CUSHMAN & WAKEFIELD
戴德梁行

CHINA'S TWO SESSIONS 2025

INTERPRETING THE 2025 GOVERNMENT WORK REPORT

IMPACTS FOR THE REAL ESTATE INDUSTRY

Better never settles

INTRODUCTION

China's "Two Sessions" annual government gathering for 2025 commenced on March 5, with the Chinese People's Political Consultative Conference (CPPCC) and the National People's Congress (NPC) marking the final plenary meetings for implementing the current 2021–2025 Five-Year Plan (FYP).

The government work report, delivered by Premier Li Qiang, reviewed the government's development goals and tasks in 2024, confirmed the overall requirements and policy orientation for economic and social development in 2025, and set out major tasks for 2025, again this year including an approximate GDP growth target.

The work report reiterates a focus on progression and stability in the policy orientation, citing the guiding principles of "pursuing progress while ensuring stability" and to "stabilize expectations and boost economic vitality." The report also includes a high-level objective of adopting a more proactive fiscal policy to provide sustained support to the economy, and this in turn enables a new tranche of local government special-purpose bonds to be issued.

More explicitly, and highly significantly, there are specific requirements to boost domestic demand and to ensure stability in the real estate market and the stock market.

The work report states that the main development targets for 2025 are expected to also lay a solid foundation for the commencement of the forthcoming FYP, which will span the 2026–2030 period. And these development targets are set out as:

- GDP growth of around 5%
- Surveyed urban unemployment rate of around 5.5%
- More than 12 million new urban jobs
- CPI increase of around 2%
- Growth in personal income in step with economic growth
- A basic equilibrium in the balance of payments
- Grain output of around 700 million metric tons
- A drop of around 3% in energy consumption per unit of GDP
- Continued improvements in the environment

Cushman & Wakefield believes that the objectives stated in the government work report hold the promise of both direct and indirect beneficial effects for China's real estate market. In this summary report we highlight specific major tasks and related commitments for 2025, and investigate the impacts for the real estate industry, with translated excerpts from the full text of Premier Li's speech as published in the *Report on the Work of the Government.*

MAJOR TASKS FOR 2025

Vigorously boosting consumption and investment returns and stimulating domestic demand across the board

"To promote synergy between consumption and investment, we should move faster to address inadequate domestic demand, particularly insufficient consumption, and make domestic demand the main engine and anchor of economic growth."

COMMITMENTS

Launch special initiatives to boost consumption	Expand effective investment

IMPACTS

Greater consumption activity will promote retail industry expansion and upgrading

The government work report lists "vigorously boosting consumption" as the foremost major task for 2025. Given the uncertain external environment, tapping consumption potential and boosting domestic demand are viewed as crucial strategies to drive economic growth and to restore China's economy to sustained healthy growth.

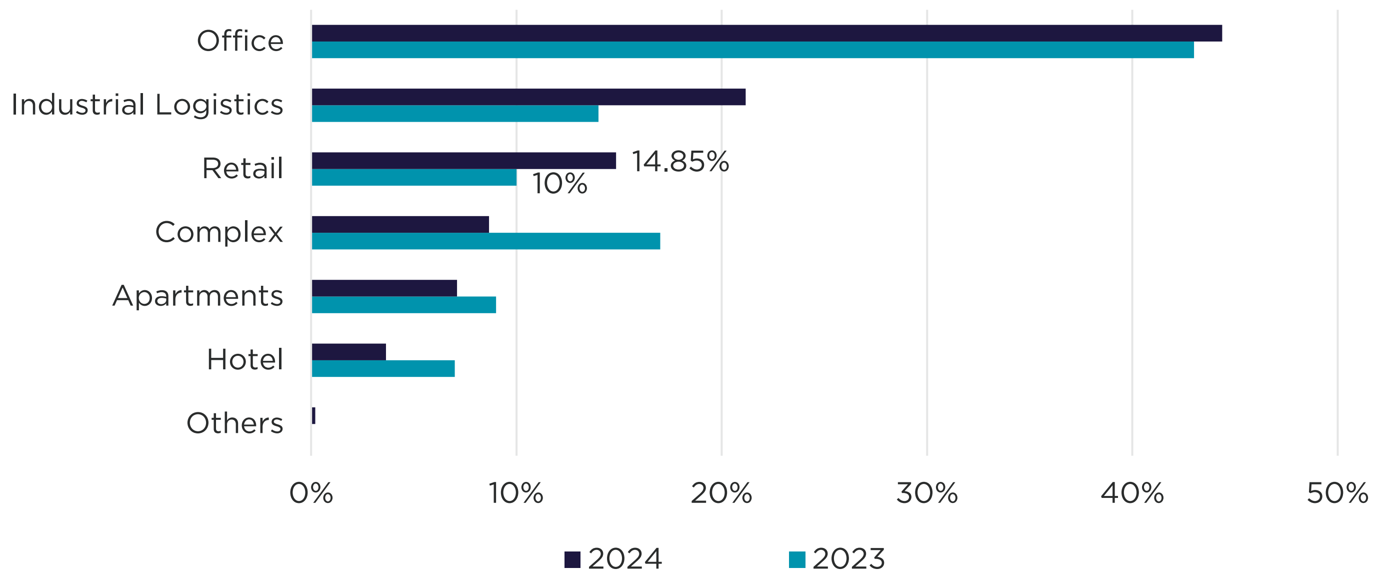
Through 2024, the central government introduced a range of measures to help stimulate domestic demand. Following the State Council's issuance of the *Action Plan for Promoting Large-Scale Equipment Upgrades and Consumer Goods Replacement*, data from the National Bureau of Statistics revealed that household appliance and audio-visual equipment retail sales in 2024 reached RMB1.0 trillion (US$138.8 billion), rising 12.3% year-on-year, surpassing the 2017 peak of RMB945.4 billion (US$131.3 billion), and setting a new historical record.

In 2025, the central government plans to allocate RMB300 billion (US$41.7 billion) in special treasury bonds to support consumer goods replacement. On January 8, the State Council issued a notice expanding the scope of the policy, from eight appliance categories to 12. According to China National Radio (CNR), as at March 14, more than 19 million consumers have purchased more than 25 million units across the 12 major categories of home appliances applicable for the trade-in program in 2025. Additionally, approximately 1.3 million car trade-in subsidy applications for 2025 had been received nationwide. These figures amply demonstrate the immediate impact of subsidy policies in boosting consumer action, and in turn supporting confidence for business growth.

The 2025 consumption enhancement campaign will focus on three main areas. Firstly, in bolstering consumer capacity and willingness to spend, via strengthened income growth and job creation. Secondly, in raising the quality of services in major sectors such as education and elderly care, in turn promoting greater expenditure in these fields. And thirdly, in optimizing the consumption environment. On this point, China's retail market is currently undergoing a period of change, where consumer pursuit of quality, social interaction, personalization, and experience is becoming the mainstream. These demands are mandating retail operators to continue to grow and to upgrade consumption scenarios.

Additionally, the expansion of infrastructure REITs to include consumer infrastructure has greatly stimulated investor interest in the retail industry. According to Cushman & Wakefield data, commercial retail projects' share of total real estate investment volume grew from 10% in 2023 to 14.85% in 2024, and this trend is expected to further continue in 2025.

Figure 1: Comparison of property transaction volume by sector in the Chinese mainland capital market, 2023–2024.



Source: Cushman & Wakefield Capital Markets

Developing new quality productive forces in light of local conditions and accelerating the development of a modernized industrial system

"We should pursue integrated advancements in technological and industrial innovation, press ahead with new industrialization, expand and strengthen advanced manufacturing, and vigorously develop modern services."

COMMITMENTS

Foster emerging industries and industries of the future	Promote the transformation and upgrading of traditional industries	Unleash the creativity of the digital economy

IMPACTS

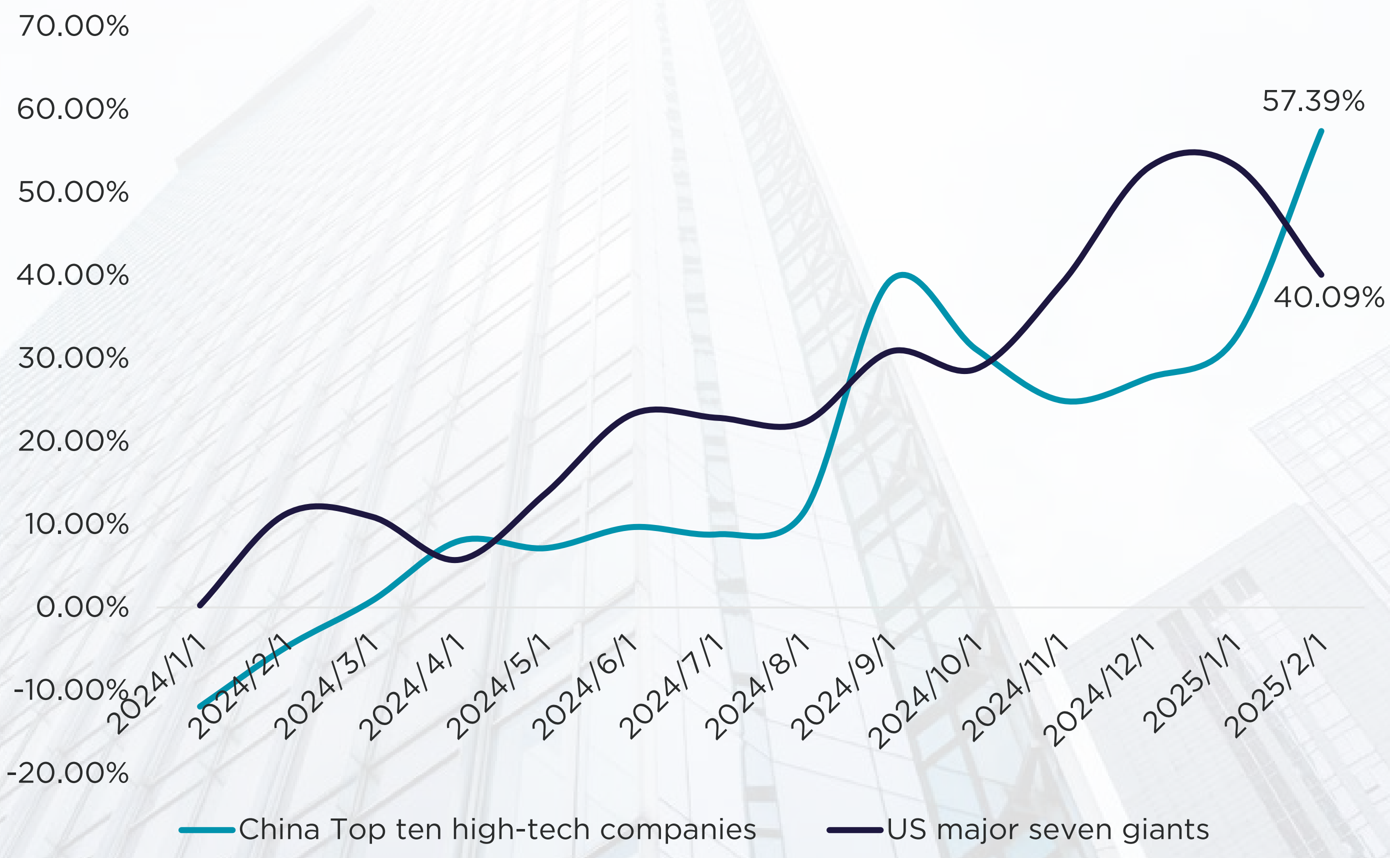
New productive forces and technological innovation will aid structural recovery in office market demand

China's economy is now at a critical point of transitioning from old to new growth drivers. The deep adjustment in the real estate industry provides an opportunity for the country to move away from traditional economic growth models. In turn, the development of new productive forces, driven by innovation rather than heavy resource inputs and high energy consumption, offers a more efficient, green, and sustainable growth path for the nation's future economy.

The government work report emphasizes the continued development of emerging industries such as commercial aerospace and the low-altitude economy, as well as the cultivation of future industries including biomanufacturing, quantum technology, AI, and 6G technology. The value of the low-altitude economy, for example, is forecast to reach RMB850 billion (US$118 billion) in 2025, with an average annual growth rate of more than 30%.

China's high-tech industry has also begun to play a leading role on the global stage, with investors now re-examining the value of Chinese technology companies. In the capital market, starting from the end of 2024, the performance of China's top ten technology companies has been notable. As at the end of February 2025, the stock price of China's top ten technology companies has grown by 57.39% from the end of 2023.

Figure 2: Stock price growth trends of China's top ten technology companies and the seven United States technology giants (base as at the end of 2023).

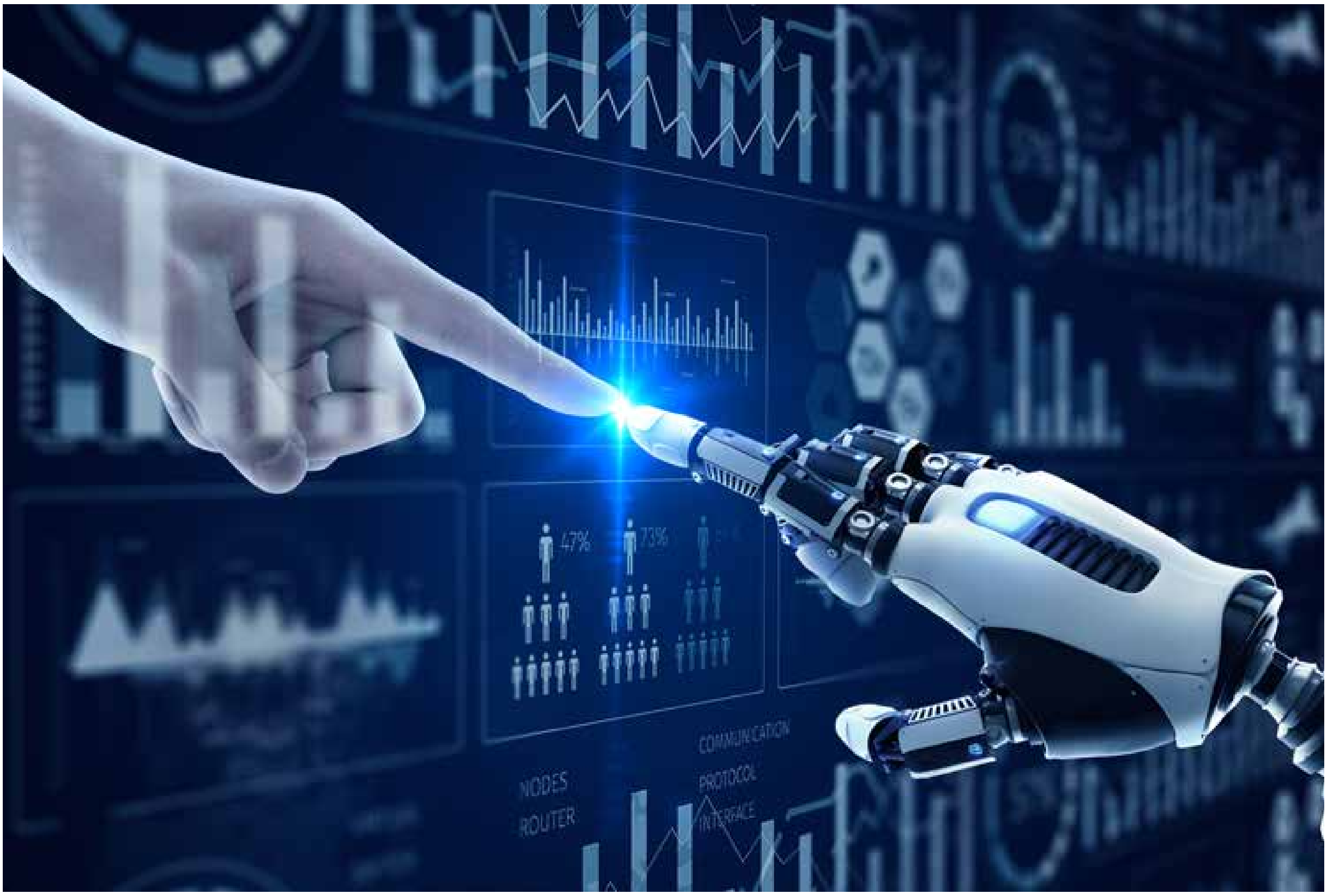


Source: Eastmoney.com / Cushman & Wakefield Research

China's top 10 technology companies: Alibaba, Tencent, Meituan, Xiaomi, BYD, JD.com, NetEase, Baidu, Geely, SMIC
The United States' top 7 technology companies: Apple, Microsoft, Alphabet, Tesla, Meta, Nvidia, Amazon

Over the past two years, downward economic pressures have led to a drop in office leasing demand across the Chinese mainland. Office rents have fallen, and vacancy rates have risen, in many cities. Cushman & Wakefield anticipates that the central government's renewed efforts to promote development of the "platform economy" can effectively drive new employment and expand consumption. In turn, this will support growth in demand for office premises and industrial park facilities. In addition, in May 2024, the State Financial Supervision and Administration Bureau issued the *Guidance on Banking and Insurance Industries Doing a Good Job in the Five Financial Tasks*, which emphasized strengthening financial support for major national technological goals as well as for small and medium-sized technology enterprises.

We now expect that office space demand in the Chinese mainland through 2025 will grow compared to 2024, with office rental levels in some cities bottoming out and stabilizing in the second half of the year. Additionally, looking ahead, an anticipated expansion of the Chinese mainland REIT market to encompass office building assets within real estate-backed REITs will release huge potential in the commercial real estate market, and especially so when coupled with sustained development in emerging and future industries.



Expanding higher standard opening up and stabilizing foreign trade and investment

"Regardless of changes in the external environment, we should remain steadfast in our commitment to opening up. We should steadily expand institutional opening up and take the initiative to open wider and advance unilateral opening up in a well-ordered way so as to promote reform and development through greater openness"

COMMITMENTS

Work for stable development of foreign trade	Strive for solid progress in pursuing high quality Belt and Road cooperation
Vigorously encourage foreign investment	Deepen multilateral, bilateral, and regional economic cooperation

IMPACTS

Further encouraging foreign investment will lift en-bloc property market activity

The government work report reiterates the need to promote orderly opening up in the internet and cultural sectors, expand opening up pilots in telecommunications, healthcare, and education; encourage foreign investors to increase reinvestment, and support participation in upstream and downstream industrial chain collaboration.

Data from the Ministry of Industry and Information Technology reveals that, as at the close of 2024, 2,343 foreign enterprises had been approved to operate telecommunications businesses in China. The National Development and Reform Commission is also preparing the 2025 edition of the *Catalogue of Encouraged Industries for Foreign Investment*, which will focus on adding entries in the fields of advanced manufacturing, modern services, high-technology, and energy conservation and environmental protection.

The Chinese mainland's vast population and market potential continue to attract multinational companies. For example, the 2025 *China Business Environment Survey Report* from the American Chamber of Commerce in China shows that nearly 70% of consumer industry respondents expect to increase their investment in China in 2025. As well, the German Chamber of Commerce in China's report indicates that 92% of surveyed companies plan to continue operations in China, with over half planning to expand investment in the next two years. Cushman & Wakefield believes that these and other data points reflect multinational companies' general willingness and confidence in continuing to invest in and to deepen their presence in China.

Effectively preventing and defusing risks in key areas and ensuring that no systemic risks arise

"To ensure both development and security, we will continue to defuse risks step by step in the course of pursuing development and work for positive interactions between high quality development and greater security."

COMMITMENTS

Make continued efforts to stem the downturn and restore stability in the real estate market

Take prudent steps to defuse local government debt risks

Guard against financial risks

IMPACTS

Special-purpose bonds issuance will accelerate real estate market stabilization and reactivation of existing assets

The 2025 government work report includes “ensure stability in the real estate market and the stock market” in the overall requirements and policy orientations for economic and social development. The detailed discussion on the real estate sector remains under the major task of “Effectively preventing and defusing risks in key areas and ensuring that no systemic risks arise.” Key action points regarding real estate include continuing efforts to stabilize the property market, adjusting restrictive measures according to local conditions, accelerating the renovation of urban villages and older housing, and fully releasing potential demand for first homes and improved housing.

The work report sets the allocation of local government special-purpose bonds at RMB4.4 trillion (US$611.1 billion), a rise of RMB500 billion (US$69.4 billion) on last year. The funds raised from these special-purpose bonds are to be used for investment construction, land acquisitions and reserves, and the acquisition of existing unsold housing, as well as in resolving local government arrears situations. This policy signals a significant expansion in fiscal expenditure. Local governments’ use of special bond funds to acquire developer land and completed projects is seen as key to restoring normalcy in the real estate market.

Guangdong Province has taken the lead in the bond project, issuing RMB30.7 billion (US$4.26 billion) in land reserve special bonds to repurchase idle land. As at February 22, 2025, the first batch of projects planned for idle land recovery exceeded 220 sites, with a total planned reserve price of more than RMB43 billion (US$5.97 billion). The model may be promoted nationwide. This will help to revitalize inefficient land use, effectively alleviate the financial pressure of real estate companies, reduce market supply, and stabilize housing market prices. Additionally, the repurposing of reserved land can be optimized for urban land use.

As the central government allocates increasingly greater attention to the commercial office market, developers are expected to renew their efforts to revitalize and complete unfinished office buildings, together with older and less efficient office properties constructed in non-core areas. These measures are expected to partially ease supply pressures in the commercial office market.

Making coordinated efforts to cut carbon emissions, reduce pollution, pursue green development, and boost economic growth and accelerating the green transition in all areas of economic and social development

"We will further deepen structural reform in ecological conservation and coordinate initiatives for industrial restructuring, pollution control, ecological conservation, and climate change response. We will continue to prioritize ecological protection, conserve resources and use them efficiently, and pursue green and low carbon development."

COMMITMENTS

Enhance pollution prevention and control and ecological conservation	Accelerate development of the green and low carbon economy	Actively and prudently work toward peaking carbon emissions and achieving carbon neutrality

IMPACTS

Accelerating the green transformation in China brings ESG to the center of property asset value

China's economy has progressively shifted from a model of high-speed growth to one of high-quality development. Through supply-side reforms and related measures, the industrial structure is transitioning from one generating high consumption and emissions with low technological content, to one exhibiting lower consumption and emissions with higher technological content and profitability.

Data from the China National Bureau of Statistics for 2024 reveals that the nation's carbon dioxide emissions per RMB10,000 (US$1,380) of GDP fell by 3.4% year-on-year. The 2025 government work report outlines a blueprint for China's high-quality development, providing a clear development path for corporate ESG practices and innovation. Against this backdrop of low-carbon transformation, adopting ESG concepts to become part of core competitiveness for corporations is a strategic choice to further promote sustainable and high-quality development.

CONCLUSION

The 2025 *Report on the Work of the Government* focuses its development strategies on the long-term transformation of China's national economy, rather than short-term risk responses. The policy directions and commitments emanating from the "Two Sessions" meeting are high-level macro targets, from which the relevant bureaus and arms of government will initiate and implement specific economic and consumption stimulus measures.

In the light of uncertainties in the external environment, the central government has expanded fiscal and monetary support to promote stable economic growth, through measures including expanding domestic demand, fostering new growth drivers through innovation, revitalizing existing assets, managing liabilities, and adjusting debt. And within the target of adopting a more proactive fiscal policy, the report emphasizes that funds are to be allocated quickly to local governments to expediate actual expenditure. We can expect this measure to speed up the resolution of local government arrears situations, alleviating corporate financial pressures and improving business operations.

Over the past few years, the economic downturn has posed challenges to commercial real estate sectors, but challenges also give rise to opportunities. We expect that the "dual engines" of greater consumption combined with scientific and technological innovation will be the drivers in a sustained economic and real estate market recovery. The role of local government special-purpose bonds in land acquisitions and reserves, and the acquisition of existing unsold housing, will be an important factor in guiding the market's future trajectory. For the coming period we see cause for renewed positivity across property market areas. The retail sector will continue to benefit directly from sustained government measures to boost domestic consumption, while office and industrial park demand is set to gradually stabilize. And at a strategic level, asset revitalization and comprehensive management capabilities will come to the fore and can be the key to overcoming cyclical challenges.

RESEARCH CONTACTS

Shaun Brodie
East China
shaun.fv.brodie@cushwake.com

Xiaoduan Zhang
South and Central China
xiaoduan.zhang@cushwake.com

Ivy Jia
West China
ivy.jia@cushwake.com

Rosanna Tang
Hong Kong
rosanna.tang@cushwake.com

Eason Lee
Taiwan
eason.ih.lee@cushwake.com

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This summary report was compiled and written by Simon Graham, Senior Communications Manager, Business Development Services, Greater China, from an original Chinese language research report authored by Sabrina Wei, Chief Policy Analyst and Head of North China Research Team.

To better serve our clients our Greater China Research Team has established Centers of Excellence in various focus areas such as Capital Markets, Industrial, Logistics and Retail. Sabrina also leads the Research Centre of Excellence for Government Policy. If you have any queries related to North China or Government Policies, please contact:

Sabrina Wei
Chief Policy Analyst
Head of Research, North China
sabrina.d.wei@cushwake.com

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