

# Clear Blueprint, Tough Battle: Property Developers Confront a Defining Transformation

— 2026 Property Industry Outlook

Jan 22, 2026

## Key Takeaways

- The property industry is returning to its core functions of people's livelihoods and housing. Policy efforts are focused on building a new development model over the medium to long term, while maintaining resolve regarding market-driven adjustments in "volume and price."
- In 2026, new home sales nationwide will continue their downward trend. The industry has already entered a phase dominated by the existing home market, and the shrinking market share of new homes has become an irreversible trend.
- The transition to the new model is putting pressure on the credit quality of traditional property developers, and industry-wide liquidity risks are likely to rise in 2026. More than half of typical developers are unable to cover debt due within one year with their internal cash flow, and some have already exhausted their on-hand liquidity at the headquarters level. Repayment of corporate bonds now relies primarily on headquarters-level refinancing and financing coordination capabilities.
- The debt extension incident involving Vanke bonds has revealed a divergence in external support: external support for state-participating private developers should be viewed with caution, though large wholly state-owned or state-controlled developers still demonstrate strong willingness to support their publicly listed bonds.

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## Policy Tone: Livelihood as the Foundation, Stability as the Anchor

We believe that the proposals for the 15th Five-Year Plan have charted the course for the property industry, which must return to its nature of ensuring people's livelihood and serving residential needs. The historical phase of large-scale improvement of basic housing conditions has been largely completed. In the next stage, the property industry will focus on high-quality development, with the core tasks of building a new development model, increasing the supply of indemnificatory housing and improved housing, and constructing quality housing that meets people's needs.

We have several observations on the property industry's current and future development path and major challenges:

- Policy priorities lie in fostering long-term growth drivers rather than simply propping up the market. The key to addressing the challenges in the property industry is to cultivate new drivers of economic growth over the medium to long term, and achieve sound development of the property industry by restoring economic confidence and household income expectations. Policy resources will be tilted more toward high-quality development and technological innovation, rather than bailing out illiquid assets.
- While the government recognizes the importance of the property industry, it will adopt a more rational approach to industry fluctuations and attach great importance to expectation management. On the premise of avoiding risks to people's livelihood and the financial system, policies will maintain composure and tolerance toward the market's spontaneous adjustments driven by changes in supply and demand. Should signs of a sharp market slowdown emerge, policies will be further implemented within the existing framework, and there remains room for city-specific demand-stimulating measures.
- The survival of property developers hinges on adapting to the new model rather than pursuing short-term performance. Traditional developers are confronted with a structural contraction in the new housing market and must undertake fundamental transformation at the strategic level for survival. The comprehensive reform of development, financing and sales models poses a severe challenge, and only those enterprises that adapt to the new model will thrive in the new landscape.

## 2026 Forecast for New Commercial Housing Sales: Continued Downward Trend

We expect national commercial housing sales in 2026 to continue the downward trend seen in 2025, with sales projected to fall by around 10% year on year to approximately 7.6 trillion yuan. This forecast is based on the following core assumptions:

- Macroeconomic pressure: GDP growth will moderate in 2026, mainly affected by insufficient domestic demand and slowing exports. Challenges in the overall economic environment will constrain households' willingness and ability to purchase homes.
- Market stage transition: Per capita housing space in China has already met basic living needs, and the market has entered a new phase dominated by the existing housing stock. A natural decline in new home sales volume has become an objective trend of industry development.
- Policy with firmness and bottom lines: The central government has set the goal of maintaining stability in the property market. We believe the policy bottom line is to prevent the risk of a market stall, rather than pursuing quick-fix sales stimulus. If an undershoot occurs, there remains room to strengthen existing policy tools, but large-scale strong stimulus is unlikely.
- Room for demand-side policies: The central bank has affirmed that monetary policy will remain appropriately accommodative, with flexible use of tools such as reserve requirement ratio cuts and interest rate reductions, indicating further room for mortgage rate cuts. Under the framework of "city-specific policies", local governments retain room for structural support through measures including home purchase subsidies, interest discounts, and housing voucher replacements.
- Weak market confidence: The market currently lacks a foundation for a rebound, and homebuyer expectations remain subdued. A substantial recovery in confidence will take a longer period.

Under our baseline scenario, we expect supportive policies to be rolled out intensively in the first half of the year to stabilize market expectations. Entering the second half, policy effects may diminish marginally, leading to a widening decline in new home sales value.

Chart 1



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We believe urban renewal is a slow variable that catalyzes medium-to-long-term demand, yet it is difficult to boost market sales on a large scale in the short term. Urban renewal projects feature high investment, long cycles, and complicated expropriation and relocation; their long-term capital balance model still needs to be explored, and part of the demand will be diverted to second-hand housing or resettlement housing. The ultimate effect of policies on destocking will depend on the intensity of fiscal support and innovations in financing models.

The implementation progress of local governments in purchasing existing commercial housing has generally been slow, and large-scale rollout is expected to remain limited in the future. There is a significant structural mismatch in the current market: housing purchase and indemnificatory housing demand is concentrated in first- and second-tier cities, while idle inventory is mostly located in lower-tier cities. Purchasing commercial housing through local state-owned enterprises or special-purpose bonds in lower-tier cities lacks both social value and economic viability, and thus has no foundation for wide-scale implementation. We expect this policy to continue to be implemented on a spot basis in high-tier cities with actual demand. As institutional mechanisms improve, successful cases are expected to increase gradually in 2026.

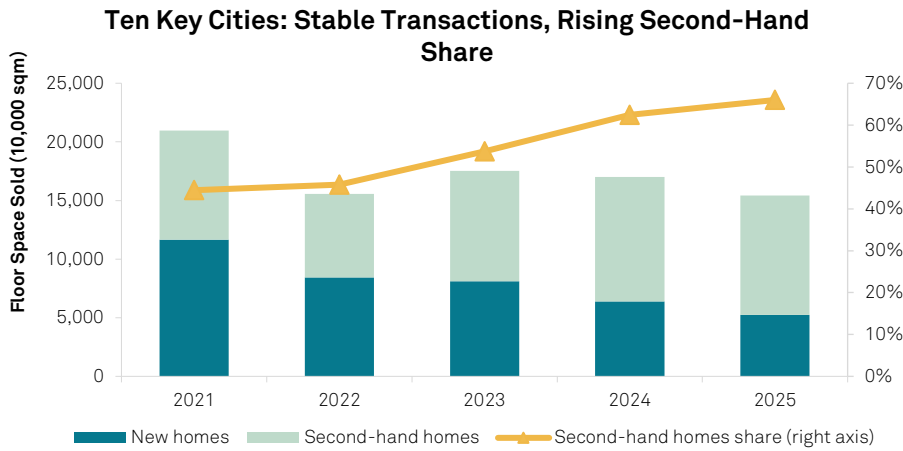
## Sales: Total Demand Fluctuates Narrowly, Second-Hand Home Share Rises Significantly

We believe the property market has clearly entered a new phase dominated by the existing housing stock. Changes in the combined transaction volume of new and second-hand housing better reflect the actual demand in the property market. According to data released by the Ministry of Housing and Urban-Rural Development, the area of second-hand home transactions nationwide accounted for 45% of total housing transactions in the first 11 months of 2025.

Ten typical high-tier cities have shown the same trend in the transaction area of new and second-hand housing. Since 2022, the combined transaction area of new and second-hand housing in these cities has no longer seen a sharp decline but has maintained narrow fluctuations, while second-hand housing has gradually become dominant in the transaction structure.

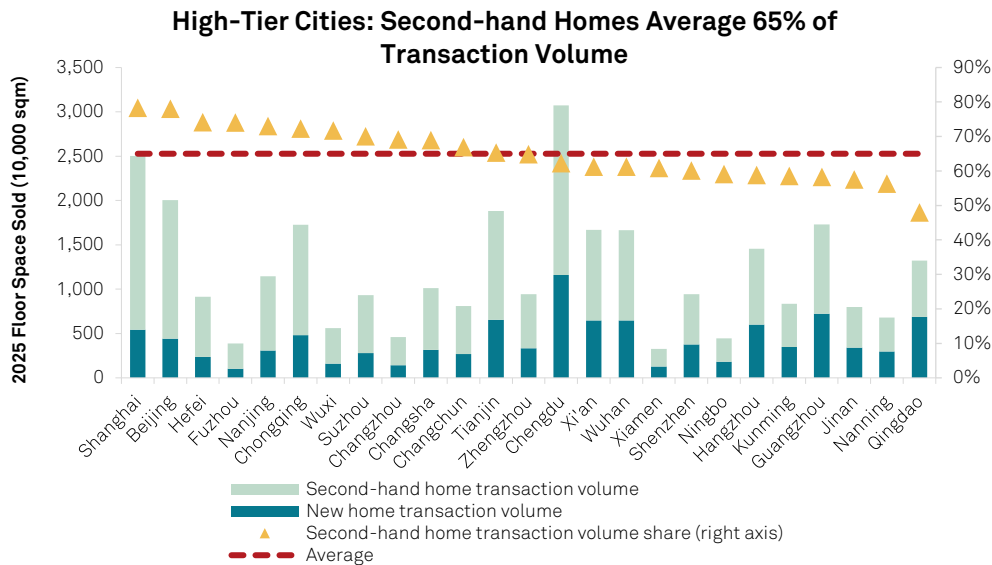
The new home market is undergoing a deep structural adjustment, with the share of new home transaction volume in typical high-tier cities trending downward. Amid a continuously expanding stock of existing homes, the shrinking market share and development space of new housing represents an irreversible long-term trend for the property market.

Chart 2



Note: The ten key cities include Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu, Hangzhou, Qingdao, Suzhou, Nanjing and Xiamen.  
 Source: CRIC Real Estate Research, ifind, S&P Ratings(China)  
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Chart 3



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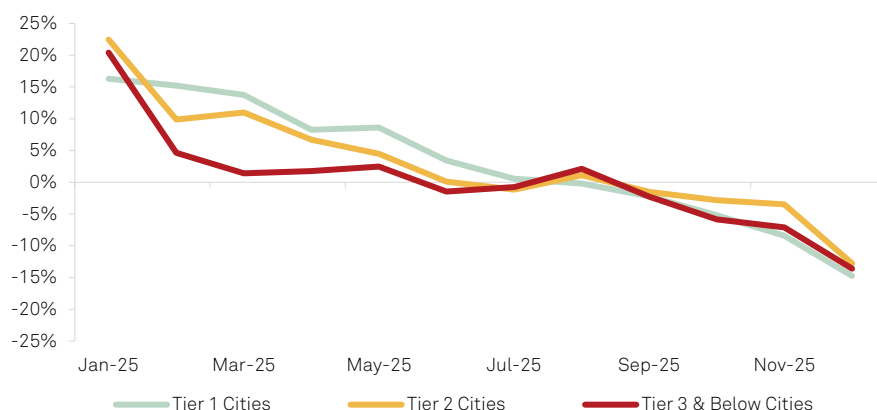
We expect that during the industry transition period, divergence across product types and city tiers will further intensify. The mismatch between housing supply and demand is worsening, with demand showing a two-tiered pattern: newly launched high-quality "quality homes" are highly sought after with strong demand, while a large volume of existing inventory inconsistent with current demand remains difficult to digest.

High-tier cities represent the final stronghold of the new home market. Stabilizing the downward trend in new home sales hinges on activating demand in high-tier cities, which will depend on the relaxation of purchase restrictions and the effectiveness of policy in boosting market expectations.

In low-tier cities, per capita living space is already sufficient, coupled with a significant weakening of the investment attribute of housing. As a result, inventory destocking lacks sustained support, and the market has become notably insensitive to conventional stimulus policies.

Chart 4

### High-Tier Cities as the Main Support for Stabilizing New Home Sales in H1 2025



Note: The figure shows cumulative y-o-y changes in transaction area of primary properties across sampled cities. City classification: Tier 1 includes Beijing, Shanghai, Guangzhou, and Shenzhen; Tier 2 includes Hangzhou, Chengdu, Qingdao, Suzhou, Wuhan, Ningbo, Fuzhou, and Nanning; Tier 3 and below include Dongguan, Foshan, Huizhou, Jiangmen, Zhaoqing, Yunfu, Maoming, Qingyuan, Shaoguan, Yangzhou, Haimen, Jinhua, Wenzhou, Quzhou, Zhoushan, Quanzhou, Putian, Tai'an, Jingmen, Ji'an, Fuzhou, Pingliang, Baoji, Weinan, Wuzhou, Chizhou, Zunyi, Hebi, and Guang'an.

Source: ifind, S&P Global Ratings.

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## Prices: Narrower Decline in New Home Prices; Second-Hand Home Prices Dependent on Market Expectations

We expect the decline in new home prices to narrow in 2026, underpinned mainly by sustainable structural demand for high-quality housing in high-tier cities. Over the past year, land supply has become highly concentrated in high-tier cities, accompanied by a recovery in land premium rates.

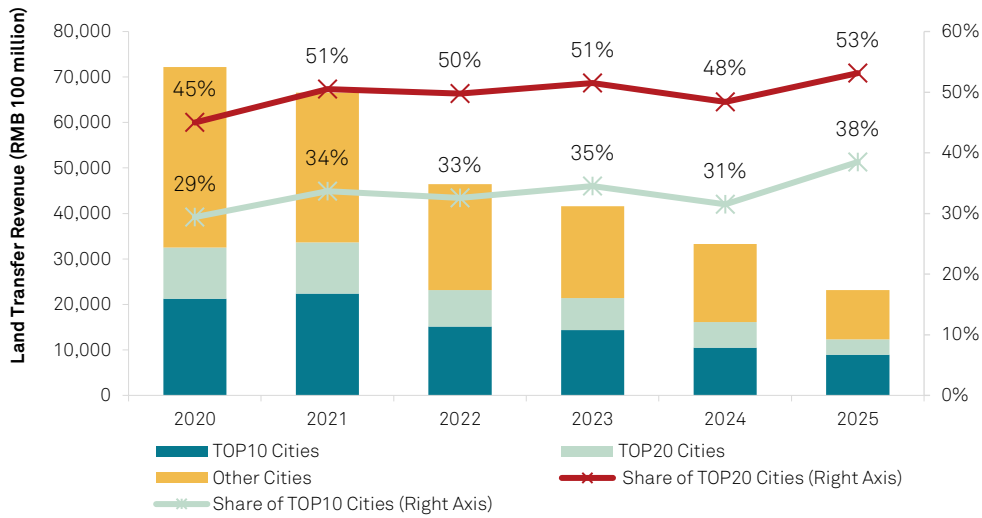
Given still-weak homebuying expectations, we project second-hand home prices will remain subdued. Theoretically, second-hand home prices are anchored to the cash flow of the assets, yet their actual formation is complex, affected by urban fundamentals, regional supply and demand, market information, irrational sentiment and other factors. Their future trend will depend largely on market expectations.

Notably, rental yields in first-tier cities have remained relatively stable. Amid falling broad interest rates, current rental yields are now comparable to those of short- to medium-term credit bonds, highlighting improving value-for-money in holding such assets. As policy focus shifts to expectation management and supportive measures are gradually rolled out, second-hand home prices in first-tier cities may bottom out following the ongoing adjustment.

Once the market clearly enters a stock-dominated phase, the price linkage between new and second-hand homes may weaken. This pattern has already emerged in first-tier cities: new home prices have proven resilient due to structural factors, while second-hand home prices have fallen more sharply as they more fully reflect underlying fundamentals and expectations, making them a key indicator of actual market conditions and sentiment.

Chart 5

### National Land Transfer Revenue Concentrated in a Few Leading Cities



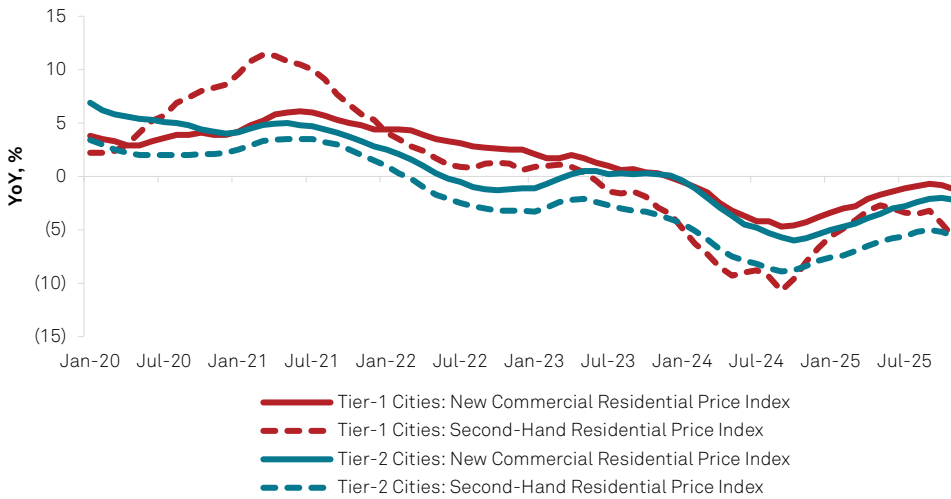
Note: The full sample covers nearly 200 cities nationwide. The combined dark green and light green bars represent land transfer revenue in the TOP 20 cities.

Source: ifind, S&P Ratings(China)

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Chart 6

### New Home Prices Show Greater Resilience in the Downturn

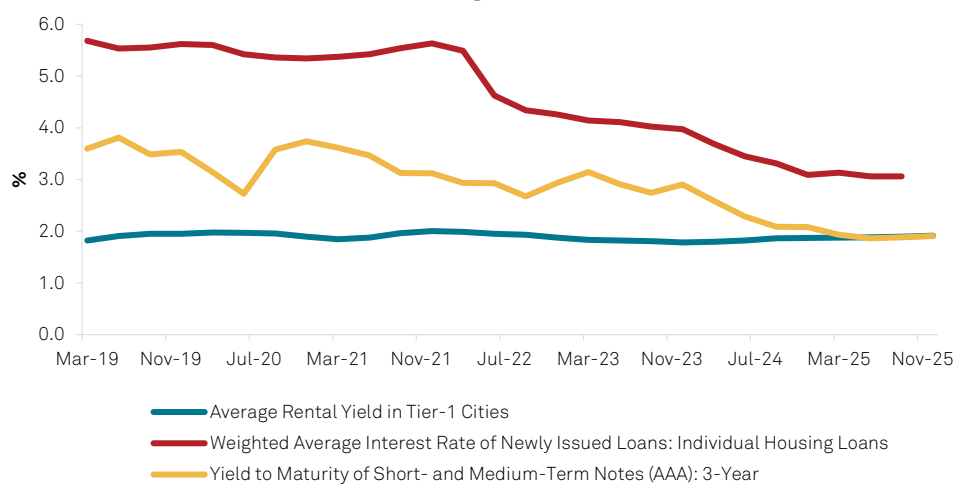


Source: National Bureau of Statistics, ifind, S&P Ratings(China)

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Chart 7

### Tier-1 Cities: Stable Rental Yields and Improving Value of Holding Returns



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## 2026 Property Investment to Maintain Downtrend, Under Dual Pressure from Construction and Land Investment

We expect property construction investment to decline by a further 15% in 2026 compared with 2025. Amid continued adjustments in new home sales, cash flow at property developers will remain tight, and construction investment intensity will stay subdued. As a result, construction investment is projected to fall faster than the decline in floor area under construction.

Policies have consistently emphasized controlling new supply and accelerating inventory digestion. Guided by this direction, developers' land acquisitions have contracted continuously over the past year, and new starts have trended lower—a pattern that will persist. We forecast new housing starts to shrink by a further 15%–20% in 2026.

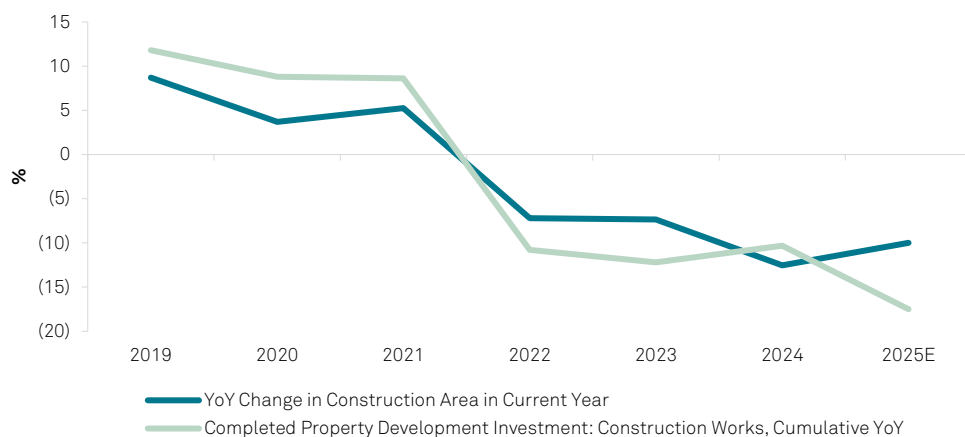
Meanwhile, the restructuring of large developers continues, coupled with a still-tight financing environment and ongoing pressure to ensure project delivery. Net suspended construction area is unlikely to improve significantly and is expected to remain at a level similar to 2025.

As a leading indicator, land transaction area and land transfer revenue across 100 cities remain in a downward channel, signaling a continued decline in land investment. We expect land purchase fees to drop by approximately 13%–15% year on year.

The land market currently shows significant structural divergence: land transfers are increasingly concentrated in high-tier cities, while lower-tier cities remain subdued. This will cause land transaction area to decline much more sharply than transaction prices.

Chart 8

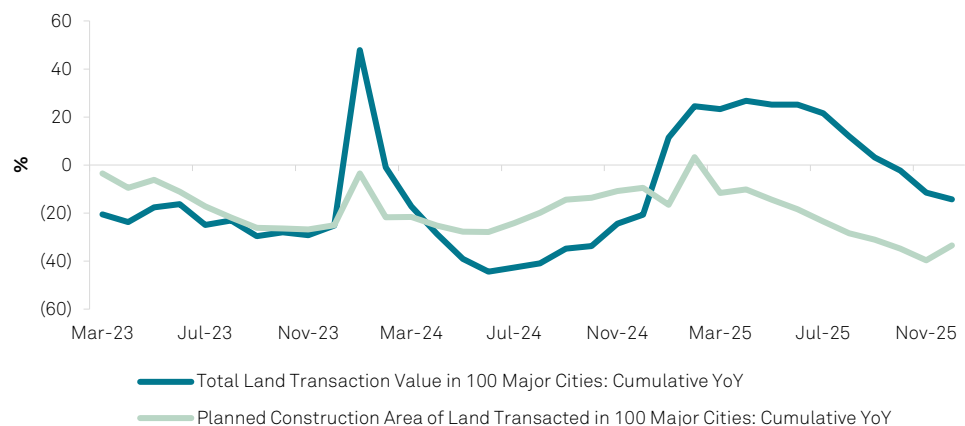
### Construction Activity Weakened Noticeably in 2025



Source: National Bureau of Statistics, ifind, S&P Ratings(China)  
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Chart 9

### High-Tier Cities Support Smaller Decline in Land Value Than Area



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## 2026: Property Developers Navigate the "Deep Water Zone" of Transformation, with External Support Likely to Diverge

We believe that the transition to a new development model will weigh on the credit quality of traditional property developers, and industry liquidity risks are expected to rise in 2026. The contraction in new home sales will continue to erode developers' cash flow and profitability. Although developers are actively streamlining their operations, the pace of reduction in rigid expenditures may lag behind the decline in sales, leading to a further rise in industry leverage.

During the industry transition, liquidity pressure on developers will keep mounting. On one hand, the mismatch between housing supply and demand has become more pronounced, with outdated inventory proving difficult to digest and the new home market shrinking structurally, continuously weakening asset support for debt-servicing capacity. On the other hand, stricter project fund

supervision, coupled with the promotion of presale-free home sales, has further tightened capital available for allocation at the corporate level. Non-project-related debt will mainly rely on refinancing and the developers' own financing coordination capabilities.

At the end of 2025, the Ministry of Housing and Urban-Rural Development further clarified the transformation direction of the property industry during the 15th Five-Year Plan period: implementing a project company system on the development side, promoting a lead bank system on the financing side, and advancing presale-free home sales with strict supervision of presale funds on the sales side. Against this backdrop, property developers are facing a severe test between short-term survival and long-term transformation.

In our view, the developers capable of navigating the deep water zone of transformation and achieving a soft landing should possess three key characteristics: First, holding relatively high-quality inventory with no significant legacy burdens, allowing sales to gradually repay existing debt. Second, having a financing structure more adaptable to the "project-based" transformation, with a healthy share of non-project financing and strong refinancing capacity at the parent level. Third, owning high-quality income-generating properties that provide stable cash flow and room for refinancing flexibility.

Based on an analysis of key indicators of 20 typical property developers (the list of sample developers is shown in Appendix 1), we offer the following five observations and analyses on the trend of credit risks among property developers in 2026:

1. Over half of the sampled property developers fail to cover their debts with endogenous cash flow, and industry liquidity remains under pressure.

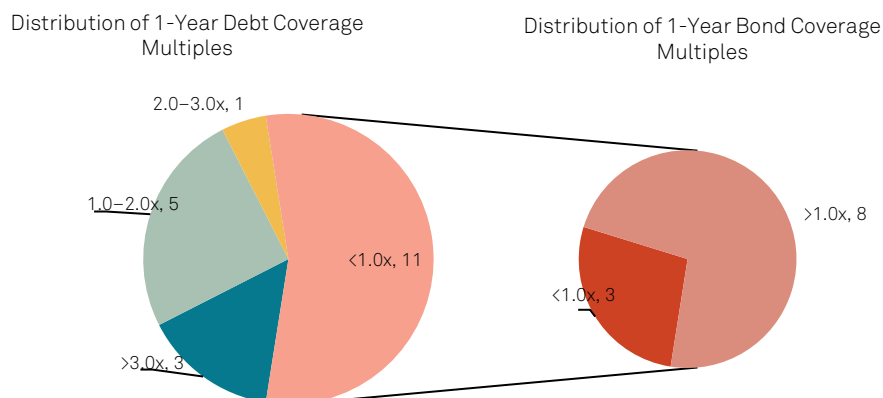
At present, typical developers still operate under the traditional rolling development model. Their debt resembles a "reservoir" accumulated from past projects; as sales decline, the ability of cash flow to cover existing debt weakens accordingly.

Our liquidity stress test shows that, under the baseline sales scenario, 11 out of the 20 sampled developers have a cash flow coverage ratio of less than 1.0x for debt maturing within one year. Among them, 3 have a coverage ratio of less than 1.0x for bonds maturing within one year. Six developers hold less than RMB 1 billion in cash at the parent level, meaning they lack a liquidity safety buffer at the headquarters. The methodology for the liquidity test is provided in Appendix 2.

Chart 10

### Distribution of Liquidity Coverage Multiples Among Sample Property Developers

Under the 2026 baseline sales scenario



Note: Bond maturity data is as of the end of September 2025.  
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Chart 11

### Cash Flow Coverage Ratio for Near-Term Debt (Under the 2026 baseline sales scenario)



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- Risk resolution follows market-oriented principles, and external support for property developers may become increasingly differentiated.

The bond extension incident of Vanke has dealt a significant shock to the market, which may signal diverging external support across developers. We believe the strength of external support for state-participated property developers should be viewed prudently. Amid mounting pressure on the value depreciation of legacy assets, state-participated developers with weak asset quality face elevated rescue costs due to substantial asset markdowns. Under market-oriented principles, shareholders' willingness to provide support is bound to be affected if the input-output ratio of rescue efforts is unattractive.

On the other hand, publicly traded bonds issued by large wholly state-owned or state-controlled developers remain relatively secure. Unlike state-participated developers, large wholly state-owned or state-controlled enterprises maintain strong willingness to support their public market bonds. This reflects considerations to preserve the regional financing environment or the group's reputation, coupled with clearer support channels and a relatively favorable refinancing landscape.

- Developers with a relatively high proportion of bond financing will face greater pressure, both in terms of financing model transformation and liquidity management.

The average share of bond financing among sampled developers stands at 32%, with some exceeding 50%. In the long run, as the project-based system for property development is gradually implemented, debt financing of developers will inevitably become highly concentrated at the project level. The volume and proportion of non-project financing (such as bonds) will gradually decline.

We believe this shift in financing structure aligns with the industry's new development model and will apply regardless of enterprise ownership or current market position. Even leading central state-owned enterprises will need to gradually adapt to the industry's new financing model and adjust their debt financing structures accordingly.

In the short term, bond financing places higher demands on developers' liquidity management and financing coordination capabilities. With the rollout of the whitelist mechanism and the lead bank system, the security of project-level debt is improving. The latest policy guidance in January 2026 allows eligible whitelist project loans to be extended by up to five years through negotiation, further enhancing the stability of project-level financing.

By contrast, developers have rigid maturity obligations for headquarters-issued bonds, whose repayment depends mainly on corporate credit and rollover capability. Bond issuance is also vulnerable to market conditions, which may exacerbate debt-servicing pressure in extreme scenarios. The recent Vanke incident, which triggered a rise in industry credit spreads and divergent performance, serves as a clear example.

We hold that the shift to a project-based system does not mean developers can only conduct project-level financing. However, it must be recognized that bonds issued by corporate headquarters rely entirely on entity credit and are not directly backed by project sales cash flow. Without collateral guarantees, headquarters-level debt is subordinated to project-level debt in the repayment sequence.

Benefiting from stable external support, large wholly state-owned or state-controlled developers will maintain relatively strong bond refinancing capacity for the time being, buying them more time for a smooth transition to a project-based financing model.

Chart 12

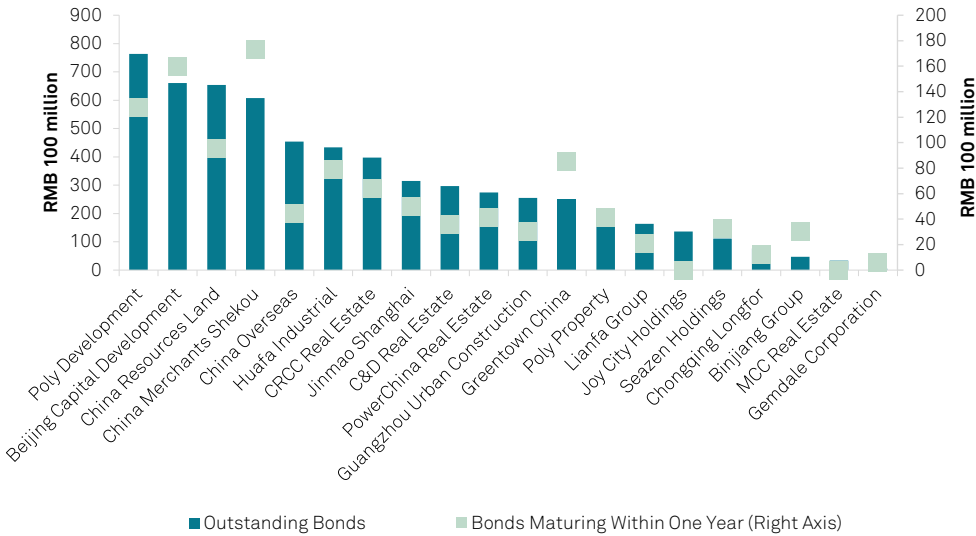
**Sample Developers' Average Bond Financing Share: 32%**



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Chart 13

### Distribution of Outstanding and Near-Term Maturing Bonds of Sample Companies



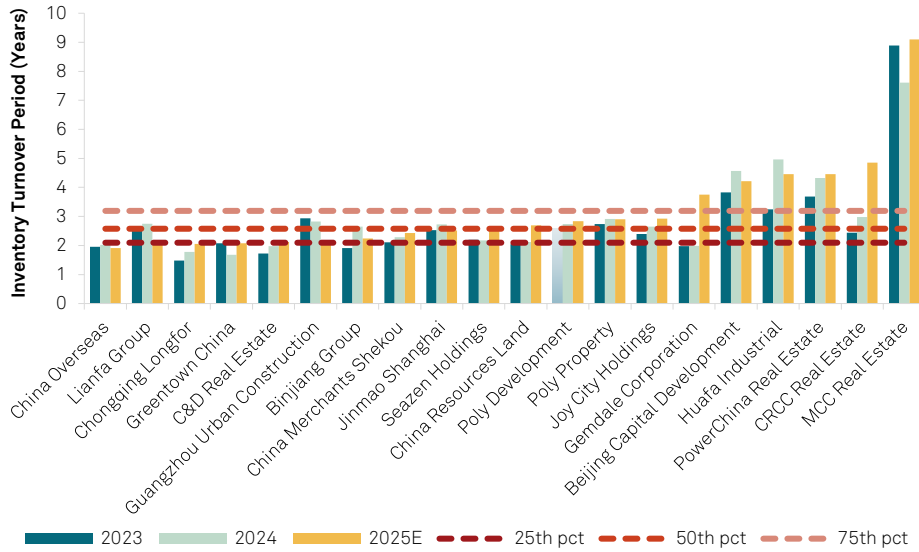
Note: As of the end of September 2025.  
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- Inventory liquidation pressure varies drastically, and some enterprises may no longer have a window for asset restructuring.

Our calculated inventory turnover period shows that certain property developers have inventory digestion cycles far exceeding the industry average, indicating severe problems of outdated stock and acute supply-demand mismatches, and suggesting they may have missed the opportunity to adjust their asset structure. For such enterprises, accelerating asset revitalization by leveraging land and existing housing repurchase policies is more urgent than pursuing profitability, with the priority on preserving liquidity.

Chart 14

### Median Inventory Turnover Period of Sample Developers Stands at 2.6 Years



Note: Inventory turnover period = Ending inventory / Cash received from sales of goods and rendering of services in the current period. 2025 indicators are estimated based on Q3 2025 report data.

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- Oversight of project funds will continue to tighten, likely intensifying liquidity pressure at the corporate headquarters level.

The industry’s new development model emphasizes that, prior to the delivery of projects, investors are strictly prohibited from improperly withdrawing or misappropriating funds from project companies derived from sales and financing activities, as well as from illicit capital withdrawal or advance profit distribution. For projects that continue to adopt presale arrangements, supervision over presale funds will be further standardized.

We expect that, in line with the principle of protecting homebuyers’ rights and interests, the supervision of project funds will be enforced more rigorously going forward. Coupled with the extended sales collection cycle under the promotion of completed-home sales, the usable cash buffer at the headquarters level of property developers will remain under persistent pressure.

Chart 15

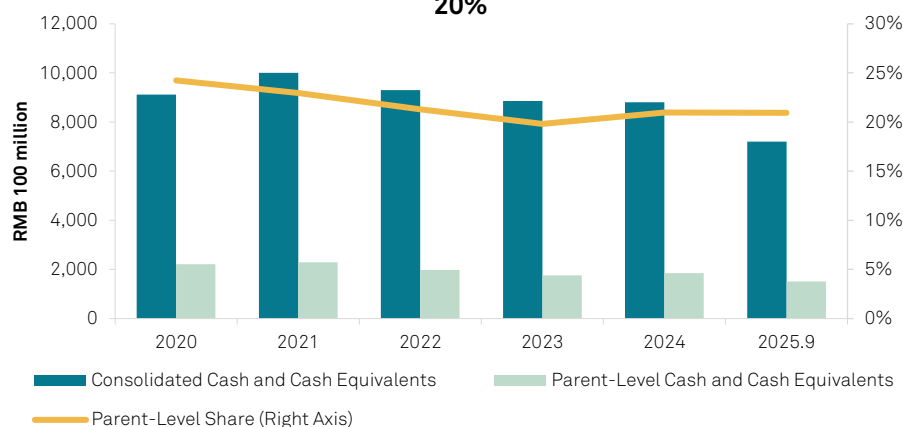
**Sample Developers' Parent-Level Cash Balance (RMB 100 million)**

Company Abbreviation	2022	2023	2024	2025.9	Trend
China Overseas	360	387	363	346	
China Resources Land	240	223	392	253	
China Merchants Shekou	260	283	298	225	
Greentown China	241	293	295	194	
Poly Development	302	116	112	89	
Guangzhou Urban Construction	11	23	47	81	
Huafa Industrial	34	76	34	76	
Beijing Capital Development	61	82	45	55	
Poly Property	50	49	47	50	
Binjiang Group	24	42	68	47	
CRCC Real Estate	17	66	47	28	
Joy City Holdings	112	25	29	21	
Lianfa Group	41	19	29	21	
C&D Real Estate	7	2	18	15	
PowerChina Real Estate	14	12	7	3	
Chongqing Longfor	26	30	14	1	
MCC Real Estate	6	0	1	1	
Jinmao Shanghai	0	6	1	1	
Seazen Holdings	6	0	0	0	
Gemdale Corporation	168	21	4	0	

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Chart 16

**Sample Developers' Parent-Level Cash Share Dropped to 20%**



Note: The chart shows the total consolidated and parent-level cash of 20 sample companies.  
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## Appendix 1: List of Sample Enterprises

Full Company Name	Abbreviation
Poly Development Holding Group Co., Ltd.	Poly Development
China Resources Land Holdings Limited	China Resources Land
China Merchants Shekou Industrial Zone Holdings Co., Ltd.	China Merchants Shekou
China Overseas Development Group Co., Ltd.	China Overseas
Shanghai Jinmao Investment Management Group Co., Ltd.	Jinmao Shanghai
China Railway Construction Real Estate Group Co., Ltd.	CRCC Real Estate
PowerChina Real Estate Group Co., Ltd.	PowerChina Real Estate
MCC Real Estate Group Co., Ltd.	MCC Real Estate
Joy City Holding Group Co., Ltd.	Joy City Holdings
Guangzhou Urban Construction & Development Co., Ltd.	Guangzhou Urban Construction
C&D Real Estate Group Co., Ltd.	C&D Real Estate
Lianfa Group Co., Ltd.	Lianfa Group
Zhuhai Huafa Industrial Co., Ltd.	Huafa Industrial
Greentown Real Estate Group Co., Ltd.	Greentown China
Gemdale (Group) Co., Ltd.	Gemdale Corporation
Chongqing Longfor Enterprise Development Co., Ltd.	Chongqing Longfor
Hangzhou Binjiang Real Estate Group Co., Ltd.	Binjiang Group
Seazen Holdings Co., Ltd.	Seazen Holdings
Poly Property Group Co., Ltd.	Poly Property
Beijing Capital Development Co., Ltd.	Beijing Capital Development

## Appendix 2: Explanation of Liquidity Test Indicators

### Calculation Formulas

- Cash Inflow = 2025 equity-basis sales × presale fund supervision ratio × (1 + 2026 baseline industry sales decline rate)
- Cash Outflow = cash paid to and on behalf of employees + taxes and surcharges paid + cash interest payments
- Debt-Servicing Available Cash Flow = Cash Inflow – Cash Outflow + headquarters cash balance
- Liquidity Coverage Ratio = Debt-Servicing Available Cash Flow / debt or bonds maturing within one year

### Key Assumptions

- The presale fund supervision ratio is assumed to be 50%, mainly used to cover construction and installation expenditures.
- The model excludes land acquisition expenditures by property developers.
- Headquarters cash balance and debt or bonds maturing within one year are as of the end of September 2025.
- Cash outflows are based on 2025 data. Cash paid to employees and taxes and surcharges paid are annualized using January–September 2025 data. Cash interest payments are estimated based on full-year 2024 figures, adjusted for changes in interest-bearing debt from the end of 2024 to the end of September 2025.

- Some sample enterprises serve as the main domestic operating entities of their parent groups with high business overlap. Their 2025 sales are estimated based on the year-on-year change in group sales and the enterprise's historical sales share within the group.

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