

**CHINA'S TWO SESSIONS 2022**  
**INTERPRETATION**  
**OF REAL ESTATE**  
**POLICIES**

**IN THE 2022**  
**CHINA GOVERNMENT**  
**WORK REPORT**

March 2022

# INTRODUCTION

China's "Two Sessions" gathering for 2022 commenced on March 5, with the Chinese People's Political Consultative Conference (CPPCC) and the National People's Congress (NPC) meetings marking the second year of the 14th Five-Year Plan (FYP) period.

The government work report, delivered by Premier Li Keqiang, reviewed the government's development goals and tasks in 2021, highlighting the advancement of economic and social development in the country, and detailed the major tasks for 2022, including a GDP growth target.

The work report reiterates the importance of expanding domestic demand and boosting consumption, while also highlighting development of the digital economy, and emphasizing a commitment to take orderly steps towards carbon peaking and carbon neutrality objectives. It also again pays direct attention to the real estate market, upholding the guiding principle that housing is for living in, and not for speculation.

We anticipate that the actions stemming from the objectives stated in the report will have benefits for China's real estate market. In this update we interpret the work report's key messages impacting China's real estate market, with translated excerpts from the full text of Premier Li's speech as published in the *Report on the Work of the Government*.

# REAL ESTATE MARKET KEYWORDS

## FROM CHINA GOVERNMENT WORK REPORTS 2021-2022

### 2020

- Continue to grow GDP
- Promote the recovery of consumption
- Expand effective investment
- Support growth of emerging industries
- Strengthen the development of new urbanization
- Advocate higher-quality opening-up

### 2021

- Strengthen science and technology sectors
- Expand domestic consumption demand and deepen supply-side reform
- Advance new urbanization, expand city clusters and metropolitan areas
- Develop new and digital economy business areas such as cross-border e-commerce
- Grow the supply of subsidized accommodation available for lease and housing with common property rights, and develop the long-term property leasing market

### 2022

- Set clear goals for economic growth
- Further expand domestic demand
- Promote the development of the digital economy
- Housing is for living in, not speculation, and exploring new models of real estate industry development
- Promote carbon peaking and carbon neutral objectives in an orderly manner

# KEY TAKEAWAYS

## Key Insights for the China Real Estate Market

- ① The clear target set for economic growth will promote stable and steady development of the national economy
- ① Expansion of domestic consumption and expansion of effective investment will work hand-in-hand to support stable overall economic development, with specific growth opportunities in the retail, cold chain logistics, and industrial park real estate sectors
- ① Development of the digital economy will positively drive demand for data center facilities and office buildings
- ① Reiteration of the principle that housing is for living in, and not for speculation, confirms support for exploration of new development models in the real estate industry, with growth in the long-term rental apartment and affordable rental housing sectors expected to enter the fast lane
- ① The real estate industry must play an important role in the work towards achieving carbon peaking and carbon neutrality goals

# MAJOR TARGETS AND TASKS



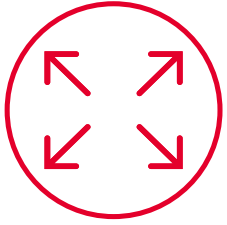
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## Set clear targets for economic growth

**GDP growth of around 5.5%, more than 11 million new urban jobs, an urban unemployment rate of no more than 5.5%, and a CPI increase of around 3%.**

In the wake of the COVID-19 pandemic, last year's government work report did not set a specific target for economic growth. But for 2022, with the impact of the pandemic now normalized and effectively controlled, the work report has set an economic growth target of approximately 5.5%. We view this as a pragmatic approach to the strategic goal of making economic progress while maintaining stability, and it is linked to the overall GDP growth target set for the 14th Five-Year Plan period.

The 5.5% target is below that of the 6.1% target set in 2019, before the pandemic, but is nevertheless on the high-end of China's medium-to-high-speed economic growth history. The 5.5% figure corresponds to economic expansion of more than RMB9 trillion. As a yardstick, this is equivalent to growth of 7.4% five years ago, and 10.5% 10 years ago. However, it is clear that the internal and external environments are even more complex this year, and hence this target is a strong indication of the government's confidence in achieving sustained economic growth.



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## Further expand domestic demand

**Resolutely implement the strategy of expanding domestic demand, promote coordinated regional development and new urbanization, smooth the national economic cycle, open up all links of production, distribution, circulation, and consumption, and enhance the driving force of domestic demand for economic growth.**

The objective of expanding domestic demand comprises two aspects: expanding consumption, and expanding effective investment.

The damaging impacts of the pandemic have ensured a slow recovery for consumption-related sectors such as tourism, catering, hospitality, and cultural activities, despite many cities introducing a range of stimulus measures over the past year.

For the period from 2020 to the end of 1H 2021, the national average growth rate of total retail sales of consumer goods was at 4.9%, much lower than the annual average of 10.5% seen from 2013 to 2019. However, consumption upside in China still holds great potential.

National Bureau of Statistics data shows that in 2021, national per capita service consumption expenditure exceeded RMB10,600, up 17.8% y-o-y. That growth rate is 4.2 percentage points higher than the national per capita overall consumption expenditure. The per capita service consumption expenditure accounts for 44.2% of household consumption expenditure. This compares to service consumption in the United States, pre-pandemic, accounting for 62% of total consumption. Hence, China's economy presents significant room for expansion in service consumption.

And the second aspect of the goal of expanding domestic demand is through effective investment. In the context of the economy facing internal challenges, and an increasingly complex external environment, the government views expansion of effective investment as the cornerstone to smooth economic development. As a result, 2022 is set to be a highlight year for infrastructure construction.

The National People's Congress plans to grant special bonds for local governments to the tune of RMB3.65 trillion this year. From the perspective of capital investment in the commercial real estate sector, the cold chain logistics infrastructure and industrial park sectors will become the focus of investment.



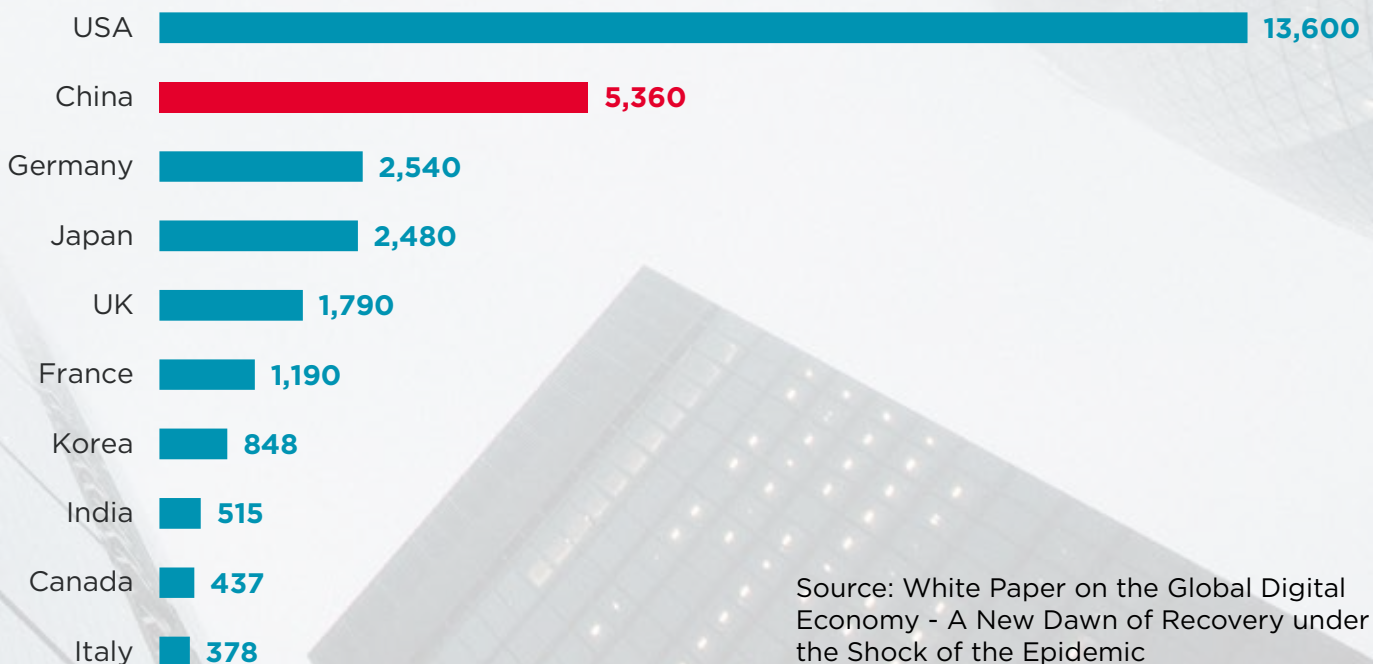
## Promote the development of the digital economy

Promote the development of the digital economy. Strengthen the overall layout of the construction of digital China. Build digital information infrastructure, promote the large-scale application of 5G, promote the digital transformation of industries, develop smart cities and digital villages. Accelerate the development of the industrial Internet, and cultivate and strengthen integrated circuits, artificial intelligence, and so forth in the digital industry.

Although the COVID-19 pandemic has greatly impacted China's overall economy in the past two years, the digital economy has maintained strong development, with the market growing from RMB2.6 trillion in 2005 to RMB39.2 trillion in 2020.

With guidance from the national science and technology innovation development policy, and ongoing transformation within industries, the digital economy has become the most dynamic growth point in China's economy. The *Notice of the 14th Five-Year Digital Economy Development Plan* issued by the State Council clarifies that the share of added value in GDP from core industries in the digital economy will rise from 7.8% in 2020 to 10% in 2025. That mandates a growth rate of 12.7% in five years.

**Figure 1:**  
**Ranking of global digital economies in 2020 (US\$ billion.)**



Source: White Paper on the Global Digital Economy - A New Dawn of Recovery under the Shock of the Epidemic

**Table 1:**  
**Main development goals of the *Notice of the 14th Five-Year Digital Economy Development Plan***

Indicator	2020	2025	Annual Growth
Proportion of added value of core industries in GDP of digital economy	7.8%	10%	12.7%
Scale of software and information technology service industry (RMB trillion)	8.16	14	14.3%
Application penetration rate of industrial Internet platform	14.7%	45%	6.06pp
National online retail sales (RMB trillion)	11.76	17	8.9%
E-commerce transaction scale (RMB trillion)	37.21	46	4.7%

The digital economy encompasses a wide range of areas, from digital information infrastructure such as 5G, to digital transformation within industries, and the development of the high-tech Internet sector and the construction of smart cities and digital villages. For commercial real estate, the rapid development of the digital economy will drive growth in demand for data center facilities and office buildings.

With the development of new network technologies

such as 5G networks, artificial intelligence, the Internet of Things, and VR/AR, data centers have become an important infrastructure component and will play a key role in the development of the digital economy. According to China's IDC forecast, the nation's data center industry is expected to reach RMB595.2 billion by 2025, up threefold from today.

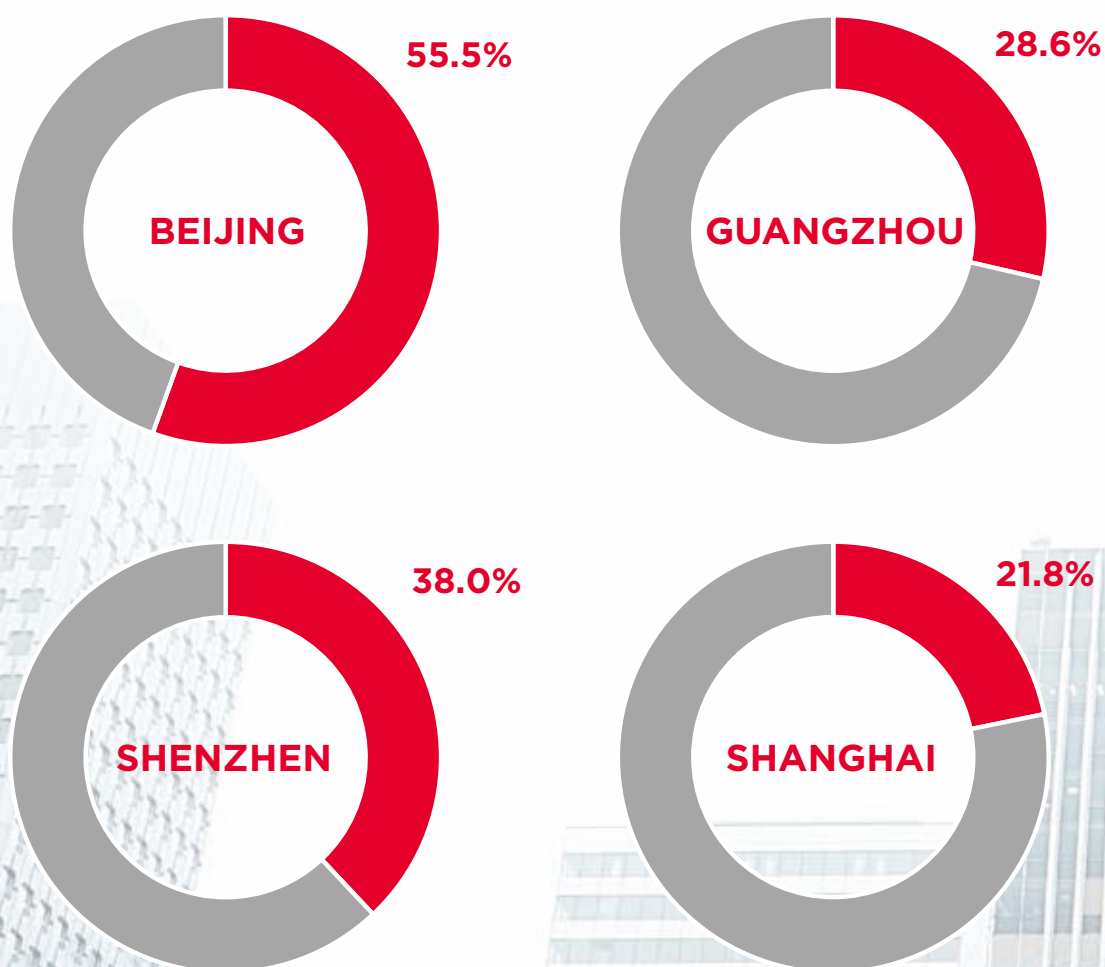
In the office property market, the TMT industry has been a key driver of demand in the past few years, specifically in first-

tier cities. In 2021, demand from the TMT industry accounted for 55.5% of total office market demand in Beijing. In Shenzhen, the figure for the TMT industry was 38%. Guangzhou followed at 28.6%, and Shanghai at 21.8%.

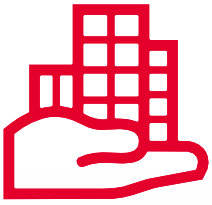
With the government's strong backing for the digital economy, we can expect the TMT industry to continue to play a key role in the office property market into the future.



**Figure 2:**  
The TMT industry's share of office space demand in the Beijing, Shanghai, Guangzhou, and Shenzhen office markets in 2021



Source: Cushman & Wakefield Research



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## **Housing is for living in, not speculation, and exploring a new model for the development of the real estate industry**

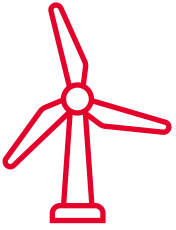
**Continue to ensure the housing needs of the masses. Adhere to the positioning that houses are for living in, not for speculation, explore new development models, insist on both renting and purchasing, accelerate the development of the long-term rental market, promote the construction of affordable housing, and support the development of the commercial housing market. To meet the reasonable housing needs of buyers, stabilize land prices, house prices, and expectations, and implement city-specific policies to promote a virtuous circle and healthy development of the real estate industry.**

The principle that "housing is for living in, not for speculation," was first introduced in the 19th NPC meeting of 2017, and has been consistently implemented since. The 2022 work report reiterates the policy in the context of the development direction of the real estate industry.

Notably, the 2022 report also highlights the need to "explore new development models of the real estate industry." In 2021, many real estate development companies experienced challenges due to debt issues brought on by a high-growth development model which is now considered unsustainable. The new development model needs to meet the needs of citizens while also promoting the industry's healthy development. In particular, reducing financial risks inherent in industry volatility has become a key concern.

The government work report proposes "simultaneous development of rental and sales," while "accelerating the development of the long-term rental market and promoting the construction of affordable housing" as the focus of this year's work. We consider that these points further illustrate the importance of supply in the future real estate industry.

Specifically, we expect to see the long-term rental apartment, and affordable rental housing, sectors to attract further policy attention from the government, and we anticipate that development in these fields will enter the fast lane.



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## **Promoting carbon peaking and carbon neutral objectives in an orderly manner**

**Continue to improve the ecological environment and promote green and low-carbon development. Promote carbon peaking and carbon neutrality in an orderly manner. Implement the carbon peaking action plan.**

China's 14th Five-Year Plan is significantly based on the concept of sustainable economic and environmental development. By promoting the adoption and use of renewable energy, the plan promotes the development of green industries and green energy, and supports decarbonization industries.

The development machinery is aimed at driving the development of green buildings and green real estate to help achieve carbon neutrality goals. And the real estate industry plays an important role in achieving carbon neutrality goals. New buildings in China are expected to account for more than half of all new buildings added in the world over the next 10 years. Consequently, the objectives of reducing energy usage and carbon emissions from buildings will certainly contribute to the realization of China's carbon peak and carbon neutrality goals. Hence, China's real estate industry will play an important role in the process of achieving carbon neutrality and carbon peaking goals.

## **CONCLUSION**

2022 will undoubtedly be a challenging year for China's sustained economic progress. Against the backdrop of a complex domestic and international situation, the government has focused its work on "doing one's own business well," and has elevated the improvement of its people's livelihoods and well-being to an unprecedented level.

The government has set a challenging but achievable goal of stabilizing economic growth via increased infrastructure investment and promoting further economic growth by developing the digital economy and expanding consumption. We expect this policy direction, combined with associated measures, to bring benefits to the development of China's commercial real estate industry. Specifically, the office building, data center, cold chain storage, industrial park, and long-term rental apartment sectors are set to be growth areas.

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This report was edited by Simon Graham, Editor, 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:



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