: SH & SZ Improved in 2026 YTD, BJ & GZ at Narrower Declines

Secondary Home Rental Index	Beijing 北京	Shanghai 上海	Guangzhou 广州	Guangzhou 深圳
Aug-26				
MoM	0.0%	2.2%	0.7%	1.1%
YoY	-3.4%	1.8%	-8.1%	0.5%
2026 YTD Change	**-0.6%**	**4.5%**	**-1.3%**	**1.1%**

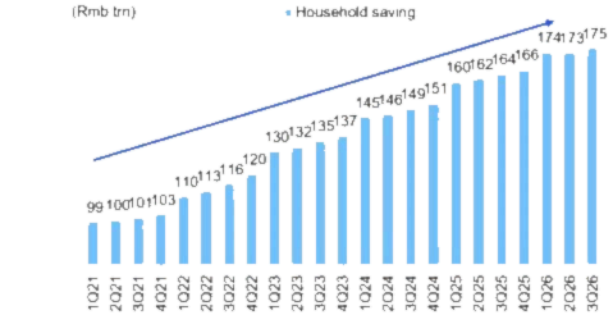
	Beijing 北京	Shanghai 上海	Guangzhou 广州	Guangzhou 深圳
Current	115	148	102	147
Peak	142	176	127	164
Aug-26 vs. peak	**-19%**	**-16%**	**-20%**	**-11%**
ASP peak month	**Jun-23**	**Aug-23**	**Aug-16**	**Dec-18**

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Source: Centaline, Wind, Citi Research

(d) Household savings a new high of Rmb175trn (+7%yoy)

Household savings at record-high of Rmb175trn in Sep-2026 (7%yoy), and accounted for ~50% of total RMB savings.

Figure 27. Household Saving Keeps Rising



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Source: PBoC; Citi Research

Figure 28. Household Saving at 50% of Total Rmb Savings



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Source: PBoC, Citi Research

(e) Large working populations and continued population inflows support key cities

Housing demand remains resilient in key cities, supported by large employment bases and continued population inflows. The 26 cities tracked added a combined 4.2mn residents during 2022-25, led by Shenzhen, Hefei, Guangzhou, Dongguan and Hangzhou, providing a sizeable base of living demand.

Population growth remains concentrated in economically dynamic cities with stronger job creation. This should sustain housing absorption and reinforce market

divergence, with major population-inflow cities likely to stabilize earlier than the cities that facing population outflows.

Figure 29. Resilient Demand in Key Cities is Supported by Sizable Working Population



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Source: NBS (Fifth National Economic Census, 2023 data), Citi Research

Figure 30. Residential Population and 4 Year Population Change in 26 Cities

City (EN)	City (CN)	2022 Resident Population (000 ppl) 常住人口	2023 Resident Population (000 ppl) 常住人口	2024 Resident Population (000 ppl) 常住人口	2025 Resident Population (000 ppl) 常住人口	2022-2025 Population Change (000 ppl) 人口变动
Shenzhen	深圳	**17,662**	**17,790**	**17,990**	**18,249**	**587**
Hefei	合肥	**9,634**	**9,853**	**10,002**	**10,005**	**371**
Guangzhou	广州	**18,734**	**18,827**	**18,978**	**19,101**	**367**
Dongguan	东莞	10,437	10,485	10,571	10,800	363
Hangzhou	杭州	**12,376**	**12,522**	**12,624**	**12,700**	**324**
Changsha	长沙	10,421	10,513	10,617	10,721	300
Chengdu	成都	**21,268**	**21,403**	**21,474**	**21,535**	**267**
Xi'an	西安	**12,996**	**13,078**	**13,168**	**13,236**	**240**
Suzhou	苏州	12,811	12,958	12,987	13,048	237
Wenzhou	温州	9,679	9,761	9,852	9,902	223
Jinan	济南	9,415	9,437	9,518	9,616	201
Qingdao	青岛	10,342	10,372	10,443	10,516	174
Nanjing	南京	9,491	9,547	9,575	9,639	148
Shenyang	沈阳	9,147	9,204	9,243	9,276	129
Nanning	南宁	8,892	8,941	8,972	9,017	125
Wuhan	武汉	13,739	13,774	13,809	13,862	123
Shanghai	上海	**24,759**	**24,875**	**24,803**	**24,854**	**95**
Fuzhou	福州	8,448	8,469	8,501	8,521	73
Xiamen	厦门	**5,308**	**5,327**	**5,350**	**5,365**	**57**
Changchun	长春	9,065	9,102	9,085	9,105	40
Dalian	大连	7,518	7,539	7,544	7,557	39
Zhenjiang	镇江	3,222	3,226	3,228	3,223	1
Tianjin	天津	**13,630**	**13,640**	**13,640**	**13,630**	**-**
Zhaoqing	肇庆	4,128	4,132	4,134	4,117	(11)
Beijing	北京	**21,843**	**21,858**	**21,832**	**21,800**	**(43)**
Chongqing	重庆	32,133	31,914	31,905	31,873	(260)
Combined 26 cities		**327,098**	**328,547**	**329,845**	**331,268**	**4,170**

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Source: NBS, Citi Research estimates Note: Blue highlighted are "top-10" cities

(f) Supply-demand is the determinant, not rental yield

High rental yield doesn't guarantee price appreciation, nor does low yield assure depreciation

Rental yield alone is not a reliable indicator of future home-price performance. T1-city rental yields remain low at c.1.85%, versus 2.8% in T3/4 cities and a 4.8% average among selected global peers. Yet T1 cities (esp. SH, SZ, BJ) generally offer stronger population inflows, employment bases and housing liquidity, supporting better price resilience despite lower yields.

Rental yield is also a backward-looking ratio influenced by both rents and home prices. A higher yield may simply reflect falling home prices; while a low yield can persist where buyers expect stronger long-term capital appreciation. Ultimately, price direction depends more on demand-supply balance, population flows, purchasing power and inventory absorption than on the absolute yield level.

Figure 31. Rental Yield in Selected Cities in China versus Overseas Markets



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Source: Wind, Citi Research estimates

Capital value change must be factored in, irrespective of mortgage rate & yield spread

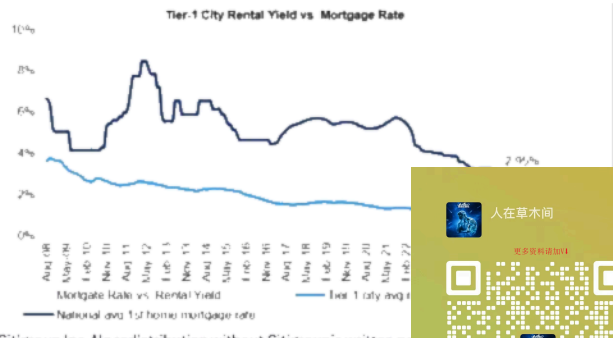
T1-city yields recovered from c.1.3% in 2022 to c.1.85% in Aug-26, while the average mortgage rate has fallen to 2.95%. The narrowing financing gap improves holding economics, but a sustained price recovery still requires transaction recovery, declining listings and tighter effective supply.

Figure 32. T1 Cities Rental Yield



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Source: Centaline, WIND

Figure 33. T1 City Rental Yield vs. Mortgage Rate

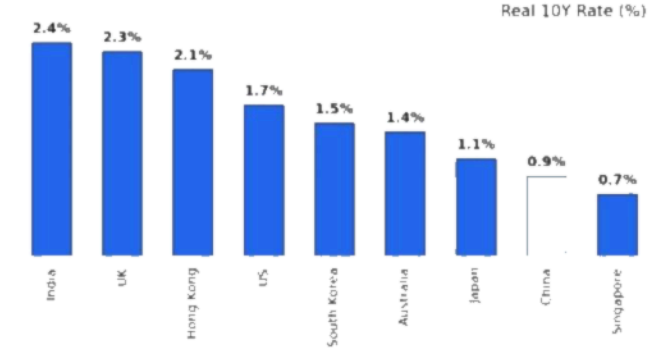


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Source: Centaline, WIND, PBoC, Citi Research estimates

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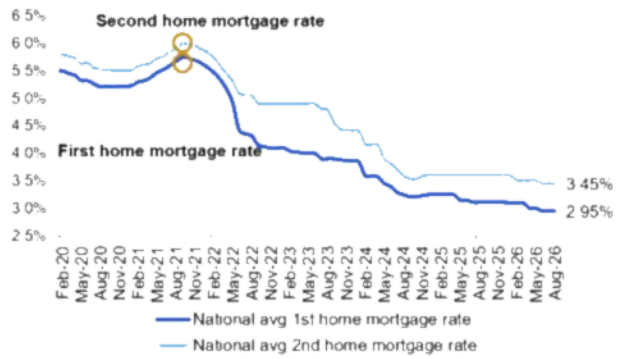
Compared to US, China's real interest (10-year govt bond yield – CPI) is relatively higher due to lower inflation. The Chinese government has been adopting a proactive fiscal policy (raising fiscal deficit, fiscal spending, and special central/local govt bond quota) and a moderately loose monetary policy (timely cuts in rate/RRR, TSF/money supply should match with economic growth & price expectations). We believe mortgage interest subsidies are unlikely to alter home price expectation given environment of weak price expectations, despite the mortgage subsidy, does not guarantee sufficient capital or buyer interest to facilitate property purchase.

Figure 34. China Adj. Real Rate is High vs Major Economies



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Source: CEIC, World Bank, Citi Research

Figure 35. First & Second Home Mortgage Rate



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Source: CEIC, Citi Research

III. 2027 New Home Market: Structural Supply Contraction

Figure 36. NBS Data for China's Real Estate Market, 2021–2027E

		Absolute Amount								YoY Change (%)							
		2021	2022 (restate	2023	2024	2025	9M26	Citi FY26E	Citi FY27E	2021	2022 (restate	2023	2024	2025	9M26	Citi FY26E	Citi FY27E
Overall Commodity Housing																	
Real Estate Investment	RMB'bn	14,760	12,269	11,091	10,028	8,279	5,336	6,382	4,851	4.4%	-16.9%	-9.6%	-10.6%	-17.4%	-20.6%	-22.9%	-24.0%
GFA Starts	mn sqm	1,988	1,198	954	739	588	340	441	353	-11.4%	-39.8%	-20.4%	-23.0%	-20.5%	-24.9%	-25.0%	-20.0%
GFA Completed	mn sqm	1,014	853	998	737	603	233	450	346	11.2%	-15.9%	17.0%	-27.7%	-18.2%	-25.1%	-25.5%	-23.0%
GFA under construction	mn sqm	9,754	9,034	8,384	7,332	6,599	5,608	5,708	4,681	5.2%	-7.4%	-7.2%	-12.7%	-10.0%	-12.8%	-13.5%	-18.0%
Transaction amount - Overall	RMB'bn	18,193	12,473	11,662	9,675	8,394	5,380	7,177	6,387	4.8%	-31.4%	-6.5%	-17.1%	-13.2%	-13.9%	-14.5%	-11.0%
GFA Sold - Overall (Primary)	mn sqm	1,794	1,221	1,117	974	881	565	759	677	1.9%	-31.9%	-8.5%	-12.9%	-9.5%	-13.2%	-13.8%	-10.8%
GFA Sold - Overall (Seconcary)	mn sqm	N/A	N/A	709	718	737	617	811	851	N/A	N/A	N/A	-7.3%	-4.1%	10.7%	10.0%	5.0%
GFA Sold - Primary + Secondary	mn sqm	**N/A**	**N/A**	**1,826**	**1,692**	**1,618**	**1,182**	1,570	1,528				-7.3%	-4.4%	-2.2%	-3.0%	-2.6%
Property Price YoY	%									2.8%	0.7%	2.2%	-4.8%	-4.3%	-0.8%	-0.8%	-0.2%
Land Area acquired	mn sqm	216	101	N/A	N/A	N/A				-15.5%	-53.4%	N/A	N/A	N/A	N/A		
Land Sales Value	RMB'bn	1,776	917	N/A	N/A	N/A				2.8%	-48.4%	N/A	N/A	N/A			
Residential																	
GFA Starts - Residential	mn sqm	1,464	876	693	537	430	248	320	255	-10.9%	-40.2%	-20.9%	-22.6%	-19.9%	-25.4%	-25.5%	-20.5%
GFA Completed - Residential	mn sqm	730	618	724	537	428	163	314	245	10.8%	-15.4%	17.2%	-25.8%	-20.3%	-26.6%	-26.8%	-22.0%
GFA under construction - resi	mn sqm	6,903	6,400	5,907	5,133	4,601	3,926	3,980	3,264	5.3%	-7.3%	-7.7%	-13.1%	-10.4%	-13.2%	-13.5%	-18.0%
Transaction amount - Residential	RMB'bn	16,273	10,956	10,299	8,486	7,334	4,734	6,285	5,598	5.3%	-32.7%	-6.0%	-17.6%	-13.6%	-13.8%	-14.3%	-10.9%
GFA Sold - Residential	mn sqm	1,565	1,033	948	815	733	470	629	561	1.1%	-34.0%	-8.2%	-14.1%	-10.0%	-13.7%	-14.2%	-10.8%
Residential Price YoY	%									4.2%	2.1%	2.4%	-4.1%	-4.0%	0.1%	-0.1%	-0.1%

Source: NBS, Citi Research Estimates

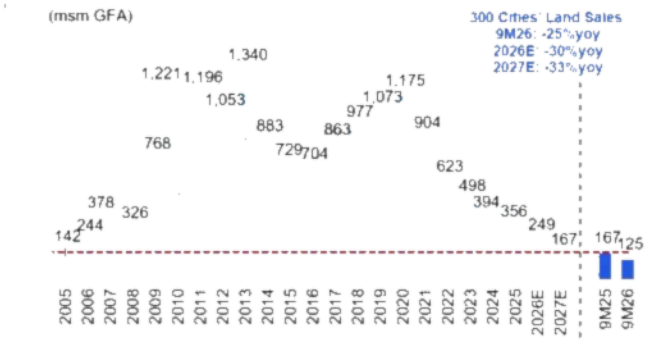
(1) Land sales

Land sales area at a 22-year low and value at an 18-year low

Residential land sales across 300 cities declined 25%yoy in 9M26 and are forecast to decline 30% in 2026E and another 33% in 2027E. Land demand remains constrained by home price expectations, unattractive risk-adjusted returns, and longer cash conversion cycle under completed home sales requirement, driving both land area and value to multi-decade lows.

Future new-home supply will increasingly concentrate in T1 and selected T2 cities, as the contraction in land sales is concentrated in lower-tier cities: 9M26 land sales fell 31%yoy in T2 and 24% in T3/4 cities, vs 14% increase in T1 cities.

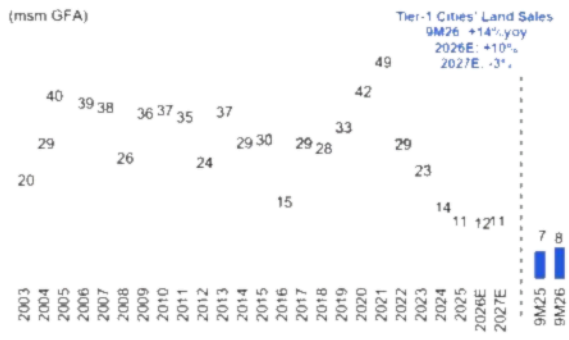
Figure 37. 300 Cities' Residential Land GFA Sold



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Source: CREIS, Citi Research estimates (CREIS 300-cities land sales in GFA)

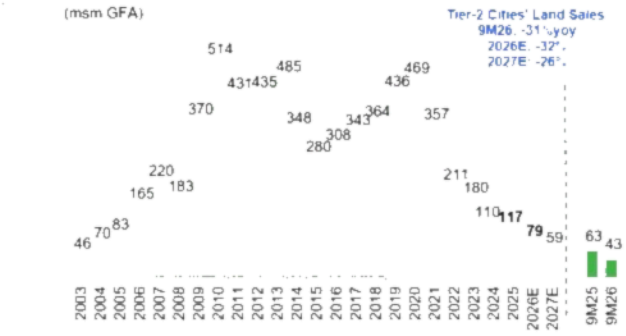
Figure 38. Tier-1 Resi Land Sales by GFA (msm)



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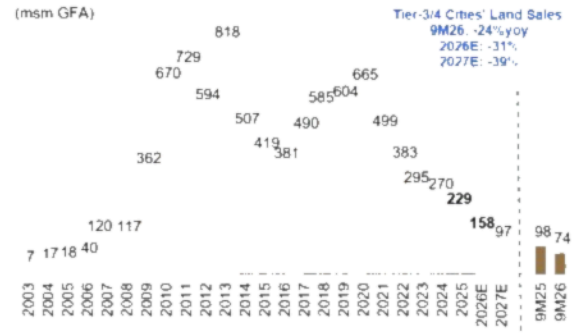
Source: CREIS; Citi Research estimates (CREIS 300-cities land sales in GFA)

Figure 39. Tier-2 Resi Land Sales by GFA (msm)



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Source: CREIS; Citi Research estimates (CREIS 300-cities land sales in GFA)

Figure 40 Tier-3/4 Resi Land Sales by GFA (msm)



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Source: CREIS; Citi Research estimates (CREIS 300-cities land sales in GFA)

Figure 41. 300-City Land Sales Decline Concentrated in Tier-2 and Tier-3/4 Cities

Land Sales by GFA - YTD				
mn sqm	300 Cities	Tier-1	Tier-2	Tier-3/4
Sep-26	21.1	1.2	7.7	12.2
Sep-26 YoY	*-35.5%*	*180.0%*	*-27.1%*	*-43.8%*
Aug-26	16.7	1.4	4.4	10.9
Aug-26 YoY	*2.6%*	*387.9%*	*-2.0%*	*-5.4%*
9M26	125	8	43	74
9M25	167	7	63	98
9M26 YoY	**-25.2%**	**14.0%**	**-31.2%**	**-24.1%**
2025	357	11	117	229
2024	394	14	110	270
2025 YoY	**-9.3%**	**-22.7%**	**6.1%**	**-15.0%**

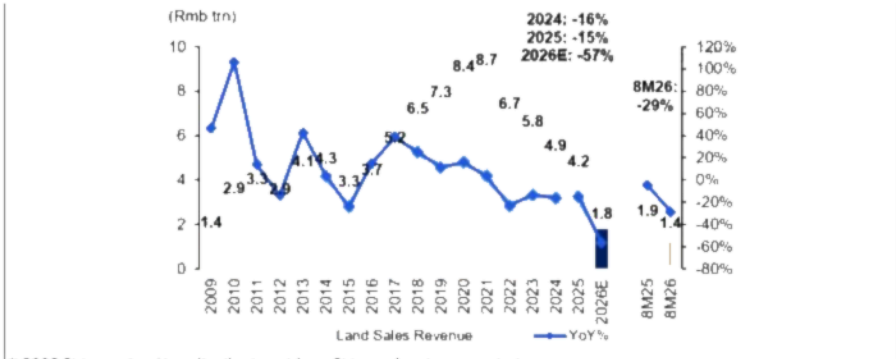
Average Land Premium % over Base Price - YTD				
Rmb/sqm	300 Cities	Tier-1	Tier-2	Tier-3/4
Sep-26	7.8%	13.8%	6.3%	1.8%
Sep-26 YoY	*4.4ppt*	*-0.1ppt*	*4.1ppt*	*-0.1ppt*
Aug-26	8.3%	11.4%	9.0%	2.1%
Aug-26 YoY	*1.9ppt*	*-14.3ppt*	*6.6ppt*	*-2ppt*
9M26	9.7%	16.3%	8.7%	3.0%
9M25	10.0%	15.1%	11.1%	3.5%
9M26 YoY	**-0.3ppt**	**1.2ppt**	**-2.4ppt**	**-0.6ppt**
2025	8.1%	12.8%	8.7%	3.2%
2024	4.3%	6.5%	4.9%	2.3%
2025 YoY	**3.9ppt**	**6.2ppt**	**3.9ppt**	**0.8ppt**

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Source: CREIS, Citi Research estimates

Land sales falling to Rmb1.5trn in '27E (-20%yoy; peak: Rmb8.7trn)

Government land sales revenue is forecast to fall 20%yoy to Rmb1.5trn in 2027E, only 17% of the Rmb8.7trn peak in 2021. Following declines of 16% in 2024, 15% in 2025 and 28.6%yoy in 8M26, the prolonged contraction reflects developers' continued capex cuts and structurally weaker land demand. This will further reduce future new-home supply while intensifying local government fiscal pressure and reliance on central transfers.

Figure 42. Government Land Sales Revenue: -29%yoy in 8M26



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Source: MoF, Citi Research estimates

(2) New home supply

Structural supply reduction under the new development model

The property sector is entering a structural supply downcycle, with land acquisitions forecast to fall 30%yoy in 2026E and 33% in 2027E, followed by declines in new starts of 26% and 21%, respectively. By 2027E, land sales and new starts should return to 2005 and 2001 levels, while completions fall back to the 2001-02 level. Supply-side activity is contracting much faster than residential sales, which are forecast to decline 14% in 2026E and 11% in 2027E.

This reflects more than cyclical weakness. Under the new development model, tighter developer funding, completed-home sales and greater focus on inventory digestion require more disciplined land acquisition and construction. With lower future saleable supply and sales, the supply correction could facilitate destocking and help gradually restore demand-supply balance in core cities.

Figure 43. Downward Spiral from Land to Starts to Sales to Completion

YoY (%)	2020	2021	2022	2023	2024	2025	9M26	2026E	2027E
Land Area acquired*	-1.1%	-15.5%	-53.4%	-21.0%	-20.9%	-9.6%	-28.6%	-30.0%	-33.0%
GFA starts (resi)	-1.9%	-10.9%	-40.2%	-20.9%	-22.9%	-19.8%	-19.3%	-25.5%	-20.5%
GFA Sold (resi.)	3.2%	1.1%	-34.0%	-8.2%	-14.1%	-9.2%	-7.0%	-14.2%	-10.8%
GFA Completed (resi)	-3.1%	10.8%	-15.4%	17.2%	-27.4%	-20.2%	-18.9%	-26.8%	-22.0%
GFA under construction (resi)	4.4%	5.3%	-7.3%	-7.7%	-13.1%	-10.3%	-9.7%	-13.5%	-18.0%

Note: *Land Area acquired based on NBS national data in 2019-2022; changed to CREIS 300-city residential land data for 2023-26E due to suspended NBS data disclosure

Source: NBS, CREIS, Citi Research estimates

Figure 44. Property Key Matrix & Comparison to Similar Level in History, by GFA



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Source: NBS, CREIS, Citi Research estimates

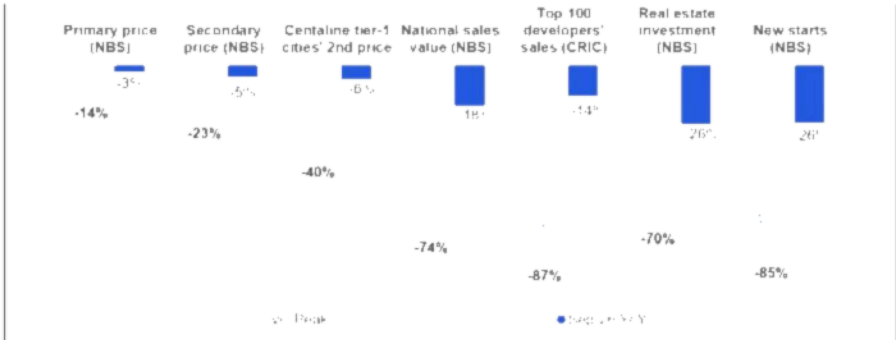
Figure 45. Property Key Matrix & Comparison to Similar Level in History, by value



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Source: NBS, CREIS, Citi Research estimates

Figure 46. New Home Investments Deteriorating, while Home Price in Key Cities Started to Stabilize

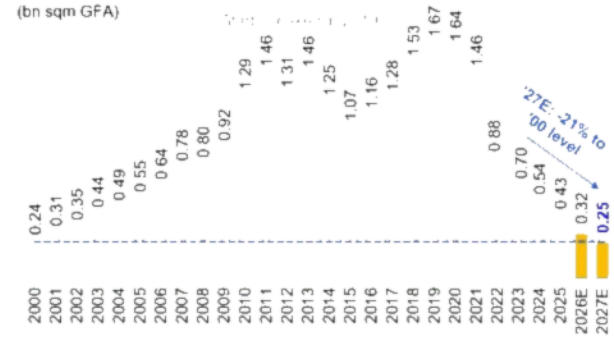


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Source: NBS, Citi Research Estimates

Starts declining by another 20-30% in two years, so as completions

Residential new starts are forecast to fall 26%yoy in 2026E and 21% in 2027E, reaching 255mn sqm, around the 2000-01 level and 85% below the 2019 peak.

Figure 47. Resi GFA Starts: '27E -21%yoy (c.2000/01 level)



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Source: NBS, Citi Research estimates

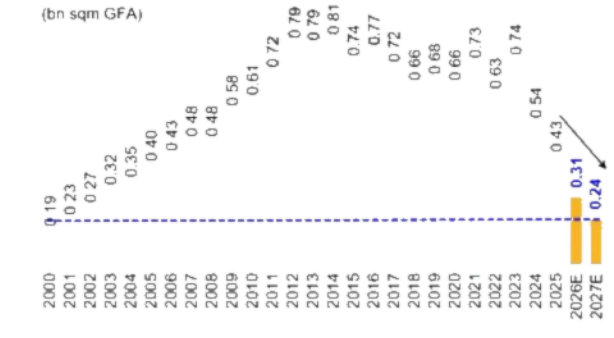
Figure 48. Residential GFA Starts: -26%/-21% in '26E/27E



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Source: NBS, Citi Research estimates

Completions is expected to also decline 27%yoy in 2026E and 22% in 2027E, falling to 245mn sqm in 2027E, around the 2001-02 level.

Figure 49. Resi GFA Completion: Back to 2001-02 Level



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Source: NBS, Citi Research estimates

Figure 50. Residential GFA Completion YoY Change



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Source: NBS, Citi Research estimates

(3) New home inventory

Inventory area -6%yoy

Broad-based new-home inventory across 80 cities has reduced 6%yoy by Sep'26, reaching 18% below the 2014-15 peak, as the sharp contraction in land purchases and new starts supports continued destocking.

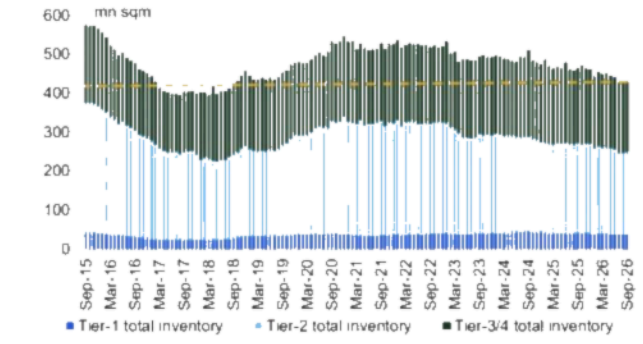
However, weak sales have pushed inventory months to 36 months, versus the historical average of 17 months, with pressure concentrated in T3/4 cities at 48 months. Inventory pressure is therefore increasingly a lower-tier-city issue, while T1 cities are closer to a sustainable demand-supply balance.

Among 26 selected cities, data shows that meaningful new-home inventory absorption has occurred in absolute GFA terms, as the supply shrinkage took place faster than demand normalization. Cumulative primary sales exceeded new supply by 122m sqm net absorption achieved during 2021-8M26.

T1-city inventory of 22 months is not high

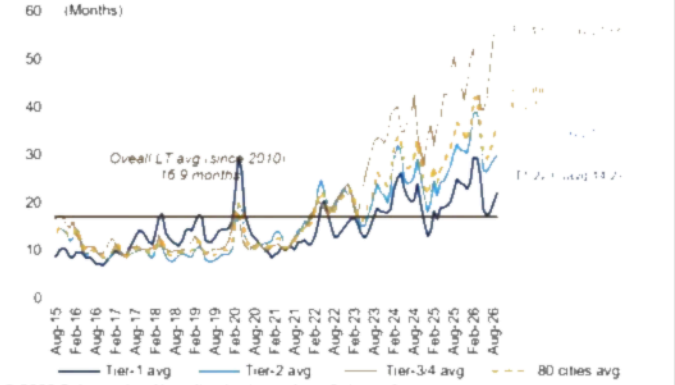
We want to highlight that comparisons with historical average levels are no longer relevant under completed home sales system, given a 24-month construction lead time. Hence, we regard T1-cities' new home inventory of 22 months as relatively manageable.

Figure 51. 80-City Inventory GFA Trends Down: decline in broad-based Inventory (Sep-26: 18% below '14/15 peak)



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Source: CRIC; Citi Research Note: CRIC broad-based inventory = unsold new home with pre-sales approval (completed or under construction) for 80 cities

Figure 52. 80-City Inventory Months (based on 3-months moving avg sales)



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Source: CRIC; Citi Research Note: CRIC broad-based inventory = unsold new home with pre-sales approval (completed or under construction) for 80 cities

Figure 53. Primary House Supply Demand Dynamics by GFA in 26 Cities

(000 sqm)		2023-8M26			2021-8M26		
City	City 城市	Total GFA Supply 一手房供应面积 a	Total GFA Sold 一手房成交面积 b	Demand - Supply 一手房供需关系 c=b-a	Total GFA Supply 一手房供应面积 e	Total GFA Sold 一手房成交面积 f	Demand - Supply 一手房供需关系 g=f-e
Chongqing	重庆	10,728	37,612	26,884	53,617	88,245	34,628
Qingdao	青岛	13,950	25,077	11,126	36,479	50,815	14,335
Shenyang	沈阳	7,623	13,707	6,084	20,164	33,833	13,669
Tianjin	天津	21,526	26,133	4,606	40,032	47,177	7,145
Jinan	济南	13,073	15,692	2,619	27,631	34,106	6,475
Changchun	长春	7,556	11,828	4,272	17,232	23,680	6,448
Zhenjiang	镇江	2,821	6,743	3,922	9,394	14,893	5,499
Changsha	长沙	20,854	23,614	2,760	50,697	56,132	5,435
Chengdu	成都	41,691	45,758	4,066	71,821	76,637	4,816
Suzhou	苏州	10,873	12,886	2,013	24,835	29,021	4,185
Wuhan	武汉	21,543	25,870	4,327	52,121	56,098	3,977
Zhaoqing	肇庆	4,344	6,566	2,222	11,264	15,091	3,827
Beijing	北京	14,738	17,001	2,264	29,649	33,448	3,800
Dalian	大连	3,344	5,799	2,454	10,361	13,843	3,483
Hangzhou	杭州	24,440	26,413	1,973	55,862	59,240	3,378
Hefei	合肥	10,237	11,205	968	22,740	25,575	2,835
Guangzhou	广州	21,655	25,461	3,806	44,703	46,608	1,904
Nanjing	南京	11,530	14,601	3,071	33,389	35,115	1,726
Nanning	南宁	8,062	9,821	1,758	17,984	19,437	1,453
Fuzhou	福州	4,498	4,932	434	10,632	11,973	1,341
Wenzhou	温州	9,223	9,878	654	21,497	22,547	1,049
Xiamen	厦门	4,950	5,314	363	9,852	10,721	869
Shanghai	上海	23,189	21,876	(1,314)	43,430	42,579	(850)
Shantou	汕头	5,447	6,879	1,433	15,016	14,034	(981)
Dongguan	东莞	5,980	6,534	554	15,745	14,491	(1,253)
Shenzhen	深圳	15,211	14,037	(1,174)	27,589	24,117	(3,472)
Xi'an	西安	27,364	25,468	(1,896)	45,734	41,979	(3,756)
Combined (27 Cities)		366,451	456,702	90,250	819,470	941,434	121,963

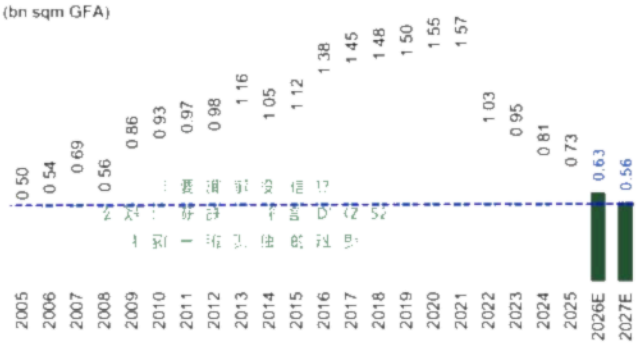
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Source: CRIC, Citi Research estimates Note: Blue highlighted are "top-10" cities

(4) New home demand

GFA sold retreating to 0.56bn sqm GFA (2005-08: avg.0.57bn)

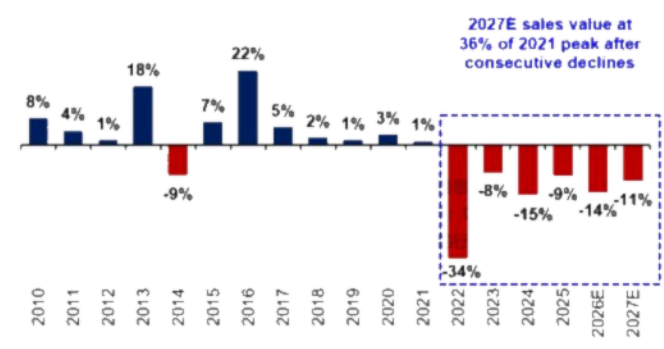
New-home GFA sold is forecast to decline 14% in 2026E and 11%yoy in 2027E to 0.56bn sqm, returning to the 2005-08 level and only 36% of the 2021 peak.

Figure 54. '26E Resi GFA Sold Declines Back to ~2007 Level



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Source: NBS; Citi Research estimates

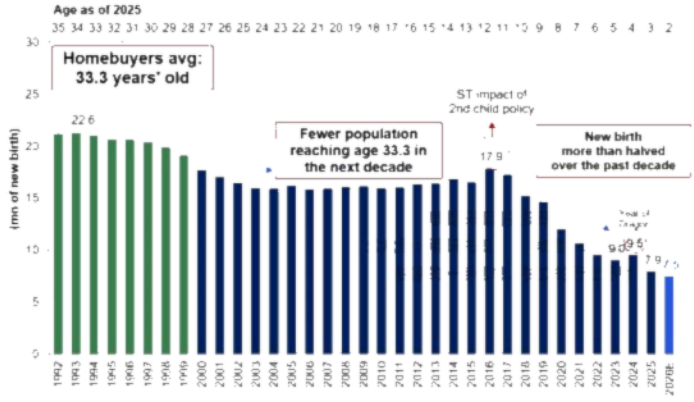
Figure 55. Residential GFA Sold YoY: -11% in 2027E



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Source: NBS; Citi Research estimates

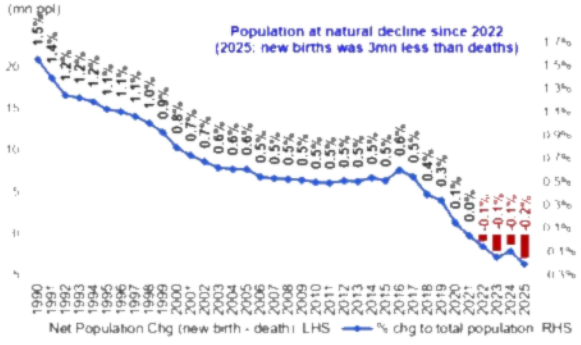
Structural demand is weakening due to fewer marriages (1H26: -7.5%yoy) and births (2026E: 7.5mn, down 58% from the previous high in 2016 of 17.9mn), population decline (2025 actual: fall by 3mn or 0.2%yoy decline) and subdued national price expectations (except a few core cities), while increasing buyer preference for secondary homes further reduces primary demand.

Figure 56. New Births Have Declined Since the 1990s; Est. 7.5mn in 2026E



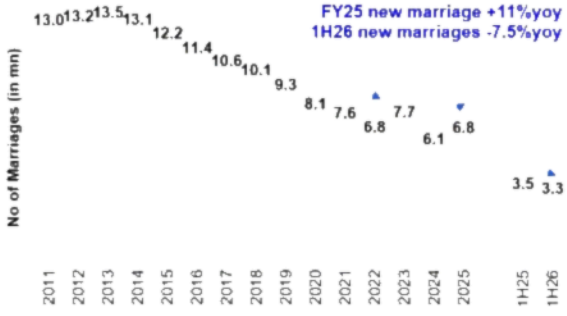
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Source: NBS, Beike, Citi Research estimates
Note: homebuyers on average aged 33.3, per Beike's 2021 report on housing consumption in 35 key cities in China

Figure 57. Net Population Decline (new birth < death)



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Source: NBS, Wind, Citi Research

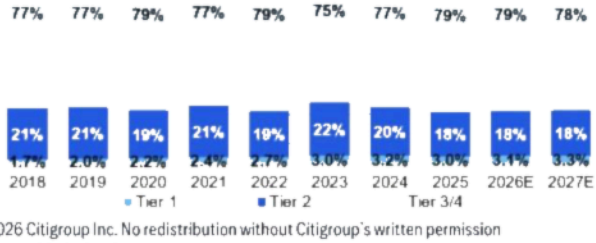
Figure 58. Less New Marriages



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Source: NBS, Wind, Citi Research

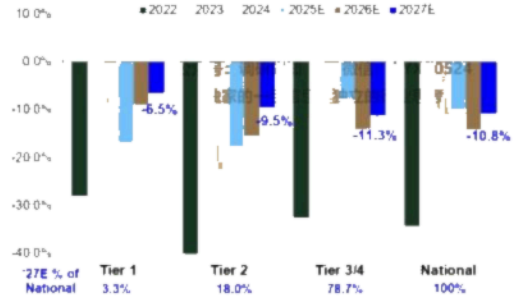
Upgrade demand should remain resilient, particularly in higher-tier cities, but new-home sales will increasingly concentrate in quality projects and locations with stronger population and economic fundamentals.

Figure 59. Residential New Home GFA Sold by City Tier



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Source: CRIC; Citi Research estimates

Figure 60. Residential GFA Sold YoY by City Tiers



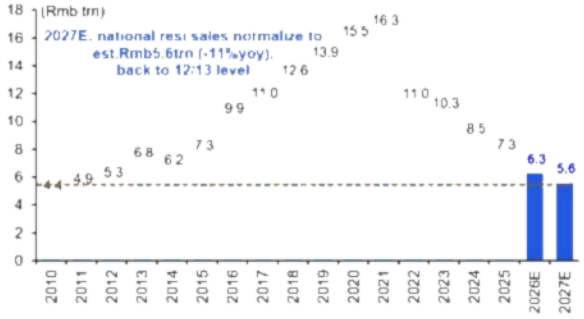
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Source: CRIC; Citi Research estimates

Residential new home sales: est. Rmb5.6 trn (-11%yoy) in 2027E

Residential new-home sales are forecast to decline 11%yoy to Rmb5.6trn in 2027E, returning to the 2012-13 level. The decline reflects both structurally lower supply and continued pressure from weak price expectations, particularly in lower-tiers.

The market will become increasingly polarized. T1-city sales value is expected to recover 3%yoy in 2027E as sales volume stabilizes at c.21mn sqm. New-home activity is therefore expected to increasingly concentrate in higher-tier cities with tighter supply, stronger demand and better pricing power.

Figure 61. Residential Sales Value: Est.Rmb5.6trn in 2027E



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Source: NBS; Citi Research estimates

Figure 62. Residential Sales Value YoY: -11% in 2027E



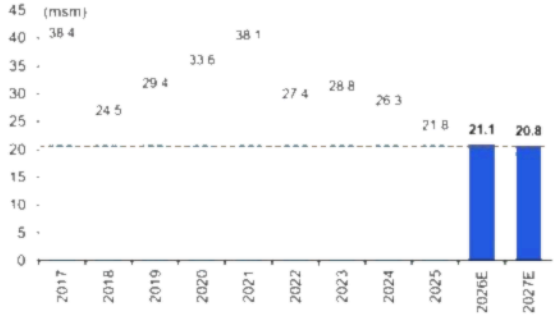
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Source: NBS; Citi Research estimates

Figure 63. National Residential Sales Forecasts by City-Tier

		Absolute Amount			YoY Change	
		2025	2026E	2027E	2026E	2027E
National Residential						
GFA	msm GFA	733	629	561	-14.2%	**-10.8%**
ASP	RMB psm	10,005	9,993	9,979	-0.1%	**-0.1%**
Sales	RMB 'bn	7,334	6,285	5,598	-14.3%	**-10.9%**
Tier-1 cities						
GFA	msm GFA	22	21	21	-3.5%	**-1.5%**
ASP	RMB psm	56,354	56,354	58,929	0.0%	**4.6%**
Sales	RMB 'bn	1,230	1,187	1,223	-3.5%	**3.0%**
Tier-2 cities						
GFA	msm GFA	132	123	117	-7.0%	**-4.5%**
ASP	RMB psm	15,604	15,403	15,967	-1.3%	**3.7%**
Sales	RMB 'bn	2,055	1,887	1,868	-8.2%	**-1.0%**
Tier-3/4 cities						
GFA	msm GFA	579	485	423	-16.2%	**-12.8%**
ASP	RMB psm	6,986	6,615	5,923	-5.3%	**-10.5%**
Sales	RMB 'bn	4,048	3,211	2,507	-20.7%	**-21.9%**

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Source: NBS, CRIC, Citi Research Estimates

Figure 64. Tier-1 Cities Residential GFA Sold: stabilizing at 20-21mn sqm

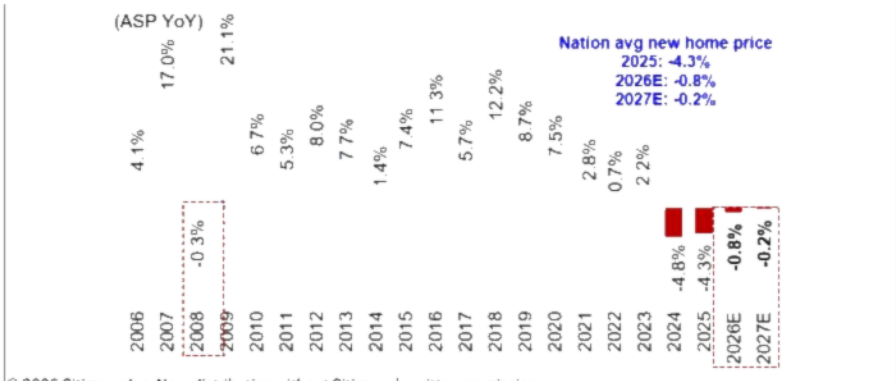


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Source: NBS, CRIC, Citi Research Estimates

New home ASP: cushioned by sales concentration in high-tier cities, core city-centre areas & mid/high-end products

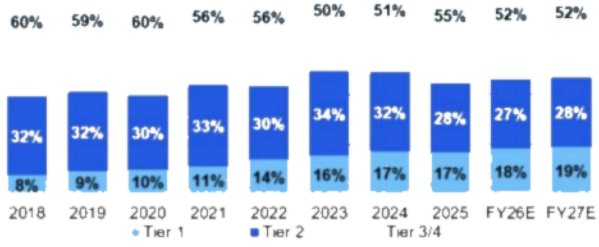
National blended average residential ASP -3.6%/-2.6% in '25/26E, given (a) city mix upgrade to higher-tier cities (T1/2: 48% of '26E sales value, +3pts yoy), (b) within each city, sales more concentrated in city-center areas (while slow sell-through for sub-urban projects with lower ASP); (c) product mix transit to tailor mid-to-high-end upgrade/premium demands.

Figure 65. National New Home Prices at Narrower Decline in 2026/27E Given Sales Mix Skew to High-tier Cities



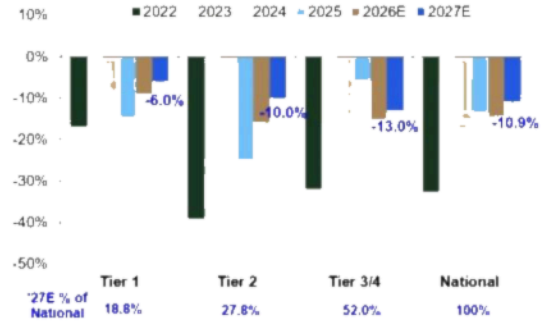
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Source: NBS, CRIC, Citi Research Estimates

Figure 66. Residential New Home Sales Value by City Tier



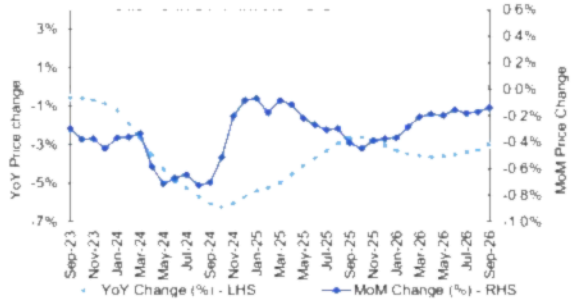
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Source: CRIC; Citi Research estimates

Figure 67. Residential Sales Value YoY by City Tiers



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Source: CRIC; Citi Research estimates

Figure 68. *Primary* Price Index of NBS 70 Cities



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Source: NBS, Citi Research

Figure 69. *Primary* Price Index by Tier of NBS 70 Cities

Primary Market NBS 70 Cities ASP - MoM				
	70 Cities	Tier-1	Tier-2	Tier-3/4
Sep-26	**-0.1%**	**0.1%**	**-0.1%**	**-0.2%**
Aug-26	-0.2%	0.0%	-0.1%	-0.3%
Jul-26	-0.2%	0.2%	-0.1%	-0.3%
Jun-26	-0.2%	0.1%	-0.1%	-0.3%
May-26	-0.2%	0.1%	-0.1%	-0.3%
Apr-26	-0.2%	0.2%	-0.2%	-0.3%
Sep-26 vs. peak	**-14.1%**	**-6.4%**	**-10.8%**	**-18.1%**
ASP peak month	**Aug-21**	**Jun-23**	**Sep-21**	**Aug-21**

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Source: NBS, Citi Research

(5) REI decline to widen on capex cuts

REI decline more than sales retreat as completed-home sales lengthen the cash-conversion cycle

REI is forecast to fall 23%yoy to Rmb6.4trn in 2026E and a further 24%yoy to Rmb4.9trn in 2027E. The positive sales-to-investment gap reflects the sector's extended cash-conversion cycle as the shift towards completed-home sales requires developers to commit more capital to sustain the same volume. We believe a slower asset turn would lead to a more cautious appetite for new investment.

Figure 70. 2027E REI at Rmb4.9trn < sales of Rmb6.4trn



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Source: NBS, Citi Research estimates.

Figure 71. Property Sales (Rmb6.4trn) Higher than REI (Rmb4.9trn) by Rmb1.5trn in 2027E



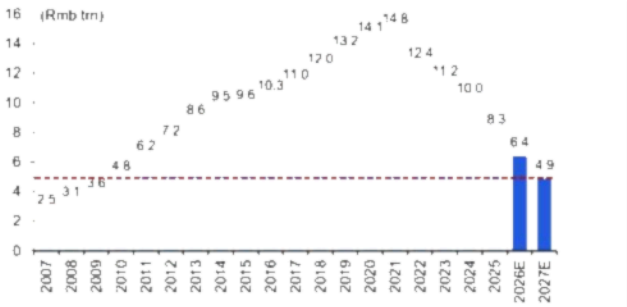
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Source: NBS, Citi Research estimates

Figure 72. REI YoY under pressure (Sep 26, -20.6%yoy)



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Source: NBS, Citi Research estimates.

Figure 73. REI absolute amount in downcycle

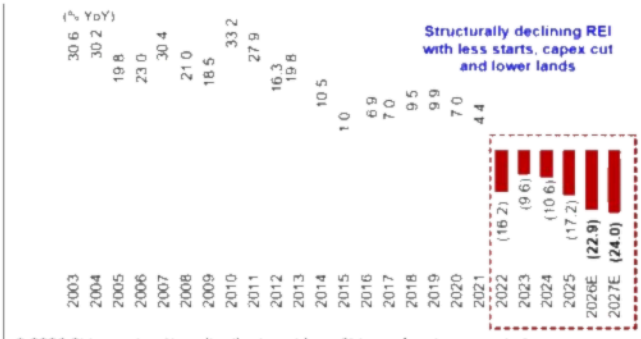


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Source: NBS, Citi Research estimates

Capex cut on 15-year low construction area

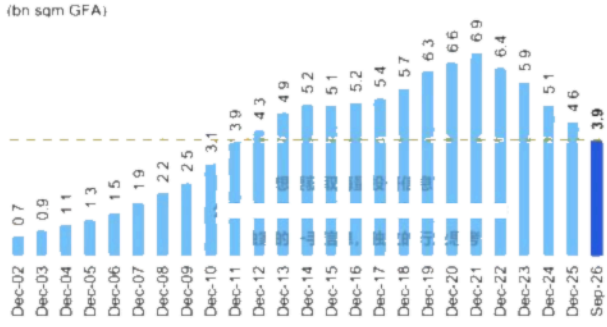
Capex decline with less area under construction: Sep'26 area under construction returned to the 2011 level. REI -24%yoy in 2027E, after -23% in 2026E, on capex cuts (-18%) and weak land purchase (-35%).

Figure 74. REI Structurally Lower; -24%yoy in 2027E



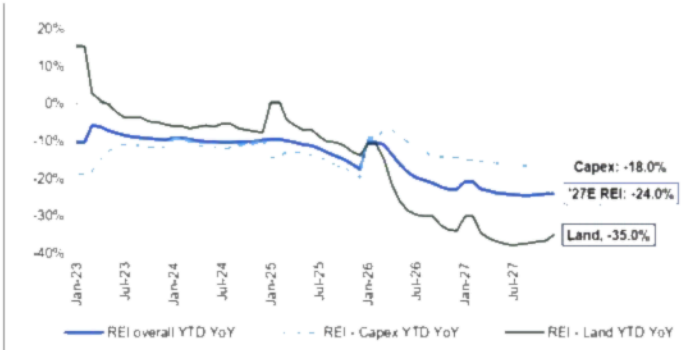
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Source: NBS; Citi Research estimates

Figure 75. National Residential GFA under Construction: 3.9bn sqm GFA by Sep 2026 (incl. sold & unsold)



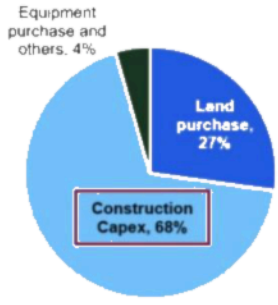
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Source: NBS, Wind, Citi Research estimates

Figure 76. Real Estate Investment by Categories (YTD YoY)



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Source: NBS, Wind, Citi Research estimates

Figure 77. REI Composition (2026E)



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Source: NBS, Citi Research

IV. Top-10 Cities: Where Outperformance is Concentrated

Top-10 cities are more relevant in analyzing underlying market for listed names

Only prices & volume in top-10 cities matter for listed names: Nationwide, we see a prolonged recovery of 2 years+ (36-month new home inventory) with a bumpy path. That said, we are positive on top-10 cities.

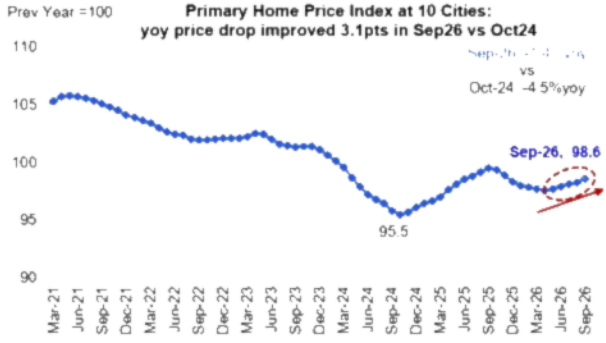
Top-10 cities' property price declines are narrowing

Figure 78. Top-10 Cities' *Primary* Price: Flattish MoM Growth in Sep26 (NBS primary price index of 10 cities)



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Source: NBS, Citi Research

Figure 79. Top-10 Cities' *Primary* Price: YoY Price Decline Narrowed 3.1pts in Sep26 vs Oct24 (NBS primary price index of 10 cities)



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Source: NBS, Citi Research

Figure 80. Top-10 Cities' *Secondary* Price: MoM Growth Flat in Sep-26 (NBS secondary price index of 10 cities)



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Source: NBS, Citi Research

Figure 81. Top-10 Cities' *Secondary* Price: Less YoY Drop Since Jan26 (NBS secondary price index of 10 cities)



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Source: NBS, Citi Research

Top-10 cities' sales -10%yoy (sector: -16%; national -14%)

- Top-10 cities' sales fell 10%yoy, but three cities were at growth (Shenzhen, Xiamen, Tianjin), and Beijing & Guangzhou were flattish.
- Outperformance of top-10 cities is a key reason behind listed names' concentrated land purchase in these areas.

Figure 82. New Home Sales Value in Key Cities: Top-10 cities -10% yoy in 9M26

Rmb bn	2018	2019	2020	2021	2022	2023	2024	2025	9M24	9M25	9M26	9M26 vs. 9M25	9M26 vs. 9M24
Shanghai 上海	345	419	521	584	652	609	531	446	372	351	262	-25%	-30%
Beijing 北京	198	324	344	479	376	389	285	275	192	219	218	0%	14%
Shenzhen 深圳	193	259	290	367	279	262	322	257	158	187	210	12%	33%
Guangzhou 广州	219	271	336	419	305	329	303	254	192	183	184	0%	-4%
Hangzhou 杭州	352	361	466	688	383	405	259	215	174	164	147	-10%	-15%
Chengdu 成都	203	198	245	312	283	367	272	220	170	176	112	-37%	-34%
Tianjin 天津	197	220	211	219	142	177	148	117	99	88	95	8%	-5%
Xi'An 西安	235	190	162	152	138	196	150	117	108	90	79	-12%	-27%
Xiamen 厦门	33	56	96	135	75	87	59	46	33	38	41	9%	26%
Hefei 合肥	159	130	151	157	110	108	63	57	51	44	39	-11%	-23%
Top 10 Cities	**2,104**	**2,429**	**2,821**	**3,512**	**2,743**	**2,928**	**2,392**	**2,004**	**1,549**	**1,540**	**1,388**	**-10%**	**-10%**
Wuhan 武汉	164	277	272	332	169	183	130	94	73	67	66	-1%	-8%
Nanjing 南京	198	248	263	367	255	186	128	91	78	66	66	-1%	-16%
Chongqing 重庆	303	271	247	371	149	139	112	95	73	90	59	-35%	-20%
Suzhou 苏州	171	229	224	233	187	159	110	74	109	57	54	-5%	-50%
Total 14 cities	**2,940**	**3,454**	**3,827**	**4,814**	**3,503**	**3,596**	**2,873**	**2,358**	**1,881**	**1,820**	**1,633**	**-10%**	**-13%**

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Source: CRIC, Citi Research Estimates Note: top-10 cities are selected based on listed names' land acquisition in 2025-1H26

V. New Development Model & Policy: Downside Supports & Expectation Revive

New development model taking shape

- **1. One fundamental objective: better housing for the people**
  - Anchor development on enabling people to live securely and comfortably
  - Shift the focus from development scale towards meeting genuine housing needs
- **2. Two complementary housing systems**
  - Improve both the market-based and the affordable housing systems, with clearer and complementary roles
  - Develop commodity housing alongside public rental, affordable rental and subsidized ownership housing
  - Promote a housing system covering both home purchases and rentals
- **3. Three foundational institutional reforms**
  - Project-company system: strengthen project-level accountability and ring-fence project funds
  - Main-bank system: designate a lead bank to oversee project financing and support construction and delivery
  - Completed-home sales system: gradually promote sales after completion; for presale projects, tighten control over presale proceeds
- **4. Four-factor demand-based linkage mechanism**
  - Coordinate population, housing, land and funding through a "people–housing–land–funding" linkage mechanism
  - Determine housing supply based on population and actual demand, land supply based on housing needs, and financing based on development requirements
  - Shift from land-driven expansion towards demand-led development and more efficient resource allocation

Additional Elements:

- **5. Full-life-cycle housing management**
  - Cover both new construction and the upgrading of existing housing
  - Increase the role of urban renewal and management of existing stock

Figure 83. China Property New Development Model

“1234” 新发展模式 · New Development Model Taking Shape



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Source: State Council, Ministry of Housing, Ministry of Finance, Citi Research

Completed home sales: the "third revolution" for property

We view the completed-home sales policy as the third revolution in China's property sector, following the abolition of welfare housing allocation in 1998 and the introduction of the land tender-auction-listing system in 2002. China has adopted the pre-sales model since 1998 for more than 28 years.

Reshaping China's property development model; a comprehensive property reform package on sales, credit & capital market: We view the new policies as a comprehensive reform package rather than a single issuance, comprising three foundational systems and five supporting documents. At its core, the framework introduces the completed-home sales system, project company system and lead-bank system, representing a key step toward establishing China's new property development model.

Quantifying policy impacts before mitigating measures

- (I) **Physical market**:
  - 1) Expect new home volume & new starts to be down 30% with a supply squeeze aggregately in '27-28E given lengthened launch cycle from 6 months to 1.5-2 years. This may support home prices at core cities.
  - 2) buying power channeled into secondary market in '27E & new homes compete only (with each other & with secondary homes) on products (product quality, product diversification, etc.; no longer compete on delivery timing, as now new homes have to be sold as a completed product).
  - 3) land premium to be settled by installment to local government to avoid land sales revenue collapse.
  - 4) land sales revenue to Rmb1.8trn in '26E (25: Rmb4.1trn).
- (II) **Industry landscape**: accelerating formation of an oligopolistic market. The longer cash conversion (from 6–8 months to 10–18 months) raises entry barriers.
- (III) **Property firms**:
  - Earnings could shrink by 8-17%, with DP NPM lowering from 6% to 4%, and IRR from c.20-25% to 3-7%, before any reset in land price given more finance cost incurred.
  - Developers may need to invest 70-120% more of their own capital to maintain a similar sales scale due to slower asset turn.
  - ROE drag and higher cost of capital.
- (IV) **Home buyers**: an extension of mortgage tenors to 40 years from 30 years could increase the total interest payments by 39%, on our estimate.

Figure 84. Quantify Impact from "8.28" New Policy Package Before Mitigating Measures

IMPACT ON PHYSICAL MARKET

New home volume & new starts down 30%

LAUNCH CYCLE

BEFORE
6 months

AFTER POLICY
1.5 - 2 years

SALES

NEW HOME SALES VOLUME 2H26F
-30%

NEW STARTS 2H26F
-30%

CORE CITY HOME PRICES
↑ Supported

IMPACT ON DEVELOPERS

Accelerating formation of an oligopolistic market

MARKET STRUCTURE SHIFT

Oligopoly Forming	Capital Barrier Rises	Quality Differentiates
Fewer players	+70-120% capital	Quality premium
Scale wins	Slower turn	Brand matters

IMPACT ON DEVELOPER FIRMS

Cash collection cycle lengthen to 2-3 years

KEY METRICS — BEFORE VS AFTER

METRIC	BEFORE	AFTER
Cash Conversion Cycle	6-12 months	2-3 years
DP Net Profit Margin	~6%	~4%
Project IRR	~20-25%	~3-7%
Earnings	Base	~8-17%
Own capital to maintain contracted sales scale	Base	+70-120%

KEY INTERNAL AREAS

[1] Ample landbanking in 25/1H26, strong B/S and low funding costs	COLI CRL
[2] Secondary agency biz	Beike
[3] High % of completed home sales	COGO
[4] Quality products	Jinmao
Negative for those under a high turnover model	Negative

IMPACT ON HOME BUYERS

Extension of mortgage tenors to 40 years from 30 years

Loan: RMB 10,000,000 Rate: 2.90% LPR: 3.50% Spread vs. LPR: 0.60%

Mortgage Payment Changes	30 Years	40 Years	Δ
Monthly Payment (RMB)	41,623	35,225	-15%
Annual Payment (RMB)	499,476	422,694	-15%
Total payment over mortgage (RMB)	14,984,279	16,907,777	+13%
Total interest (RMB)	**4,984,279**	**6,907,777**	**+39%**
Change in monthly payment (RMB)	—	(6,398)	-18.2%

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Source: Citi Research Estimates

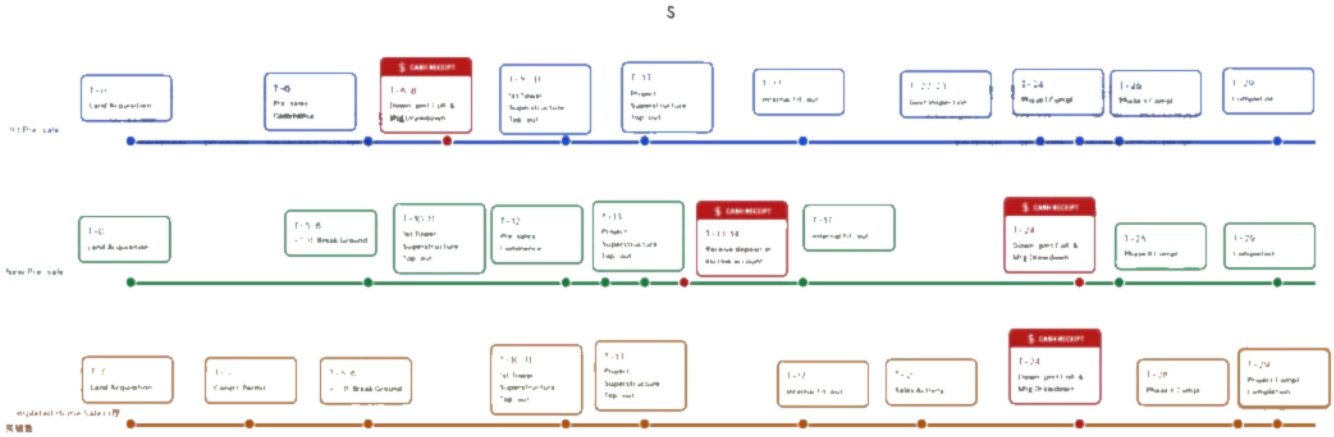
Demand side: rebuild expectation & unlock upgrade demands

- Restoring confidence and unlocking upgrade demand
  - What you see is what you get: buyers can inspect the completed unit, product quality, views and community facilities before purchase
  - Lower delivery risk: removes uncertainty over construction delays, unfinished projects and differences between promised and delivered quality
  - Greater price transparency: buyers can compare completed new homes directly with secondary homes, facilitating more rational pricing
  - Shorter decision cycle: immediate delivery reduces the need to wait several years between purchase and occupancy
  - Better suited to upgraders: certainty over product and delivery encourages existing homeowners to sell and upgrade
  - Restores buyer confidence: the industry shifts from selling expectations to selling completed products

Supply side: the second round of supply-side reform

Timeline for pre-sales vs. completed home sales: an illustration

Figure 85. Property Development and Sales Timeline for Pre-Sales vs. Completed Home Sales



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Source: Citi Research estimates

Longer cash conversion cycle and lower returns

The new PBOC & NFRA financing framework requires disbursement of mortgage proceeds after project completion filing. Thus, regardless of whether a project is eligible for pre-sales (decided by MOHURD), cash collection will only take place upon completion (decided by PBOC & NFRA).

Impact on property firms

The policy could reduce earnings by 8-17%, bring down DP NPM to 4% from 6%, and project IRR from c.20-25% to 3-7%, before any reset in land price. IRR is likely no longer a threshold in deciding new investments. If DP NPM falls below 5%, we est. its ROIC would be comparable to IP. With equity multiplier capped by Three Red Lines (since 2020) and asset turnover limited by completed-home sales, NPM becomes the only meaningful swing factor for ROE now, in our view.

To offset profit impact, home prices would have to rise by ~7%; to offset ROE impact, it has to rise more than 40%.

To achieve a similar sales scale, developers may need to invest 70-120% more of own capital, or increase operating leverage by relying on suppliers' balance sheet.

Noting cash outflows are primarily driven by land and capex, with land costs representing a higher proportion in T1 cities while capex at a larger share in T3/4 cities, we believe slower asset turnover would have a greater impact on both the magnitude and timing of cash outflows for projects in T3/4 cities. However, as many T3/4 cities are already selling completed homes due to the inventory issue, the actual impact on sales volumes is likely more limited.

- **Key beneficiaries**
  - [1] names with ample landbanking in '25/1H26, strong B/S and low funding costs: COLI, CRL, etc;
  - [2] secondary agency biz: Beike;

– [3] high % of completed home sales: COGO;

– [4] quality products: Jinmao.

■ Negative for those under a high turnover model.

Figure 86. Citi Estimate Project Economics Under Three Sales Model (Assuming 3.5% Financing Cost for SOEs)

METRIC	[illegible] Pre-sales	[illegible] New Pre-sales	[illegible]
Gross Margin	13.50%	12.49%	11.49%
Net Margin	6.00%	4.99%	4.49%
Internal Rate of Return	22.76%	7.42%	2.67%
Peak Cash Outflow	-RMB0.8bn	-RMB1.8bn	-RMB1.8bn
Peak Cash Outflow Time	Month 3	Month 9	Month 25
Sales Start Time	Month 4	Month 10	Month 26
Cash Flow Turnaround Time	Month 7	Month 14	Month 30

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Source: Citi Research Estimates

Figure 87. Citi Estimate Project Economics Under Three Sales Model (Assuming 6.5% Financing Cost for non-SOEs)

METRIC	[illegible] Pre-sales	[illegible] New Pre-sales	[illegible]
Gross Margin	12.64%	10.77%	8.91%
Net Margin	5.14%	3.27%	1.34%
Internal Rate of Return	20.19%	4.98%	1.40%
Peak Cash Outflow	-RMB0.8bn	-RMB1.8bn	-RMB1.8bn
Peak Cash Outflow Time	Month 3	Month 9	Month 25
Sales Start Time	Month 4	Month 10	Month 26
Cash Flow Turnaround Time	Month 7	Month 14	Month 30

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Source: Citi Research Estimates

Figure 88. Impact of the Completed Sales Policy Across Different Tier Cities

CITY TYPE 城市类型	SECONDARY / PRIMARY RATIO 二手/新房倍数	INVENTORY PERIOD & COMPLETED HOME RATIO 去化周期与现房占比
Tier-1 Cities	High Shanghai 4.0x, Beijing 3.6x	● Tight Short inventory period; high completed home share
Strong Tier-2	Medium-High Suzhou, Hefei, Chengdu ~2x	● Bifurcated Core vs. periphery divergence; highest intra-city spread
Ordinary Tier-2 & Mid-Tier	Low Most cities below 1.5x	● Extended Prolonged inventory period; inventory pressure accumulating
Tier-3 & Tier-4	Very Low New supply demand-driven	● Long Passively high completed home share; structurally elevated inventory

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Source: Citi Research estimates

Figure 89. Land Sales, Secondary Sales and Primary Sales by City Tier

CREIS (300 Cities)

Land Sales By GFA (mn sqm)	8M26	YoY
Tier 1	6.5	2.8%
Tier 2	35.4	-32.3%
Tier 3&4	61.2	-19.4%
Total	103.2	-23.4%
Land Sales By Transaction Value (Rmb bn)	**8M26**	**YoY**
Tier 1	246.5	2.3%
Tier 2	297.3	-39.0%
Tier 3&4	165.8	-18.8%
Total	709.6	-23.7%

Wind (18 Cities)

Secondary Sales Transaction Volumn (units)	8M26	YoY
Tier 1	372,150	10.4%
Tier 2	432,934	-0.1%
Tier 3&4	90,274	9.6%
Total	895,358	5.0%

CRIC (40 Cities)

Primary Transaction Value (Rmb mn)	7M26	YoY
Tier 1	671,274	-10.9%
Tier 2	1,052,498	-17.6%
Tier 3&4	2,030,528	-12.8%
Total	3,754,300	-13.9%
Primary Transaction GFA ('000 sqm)	**7M26**	**YoY**
Tier 1	12,219	-7.6%
Tier 2	65,252	-20.8%
Tier 3&4	296,779	-11.8%
Total	374,250	-13.4%

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Source: WIND, CREIS, CRIC; Citi Research Estimates

Mortgage rate subsidy benefiting T3/4 end-users

New mortgage interest subsidy announced on 29-Sep-2026: MoF, PBoC and NFRA jointly announced a mortgage interest subsidy, effective 1 Oct 2026 for: i) new personal and first-home residential mortgage; ii) units with 120 sqm GFA or below; iii) purchase price at Rmb1.5mn or below; and iv) that existing mortgage refinancing is excluded. It will initially run for one year. The subsidy: i) cover mortgage amount of Rmb1mn; ii) annual subsidy of 100bp for up to 5 years (Rmb50k max); and iii) 90%/10% borne by central/ local govts.

Our view: long-awaited demand-side support but falls short of high expectation — We see the scheme is less generous than the previous market expectation for a 100bp subsidy on all first-home purchases in the new home market over 3 years, given the ≤120 sqm GFA, ≤Rmb1.5mn purchase price and Rmb1mn eligible mortgage principal caps. With an implied avg price of RMB12.5k/sqm, the subsidy mainly supports mass-market products in T3/4 cities or city outskirts of T2 cities for inventory de-stocking.

33%/56% of new/secondary transactions qualify for subsidy across 40 cities — CREIS data showed the subsidy's reach is wider in T3/4 cities and secondary market. Across 40 key cities, 33% of new-home and 56% of secondary-home transactions met the size and price criteria in 8M26 ('25: 34%/56%). Eligibility is low in T1 cities at just 8%/27% for new/secondary homes, vs 36%/63% in T2 and 44%/60% in T3/4 cities. This suggests a greater demand benefit in T3/4 cities, than T1 cities. CERIS data shows eligible new and secondary units at 1.16mn/1.35mn units, or a total 2.51mn units.

Figure 90. 33% of new-home and 56% of secondary-home transactions met the size and price criteria in 40 key cities (8M26)

City tier	New homes (120 sqm & RMB1.5mn or below)		Secondary homes (120 sqm & RMB1.5mn or below)	
	2025	2026 Jan-Aug	2025	2026 Jan-Aug
40 cities total	**33.6%**	33.1%	**56.3%**	55.2%
Tier 1 (4 cities)	**8.7%**	7.8%	**29.0%**	27.4%
Tier 2 (26 cities)	**36.5%**	36.3%	**64.1%**	62.9%
Tier 3 & 4 (10 cities)	**45.6%**	44.3%	**61.3%**	59.8%

城市能级	新房（120 平方米&150 万元以内）		二手房（120 平方米&150 万元以内）	
	2025 年	2026 年 1-8 月	2025 年	2026 年 1-8 月
40 城合计	**33.6%**	33.1%	**56.3%**	55.2%
[illegible]	**8.7%**	7.8%	**29.0%**	27.4%
[illegible]	**36.5%**	36.3%	**64.1%**	62.9%
[illegible]	**45.6%**	44.3%	**61.3%**	59.8%

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Source: CREIS, Citi Research

To homebuyers: est. 13% reduction on monthly repayment for 5 years — Assuming a 100bp subsidy on Rmb1mn, 30-year mortgage would reduce monthly mortgage repayment by Rmb530, c.13% decline or 33% of interest burden for first 5 years. In our view, policy support is more meaningful in improving household expectation for home prices, than in materially enhancing purchasing power.

To the govts: est. Rmb16bn cost a year; 90% by the central govt — New and secondary residential sales in 2025 totaled Rmb14.5trn (new home: RMB7.3trn per NBS). Based on CREIS data of 33% of new-home and 56% of secondary-home transactions met the criteria in 40 cities, assuming 50% of homebuyers are first home using 50% LTV, we estimate the eligible sales and new mortgage at Rmb3.1/1.6trn and total subsidy of Rmb16bn a year (Rmb80bn for 5 years), with the cost split 90%/10% between central/local govts and no impact to the banks.

To property firms: benefit COGO and Beike — Given the size and price criteria, we estimate marginal positive impact to national new home sales by 1-2%, mainly in T3/4 cities but listed property names put focus on T1/2 cities (80% of new lands in T1/2 cities in 1H26). Hence, we see COGO and Beike as the key beneficiaries given their agency business.

Figure 91. Mortgage Subsidy Schedule and Cash Flow Impacts (5-Year Window)

ITEM / SPECIFICATION PARAMETER	MODELED VALUE / IMPACT METRIC
I. LOAN STRUCTURE & SUBSIDY PARAMETERS	
Mortgage Principal (Maximum Eligible for Interest Subsidy)	RMB 1,000,000
Mortgage Term	30 years (360 monthly installments), Equal Principal & Interest
Contract Mortgage Rate (Before Subsidy)	3.05% p.a.
Interest Subsidy Quantum	100bps (1.00% p.a.)
Subsidy Period	First 5 years (60 months)
Effective Mortgage Rate During Subsidy Period	2.05% p.a.
II. PAYMENT CASH FLOW & DEBT-SERVICE RELIEF	
Monthly Payment Without Subsidy (3.05% Base)	RMB 4,243.05
Monthly Payment During Subsidy Period (Effective Rate 2.05%)	RMB 3,721.25
Monthly Payment Reduction (First 5 Years)	RMB 521.80 (12.5%)
Monthly Payment Reduction (%)	Approximately 12.5%

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Source: Citi Research Estimates.

Systemic risks have substantially declined

Property to drive 8% GDP in 2027E (peak: 32% in 2014)

China's economy is steadily reducing reliance on property, with the sector's direct and indirect contribution to GDP estimated to fall to 8% in 2027E, from 32% at its 2014 peak. New-economy sectors should absorb part of the drag but are unlikely to fully replace property's historical contribution in the near term, pointing to a prolonged economic rebalancing rather than a seamless handover. The next stage of growth will increasingly rely on consumption, while investment shifts towards advanced manufacturing & infrastructure, with less dependence on exports.

Figure 92. Estimated Direct and Indirect Property Contribution to China GDP

	Real Estate Inv	REI (value added part)	GDP	Direct contribution to GDP	Indirected Investment generated	Indirect contribution to GDP	Total GDP Contribution from Property sector
	RMB mn	RMB mn	RMB mn	%	RMB mn	%	%
2010	4,826,707	2,993,857	41,070,830	7.3%	7,240,061	17.6%	**24.9%**
2011	6,174,000	4,126,500	48,603,780	**8.5%**	9,261,000	19.1%	**27.5%**
2012	7,180,400	5,424,707	54,098,890	10.0%	10,770,600	19.9%	**29.9%**
2013	8,601,300	5,920,050	59,696,290	9.9%	12,901,950	21.6%	**31.5%**
2014	9,503,600	6,734,600	64,718,170	10.4%	14,255,400	22.0%	**32.4%**
2015	9,597,900	7,482,345	69,910,940	10.7%	14,396,850	20.6%	**31.3%**
2016	10,258,100	7,823,395	74,563,240	10.5%	15,387,150	20.6%	**31.1%**
2017	10,979,900	7,596,065	81,203,810	9.4%	16,469,850	20.3%	**29.6%**
2018	12,026,400	7,795,160	90,039,000	8.7%	18,039,600	20.0%	**28.7%**
2019	13,219,400	8,505,799	99,086,500	8.6%	19,829,100	20.0%	**28.6%**
2020	14,144,300	8,675,070	101,357,600	8.6%	21,216,450	20.9%	**29.5%**
2021	14,760,200	9,101,885	114,923,700	7.9%	22,140,300	19.3%	**27.2%**
2022	12,269,137	7,923,627	120,472,400	6.6%	18,403,706	15.3%	**21.9%**
2023	11,091,300	7,321,560	126,058,200	5.8%	16,636,950	13.2%	**19.0%**
2024	10,028,000	6,785,512	133,967,200	5.1%	15,042,000	11.2%	**16.3%**
2025	8,278,800	5,328,136	140,187,900	3.8%	12,418,200	8.9%	**12.7%**
2026E	6,381,567	4,316,102	146,636,543	2.9%	9,572,350	6.5%	**9.5%**
2027E	4,851,224	3,136,888	152,648,642	2.1%	7,276,836	4.8%	**6.8%**

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Source: NBS, WIND, Citi Research.

Figure 93. China GDP growth contribution – new economy vs. property

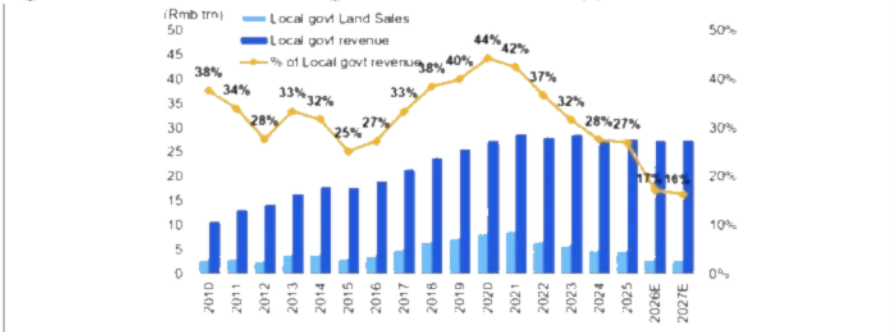


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Source: PBoC, Citi Research.

Land sales at 16% of local govt revenue

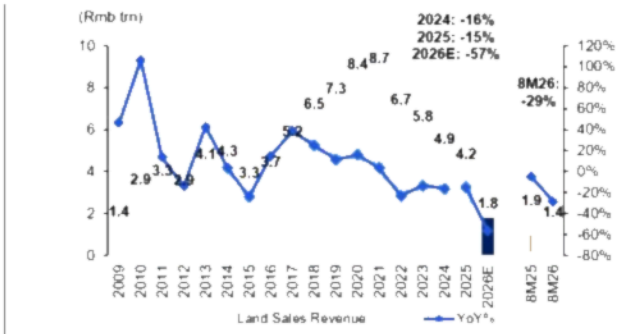
The property downturn is accelerating the restructuring of local government finances away from land-sale dependence. Land sales are estimated to account for only 16% of local government revenue in 2027E, versus 44% at the 2020 peak, after land-sale proceeds declined 28.6%yoy in 8M26. The shift is positive for longer-term fiscal sustainability but leaves a sizeable near-term funding gap, with the local government deficit reaching Rmb9.7trn in 8M26. Increased central transfers and the development of more recurring tax and operating income will be critical to supporting local government spending under the new model.

Figure 94. Land sales to local govt total fiscal rev dropped to 16% in 27E



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Source: MoF, Citi Research Estimates

Figure 95. Land Sales Revenue: -28.6%yoy in 8M26



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Source: MoF, Citi Research estimates.

Figure 96. Rmb10.7trn Central Transfer Payments in 2027E



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Source: MoF, Citi Research estimates.

Figure 97. Local Govt's Fiscal Deficit Amounted to Rmb9.7trn by 8M26 ('25: Rmb17.2trn)

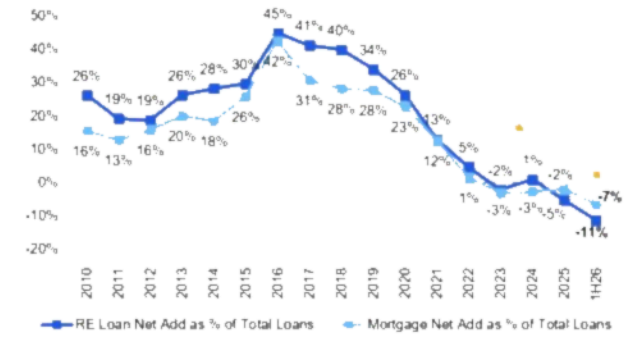
Local Govt Budget in 8M26 & FY25 (地方政府8M26和2025年收支情况)	8M26		FY25		FY24		FY23	
	Rmb trn	YoY*	Rmb trn	YoY*	Rmb trn	YoY*	Rmb trn	YoY*
Local govt general public budget - Revenue (地方一般公共预算收入)	8.7	3.1%	12.2	2.4%	11.9	1.7%	11.7	7.8%
Local govt general public budget - Expenditure (地方一般公共预算支出)	15.3	0.3%	24.4	0.2%	24.4	3.2%	23.6	5.1%
Local govt general public budget - (Deficit) (地方一般公共预算缺口)	(6.7)	-3.0%	(12.2)	1.9%	(12.5)	-4.6%	(11.9)	-2.5%
Local govt-managed funds - Revenue (地方政府性基金预算收入)	1.8	-22.9%	5.3	-8.2%	5.7	-13.5%	6.6	-10.1%
- including: Land sales revenue (含：国有土地使用权出让收入)	1.4	-28.6%	4.2	-14.7%	4.9	-16.0%	5.8	-13.2%
Local govt-managed funds - Expenditure (地方政府性基金预算支出)	4.9	-11.3%	10.2	5.3%	9.7	0.4%	9.6	-8.2%
Local govt-managed funds - (Deficit) (地方政府性基金预算缺口)	(3.1)	-2.6%	(4.9)	-61.1%	(3.9)	-30.6%	(3.0)	3.5%
Total Local Govt (Deficit) (地方政府总预算缺口)	**(9.7)**	**2.9%**	**(17.2)**	**-53.0%**	**(16.4)**	**-9.9%**	**(14.9)**	**-1.2%**

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Source: MoF, Citi Research Estimates
Note: *YoY change on govt budget: +ve YoY means more revenue/expenditure, or narrowed deficit; -ve YoY means less revenue/expenditure, or enlarged deficit.

Real estate loan at Rmb1.2trn net decline

Outstanding real estate loans fell by a net Rmb1.2trn in 1H26, and property-related lending accounting for 18% of total loans, down from the 29% peak in 2019-20 to a 20-year low level. Mortgage loans declined more sharply, with their share falling to 13.5% from 22% at the peak. The continued contraction reflects weak home sales, household deleveraging and cautious bank lending, limiting the property sector's ability to drive credit growth.

Figure 98. Net Increase of Real Estate Loan as % of New Rmb Loans



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Source: MoF, PBOC, Citi Research estimates.

Figure 99. Outstanding Real Estate Loan as % of Total Loans



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Source: MoF, PBOC, Citi Research estimates.

Figure 100. New RE Loan Breakdown - New Development Loan vs. New Mortgage

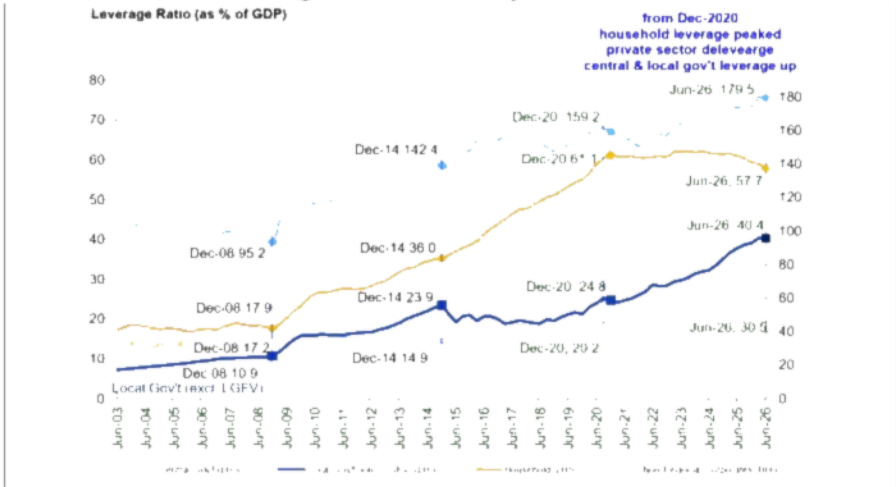


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Source: MoF, PBOC, Citi Research estimates

Central govt leverage (30.5%) is still low vs other economies

With households and corporates still deleveraging, stronger central government balance-sheet expansion will be needed to support growth. Higher fiscal deficits, central and local government bond issuance, and fiscal transfers can partially offset the contraction in property-related credit and private-sector demand.

Figure 101. Household Suspended Leveraging-up; Needing Expansionary Central/ Local Govt Leverage to Drive Economy



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Source: Wind, Citi Research

Companies Mentioned:
Beike (2423.HK; HK$44.92; 1; 23 Oct 26; 16:10)
Beike (KE Holdings) (BEKE.N; US$17.08; 1; 23 Oct 26; 16:00)
C&D International (1908.HK; HK$12.48; 1; 23 Oct 26; 16:10)
China Jinmao Group Holdings (0817.HK; HK$1.14; 1; 23 Oct 26; 16:10)
China Overseas Grand Oceans (0081.HK; HK$2.8; 1; 23 Oct 26; 16:10)
China Overseas Land & Investment (0688.HK; HK$12.46; 1; 23 Oct 26; 16:10)
China Resources Land (1109.HK; HK$29.5; 1; 23 Oct 26; 16:10)
China Resources Mixc Lifestyle Services (1209.HK; HK$38.86; 1; 23 Oct 26; 16:10)